Wednesday, May 18, 2022

The United States (US) and United Kingdom (UK) continued to impose sanctions against Russia over the first two weeks of May, while the European Union (EU) continued its debate over another sanctions package. The US Congress also continues to debate a new $40 billion assistance package for Ukraine. The UK introduced legislation that would bring the free trade agreements with Australia and New Zealand into force later this year. The European Parliament approved its negotiating stance on the proposal for Foreign Subsidies. Meanwhile, the second US-EU Trade and Technology Council (TTC) ministerial meeting concluded on 16 May
in Paris-Saclay, France (and will be covered in the next report).

In this issue, we cover:

- Ukraine and Russia, and transatlantic responses;
- Other notable US, UK, and EU developments; and
- A brief UK-EU trade deal update.

**Ukraine-Russia | Western Allies Continued Collaboration**

On 1 May, the British Government [noted](#) that UK-funded expert research exposed how the Kremlin is using a troll factory in its disinformation campaigns. A few days later, on 4 May, the UK Government [announced](#) 63 new sanctions on many mainstream Russian media organisations. UK Foreign Secretary Liz Truss also announced a ban on services exports – including management consulting, accounting and public relations – to Russia.

UK Prime Minister Boris Johnson [addressed](#) the Ukrainian Parliament virtually on 3 May. He affirmed the UK is sending Brimstone anti-ship missiles, Stormer anti-aircraft systems, and armoured vehicles to evacuate civilians. The Prime Minister also announced a new UK package of support totalling £300 million, which includes radars to pinpoint the artillery bombardments, heavy lift drones to supply Ukrainian forces, and thousands of night vision devices.

On 5 May, the British Government [announced](#) £45 million for UN and humanitarian organisations working in Ukraine and the region, funding to support women and children, both in Ukraine and fleeing the conflict. That same day, the UK Government [sanctioned](#) Evraz plc, Russia’s steel manufacturing and mining company.

On 8 May, the US Department of the Treasury’s Office of Foreign Assets Control (OFAC) [designated](#) Russian individuals and entities, including board members of two of Russia’s banks, a Russian state-owned bank and 10 of its subsidiaries, a state-supported weapons manufacturer, and three of Russia’s state-controlled television stations. OFAC also took action to cut off access to services used by wealthy Russians to evade sanctions. OFAC identified accounting, trust and corporate formation, and management consulting as categories of services that are subject to a prohibition on the export, re-export, sale, or supply, directly or indirectly, from the United States, or by a US person, wherever located, to any person located in the Russian Federation.

That same day, the US Department of State [designated](#) three Belarusian officials, Dzmitry Paulichenka, Yury Sivakov, and Viktar Sheiman, pursuant to Section 7031(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act. Under this authority, immediate family members are also ineligible for entry to the United States, to include Viktar Sheiman’s wife, Elena Sheiman, and his adult son, Sergei Sheiman.

On 9 May, the US [announced](#) it would be temporarily suspending its Section 232
tariffs on Ukrainian steel for one year. Noting the Ukraine steel industry employs 1 in 13 Ukrainians, the US stated the suspension would create export opportunities for Ukraine's steel mills, keep Ukrainians employed, and help keep the industry viable. That same day, the UK Government separately announced a new package of sanctions on Russia and Belarus targeting £1.7 billion worth of trade.

The US Government, along with allies and partner countries, attributed Russia for engaging in harmful cyber activities against Ukraine on 10 May. The US Government also shared publicly its assessment that Russia launched cyber-attacks in late February against commercial satellite communications networks to disrupt Ukrainian command and control, adding those actions had spillover impacts in other European countries. The US Department of State released a fact sheet on the US’ efforts to support cybersecurity and connectivity in Ukraine.

In New York on 13 May, Deputy Secretary of the Treasury Wally Adeyemo met with representatives from several foreign financial institutions at the Institute of International Bankers’ (IIB) offices to discuss the sanctions imposed on Russia. Apart from encouraging financial institutions to conduct due diligence, as part of a risk-based approach to compliance, he stressed that the US Department of the Treasury is focused on stopping sanctions evasion. Meanwhile, on 13 May, the UK Government announced additional sanctions on Putin's inner circle of friends and family.

On 14 May, the Group of Seven (G7) Foreign Ministers released a statement condemning the ongoing conflict and affirming solidarity with Ukraine. They also called on Russia to withdraw immediately its forces from Ukraine’s nuclear facilities and return full control to Ukrainian authorities. The G7 Foreign Ministers also discussed the Russia-Ukraine crisis and impact to global food security; they welcomed the UN Secretary General’s initiative to convene a “Global Crisis Response Group on Food, Energy and Finance” (GCRG).

US Secretary of State Antony Blinken was in Berlin, Germany, on 14 May, to attend an informal meeting of NATO Foreign Ministers. Allies and partners discussed their unified response to Russia’s conflict with Ukraine and the upcoming Leaders’ Summit in Madrid, where Allies are set to adopt a new NATO Strategic Concept to guide the Alliance’s work over the next decade.

Over the past two weeks, EU Member States have been negotiating the sixth package of sanctions on Russia, without reaching an agreement on the content of the package yet. In early May, European Commission (EC) President Ursula von der Leyen announced the next iteration of sanctions before the European Parliament plenary. Based on her announcement, the new sanctions package is due to include additional sanctioned individuals from Russia’s military, the removal of Sberbank (the largest Russian bank) from the SWIFT payment system, and the banning of three additional Russia state-owned broadcasters. The contentious element in the sanctions package debate has been the proposed ban on Russian oil, especially given the existing dependency of some Member States. According to latest reports on the talks, some countries that rely more heavily on Russian oil – namely Hungary, the Czech Republic, and Slovakia - would be granted an extension to the entry into effect of the ban. Hungary in particular has been reluctant to endorse the new package of sanctions, considering the heavy impact to the country. Other reports
indicate Member States may be considering shelving the ban on Russian oil for the time being, in order to expedite action on the next sanctions package. Negotiations are expected to continue into these next couple of weeks.

**US Developments**

The US Senate continues to debate the $40 billion assistance package for Ukraine, after the US House of Representatives approved the measure by a vote of 368 to 57 on 10 May. Reports indicate some Senate Republicans are questioning the price tag on the foreign assistance package instead of funneling money toward addressing domestic concerns, such as the domestic baby formula shortage and increased migration at the U.S. southwest border.

On 9 May, the foreign ministers of Cyprus, Greece, Israel and the United States held a virtual to reaffirm shared commitments to promoting peace, stability, and prosperity in the Eastern Mediterranean. A readout of the meeting reflected they would “intensify their cooperation in the areas of energy, economy, climate action, emergency preparedness, and counterterrorism, contributing to resilience, energy security, and interconnectivity in the region.”

US Secretary of Commerce Gina Raimondo and Malaysia Senior Minister for International Trade and Industry Mohamed Azmin Ali met on 10 May and signed the US-Malaysia Memorandum of Cooperation (MOC) on Semiconductor Supply Chain Resilience. According to a Commerce Department press release,

"The MOC aims to provide guiding principles for both nations as they collaborate on strengthening semiconductor supply chain resiliency efforts.” They also discussed the Indo-Pacific Economic Framework and its potential for delivering technical assistance and capacity building to the region."

On 13 May, the US Treasury Department issued the 2022 National Strategy for Combatting Terrorist and Other Illicit Financing, which identifies measures to increase transparency in the US financial system and strengthen American anti-money laundering/counter the financing of terrorism (AML/CFT) framework. Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes Elizabeth Rosenberg said of the Strategy:

"Illicit finance is a major national security threat and nowhere is that more apparent than in Russia’s war against Ukraine, supported by decades of corruption by Russian elites. We need to close loopholes, work efficiently with international partners, and leverage new technologies to tackle the risks posed by corruption, an increase in domestic violent extremism, and the abuse of virtual assets. Strengthening safeguards against money laundering and terrorist financing here in the U.S. will keep the international financial system strong.”

Last week, US President Joe Biden hosted a special US-ASEAN (Association of Southeast Nations) Summit in Washington. A White House fact sheet focused on the deepening US relationship with ASEAN countries, which includes commercial and trade ties. The Biden Administration has also prioritized accelerating climate
action and sustainable development, expanding maritime cooperation, and promoting global health and health security, among other things. US Trade Representative Katherine Tai will travel to Bangkok, Thailand, from 19-22 May for the 2022 Asia-Pacific Economic Cooperation (APEC) Ministers Responsible for Trade Meeting.

US Secretary of the Treasury Janet Yellen is representing the United States at the G7 Finance Ministers and Central Bank Governors Meeting in Bonn, Germany, later this week. Prior to this meeting, Secretary Yellen will visit Poland and Belgium, where she is reinforcing the US commitment to multilateralism, advancing American policy priorities on an inclusive economic recovery, and discussing the economic pressure campaign against Russia.

**UK Developments**

On 4 May, UK Prime Minister Boris Johnson appointed Greg Clark MP as new Trade Envoy to Japan to reinforce the strong UK-Japan trading relationship. Trade Envoys are parliamentarians appointed by the Prime Minister, drawn from both Houses and across the political sphere.

On 6 May 2022, India and the UK concluded the third round of talks for an India-UK Free Trade Agreement (FTA). The fourth round of negotiations is due to be hosted by the UK in June 2022.

The British Government announced a £1 million package on 7 May to boost seafood exports and promote the industry’s high-quality produce overseas. The package will target growing overseas markets and provide new export opportunities for the UK fishing industry and seafood sector, post-Brexit.

On 11 May, the British Government announced that Northern Ireland bus manufacturer Wrightbus had secured a major deal with Australia's largest bus manufacturer, Volgren. Wrightbus has partnered with Volgren to provide its hydrogen fuel cell technology for the manufacture of two bus models that will be the first of their kind built in Australia. The Government also introduced a bill that week to bring the free trade agreements with Australia and New Zealand into force later this year.

On 13 May, Prime Minister Johnson welcomed Norway’s Prime Minister Jonas Støre to Downing Street. The leaders signed a joint declaration to promote a bilateral strategic cooperation in the following priority areas: security and defence; global challenges; energy, economic and investments; climate change and environmental issues; culture and education; and strategic dialogue and institutional exchanges.

**EU Developments**

The EU-Japan Summit convened on 12 May, where EU and Japanese leaders affirmed their close collaboration on a number of fronts in a joint statement, going beyond the EU-Japan Economic Partnership Agreement and Strategic Partnership Agreement in place. Notably, the statement reflected the willingness to “deepen our exchanges on China, notably with regard to political, economic and security dynamics,” as well
as to “seek close coordination between the EU, Japan and the US on global and regional issues.” Further collaboration with respect to the Indo-Pacific remains a priority, along with cooperation on issues with respect to the Western Balkans, Eastern Partnership countries, and Africa. Japan and the EU are exploring opportunities to cooperate further on transportation, energy, and digital sectors, and supply chains.

On 4 May, the European Parliament approved its negotiating stance on the proposal for Foreign Subsidies, before the plenary proposing to lower the thresholds above which companies would be obliged to inform the EC about their foreign subsidies investigating subsidies proposed and to extend the scope. That same day, the Council also endorsed its negotiating stance, proposing to shorten the period from 10 to five years in which the EC can investigate subsidies. The formal endorsement opened the way for the inter-institutional negotiations with the Council of the EU and the EC, with the first meeting held on 5 May. Co-legislators aim to reach an agreement on the defence tool by the end of June, right before the end of the French Presidency.

Meanwhile, negotiations at the World Trade Organization (WTO) over a possible TRIPS waiver for the coronavirus vaccine took place over the past few weeks, with a new compromise tabled recently. Despite high expectations for smooth negotiations after the announced compromise, it appears concluding the negotiations remains elusive.

**UK-EU Trade Deal Update**

The first two weeks of May had increased media speculation that the British Government may be planning to introduce legislation that would in essence write off parts of the Northern Ireland (NI) Protocol previously negotiated with the EU and without consent from the European bloc. The move saw a number of reactions from the EU side, with EC Vice President Maroš Šefčovič urging the British Government to dial down such rhetoric and follow the principles of what the UK has signed as part of their negotiation. Speaking at the first EU-UK Parliamentary Assembly, Šefčovič stressed,

"The Protocol on Ireland/Northern Ireland is the only solution that ‘squares the circle’ between Brexit - at least the form of Brexit chosen by the UK - and the situation on the Island of Ireland. This solution was agreed with the UK government. Its implementation is a priority and precondition for a constructive bilateral relationship."

There are fears that unilateral action by the UK to change the post-Brexit trading arrangement for NI could undermine the peace process, especially amid a political crisis that erupted after the 5 May 2022 NI Assembly elections. The elections led to a notable change of power, with a historic win for the Sinn Féin party, which won 27 seats and thereby obtained the majority of the Assembly; consequently leaving the Democratic Unionist Party (DUP) in second place, with 27 seats out of the total of 90 seats. This change of power could have implications on the implementation of the NI Protocol, considering the stalemate on the current negotiations has increased tension between the political parties and given speculation that the British
Government could be considering changes to the NI Protocol. On 13 May, the DUP blocked the election of a Speaker to the new Assembly, without which, the Assembly cannot function. Amid the crisis over the power shift, UK Prime Minister Johnson is in NI this week (15 May) to discuss with the political parties.

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