

§ 537.402

any regulation, ruling, order, instruction, direction, or license issued pursuant to this part shall be deemed to refer to the same as currently amended.

§ 537.402 Effect of amendment.

Any amendment, modification, or revocation of any section of this part or of any order, regulation, ruling, instruction, or license issued by or under the direction of the Director of the Office of Foreign Assets Control shall not, unless otherwise specifically provided, be deemed to affect any act done or omitted to be done, or any civil or criminal suit or proceeding commenced or pending prior to such amendment, modification, or revocation. All penalties, forfeitures, and liabilities under any such order, regulation, ruling, instruction, or license shall continue and may be enforced as if such amendment, modification, or revocation had not been made.

§ 537.403 Economic development of resources located in Burma.

The term *economic development of resources located in Burma* refers to activities pursuant to a contract the subject of which includes responsibility for the development or exploitation of resources located in Burma, including making or attempting to make those resources accessible or available for exploitation or economic use. Examples include contracts conferring rights to explore for, develop, extract, or refine petroleum, natural gas, or minerals in the ground in Burma; contracts to take over a mining operation in Burma; acquire a forest or agricultural area and exploit the timber or other crops; or acquire land and construct and run a hotel or factory on it. The term *economic development of resources located in Burma* is defined in § 537.301 specifically to exclude contracts for not-for-profit educational, health or other humanitarian programs or activities. See also § 537.204 for the exception that applies to the entry into, performance of, or financing of a contract to sell or purchase goods, services or technology.

31 CFR Ch. V (7-1-03 Edition)

§ 537.404 Purchase of shares in economic development projects in Burma.

The purchase of shares, including an equity interest, in the economic development of resources located in Burma, is prohibited when those shares are purchased after the effective date directly or indirectly from the Government of Burma or a nongovernmental entity in Burma, unless purchased pursuant to an agreement entered into prior to May 21, 1997. U.S. persons may purchase debt instruments issued by the Government of Burma or a nongovernmental entity in Burma, directly or indirectly, provided that such instruments are not convertible into equity, and do not provide for participation, including as collateral or security, in royalties, earnings, or profits in the economic development of resources located in Burma.

§ 537.405 Investments in entities involved in economic development projects in Burma.

(a) The purchase of shares in a third-country company that is engaged in the economic development of resources located in Burma is prohibited by § 537.201 where the company's profits are predominantly derived from the company's economic development of resources located in Burma.

(b) If a U.S. person holds shares in an entity which subsequently engages exclusively or predominantly in the economic development of resources located in Burma or subsequently derives its income exclusively or predominantly from such economic development, the United States person is not required to relinquish its shares, but may not purchase additional shares. Divestment of the shares in such an entity to a foreign person — constituting the facilitation of that foreign person's investment in Burma — is authorized under general license pursuant to § 537.504.

§ 537.406 General supervision and guarantee.

Section 537.201 prohibits the entry by a U.S. person into a contract providing for the general supervision and guarantee of another person's performance

of a contract that includes the economic development of resources located in Burma, if the U.S. person's contract is entered into on or after the effective date, unless undertaken pursuant to, or in exercise of rights under, a pre-effective date agreement. For the purposes of § 537.201, only the entry into contracts for supervision and guarantee at the top level of project management, such as entry into a contract with a development project's sponsor or owner to become a prime contractor or general manager for a development project, will be considered new investment in Burma. By contrast, subcontracts to provide goods, services, or technology to a prime contractor or general manager of a development project are exempt from the prohibitions of this part pursuant to § 537.204 unless:

(a) The functional scope of the subcontractor's obligations is substantially similar to that of a prime contractor's or general manager's obligations; or

(b) The consideration for such subcontracts includes a share of ownership in, or participation in the royalties, earnings or profits of, the economic development of resources located in Burma.

§ 537.407 Activities under pre-May 21, 1997 agreements.

(a) Activities undertaken by a U.S. person pursuant to an agreement entered into prior to May 21, 1997, between the U.S. person and the Government of Burma or a nongovernmental entity in Burma are not prohibited new investments, as defined in § 537.308.

(b) A U.S. person who is a party to a pre-effective date agreement for the development of economic resources located in Burma may enter into subsequent agreements with foreign persons where such agreements are pursuant to, or in exercise of rights under, the pre-effective date agreement. The facilitation of foreign persons' investment in Burma under these circumstances is authorized pursuant to the general license contained in § 537.504.

(c) A U.S. person may not enter into a contract for the economic development of resources located in Burma

after May 21, 1997, if pursuant to, or in exercise of rights under, a pre-effective date agreement, unless the contractual arrangement is specifically contemplated in the pre-effective date agreement.

(d) The exercise of rights under pre-effective date agreements may include the exercise of options to extend the contract, depending on such factors as the degree of specificity with which the option to extend is described in the pre-effective date agreement, and the degree to which the party wishing to renew can enforce its decision to exercise the option.

§ 537.408 Sale or purchase of goods, services or technology.

(a) Section 537.204 exempts from any prohibition under this part the entry into, performance of, or financing of a contract to sell or purchase goods, services, or technology, except:

(1) Where the entry into a contract on or after the effective date is for the general supervision and guarantee of another person's performance of a contract for the economic development of resources located in Burma; or

(2) Where such contract provides for payment, in whole or in part, in:

(i) Shares of ownership, including an equity interest, in the economic development of resources located in Burma; or

(ii) Participation in royalties, earnings, or profits in the economic development of resources located in Burma.

(b) *Examples:* The following examples are based upon the assumption that neither § 537.204(a) nor § 537.204(b) applies.

(1) A U.S. person may market goods or services in Burma through a sales representative or sales agent, or through a U.S. person or subsidiary established and operating in Burma before May 21, 1997, or through any established foreign (including Burmese) distributorship. The U.S. person may not, however, establish and operate a new business, branch, office or showroom in Burma to market such goods or services or facilitate the establishment of a new foreign entity to do so. This would constitute the development of a commercial resource.