September 1, 2020

Andrea M. Gacki
Director
Office of Foreign Assets Control
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Director Gacki:

On behalf of the undersigned organizations, we are writing to ask for an extension of the time period envisioned by Global Magnitsky General License No. 2, Authorizing Certain Wind Down and Divestment Transactions and Activities Related to Blocked Subsidiaries of the Xinjiang Production and Construction Corps (XPCC). General License No. 2 expires at 12:01AM Eastern on September 30, 2020. We ask OFAC to extend the duration of this General License for an additional three-month period, so that it expires at 12:01AM Eastern on January 1, 2021.

Since July 31, 2020 when OFAC added the XPCC to its list of Specially Designated Nationals and Blocked Persons, we have undertaken a number of efforts to educate our industries about the wide ramifications of this action. Our members have moved aggressively to comply, but in the weeks since the OFAC announcement was made, it has become clear that the wind down process could take longer than the two months envisioned.

More specifically, we believe an additional three months are warranted to give U.S. companies sufficient time to undertake and complete the necessary due diligence associated with an entity whose subsidiary structure is as extensive and as complicated as XPCC. Initial efforts by our partners and members indicate that XPCC may have tens of thousands of "50% or more directly and indirectly controlled" subsidiaries. Numerous press reports confirm this. For example, an article in the *South China Morning Post* last week suggests that this "could be the biggest case in the history of the Office of Foreign Assets Control," noting that XPCC "has stakes in more than 800,000 companies and groups in 147 countries." [1] A recent *Washington Post* article noted that "it will be a challenge to simply map out the thousands of companies in which XPCC holds a stake," adding that "the company is tight-lipped about much of its business."[2]

In addition to the scope and opaqueness of XPCC's operations, the production calendar — which extends far beyond the two-month period allocated — also presents challenges. Identifying and then unwinding from a potential XPCC subsidiary is only part of the challenge. New business relationships must be developed to replace any XPCC subsidiaries. These new business partners must be fully vetted and integrated into supply chains to make sure they can support our members' operations without creating new compliance risks. Failure to do this correctly can be extremely disruptive to the businesses and recovery in a fragile time, threatening American jobs and the competitiveness of U.S. companies.

Further, these new sanctions are also coming at a time when our industries and members are reeling from some of the most existential economic challenges they have ever faced. The COVID-19 pandemic — and

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[1] Lew, Linda, *Xinjiang's sprawling conglomerate could be biggest ever to face US sanctions,* South China Morning Post (Aug. 24 2020), *available at* https://www.scmp.com/news/china/diplomacy/article/3098490/xinjiangs-sprawling-conglomerate-may-be-biggest-ever-face-us.

[2] Dou, Eva, *Sanctions on China's top cotton supplier weave a tangled web for fashion brands*, The Washington Post (Aug. 22, 2020), *available at* https://www.washingtonpost.com/world/asia_pacific/sanctions-china-cotton-xinjiang-uighurs-fashion/2020/08/20/188ec374-dd48-11ea-b4f1-25b762cdbbf4_story.html.

accompanying economic recession —has strained resources, personnel, and capacities in companies of all sizes. The uncertainty we are facing over the coming months only adds to these challenges. The initial two-month window for the General License would be tough under any circumstances but becomes much more difficult given the other hurdles these companies are also navigating.

Finally, we request a rapid response from OFAC with respect to this request so that, if needed, we can instruct individual companies to consider seeking specific licenses themselves in a timely fashion. The challenge with guiding companies to pursue specific license requests in this particular situation is that it assumes U.S. persons will be in a position prior to September 30 to know if such a license is needed. As noted above, identifying potential transactions with XPCC majority-owned subsidiaries is proving to be extremely difficult for many conscientious U.S. companies given the scope and nature of XPCC's corporate ownership chain.

As organizations that represent thousands of trusted traders who support millions of American jobs, we urge OFAC to extend the General License for these additional months to provide our members the time to ensure compliance with these new sanctions.

Thank you for your swift attention to this urgent request.

Sincerely,

Accessories Council
American Apparel & Footwear Association
American Association of Exporters and Importers
Footwear Distributors & Retailers of America
National Retail Federation
North American Association of Uniform Manufacturers and Distributors
National Foreign Trade Council
Retail Industry Leaders Association
Travel Goods Association
United States Council for International Business
U.S. Fashion Industry Association