EIB World Trade Headlines

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The Government is SHUT Down

EIB, The Commerce Department and The State Department are affected.

The fiscal year began on Oct. 1, 2018, and Congress has passed just five out of 12 appropriations bills setting discretionary spending levels. Lawmakers had until midnight on Dec. 21, 2018, to enact legislation to fund the programs covered by the remaining seven appropriations bills, but they allowed that funding to lapse. The federal government has now partially shut down.
What is a government shutdown?

Many federal government agencies and programs rely on annual funding appropriations made by Congress. Every year, Congress must pass and the President must sign budget legislation for the next fiscal year (FY), consisting of 12 appropriations bills, one for each Appropriations subcommittee. When the federal government's fiscal year began October 1, Congress had enacted five of the 12 appropriations bills for FY 2019. Lawmakers have not yet passed full-year appropriations for the departments and agencies covered by the other seven appropriations bills.

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These programs had been running on continuing resolutions (CRs) that extend current funding levels. A partial government shutdown began after midnight on December 21, the deadline specified in the most recent CR. In a "shutdown," federal agencies must discontinue all non-essential discretionary functions until new funding legislation is passed and signed into law. Essential services continue to function, as do mandatory spending programs.

What services are affected in a shutdown and how?

Each federal agency develops its own shutdown plan, following guidance released in previous shutdowns and coordinated by the Office of Management and Budget (OMB). The plan identifies which government activities may not continue until appropriations are restored, requiring furloughs and the halting of many agency activities. However, "essential services" – many of which are related to public safety – continue to operate, with payments covering any obligations incurred only when appropriations are enacted. In prior shutdowns, border protection, in-hospital medical care, air traffic control, law enforcement, and power grid maintenance have been among the services classified as essential, while some legislative and judicial staff have also been largely protected. Mandatory spending not subject to annual appropriations, such as for Social Security, Medicare, and Medicaid, also continues. Other examples of activities that continue are those funded by permanent user fees not subject to appropriations, such as immigration services funded by visa fees.

Although many programs are exempt, the public is still likely to feel the impact of a shutdown in a number of ways. For example, in a full shutdown:

- Social Security and Medicare: Checks are sent out, but benefit verification as well as the issuance of cards would cease. While unlikely to happen again, in 1996 more than 10,000 Medicare applicants were temporarily turned away every day of the shutdown.

- Environmental and Food Inspection: In 2013, the Environmental Protection Agency halted site inspections to 1,200 different sites that included hazardous waste, drinking water, and chemical facilities. The Food and Drug Administration delayed almost 900 inspections.

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- National Parks: During the 2013 shutdown, the National Park Service turned away millions of visitors to more than 400 parks, national monuments, and other sites. The National Park Service estimated that the shutdown led to more than half a billion dollars in lost visitor spending nationwide. Many parks remained open during the one-day shutdown in 2018.

- Health and Human Services: The National Institutes of Health would be prevented from admitting new patients or processing grant applications. In 2013, states were forced to front the money for formula grant programs such as Temporary Assistance for Needy Families (cash welfare).

- Internal Revenue Service (IRS): In the event of a shutdown, the IRS, which verifies income and Social Security numbers, would again not be able to perform this service. In 2013, a backlog of 1.2 million such requests potentially delayed mortgage and other loan approvals. Billions of dollars of tax refunds were also delayed.

Rebuking Trump, over 130 House Republicans challenge plans to lift sanctions against Putin ally

By Jeanne Whalen and
Karoun Demirjian January 17 at 4:53 PM

In a rebuke to the Trump administration, 136 Republicans joined House Democrats Thursday to oppose a Treasury Department plan to lift sanctions against companies controlled by an ally of Russian President Vladimir Putin.

The overwhelming 362 to 53 vote will not prevent the Trump administration from easing sanctions on three companies connected to Oleg Deripaska, a Russian oligarch with ties to former Trump campaign chairman Paul Manafort, as Senate Republicans narrowly blocked a similar measure on Wednesday.

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But the House vote does mean that a majority of Republicans on Capitol Hill oppose President Trump's efforts to soften punitive measures on a Russian oligarch — a rejection with potential implications for the administration's continued stance on Russia, and for the GOP lawmakers who backed the plan to ease the sanctions.

Treasury last month said it intended to lift sanctions the U.S. imposed last year against Deripaska's companies, including a major aluminum producer, while keeping sanctions intact against Deripaska himself. The company sanctions initially caused havoc with global aluminum prices, prompting European allies to complain.

Treasury said it was prepared to lift the company sanctions because Deripaska agreed to reduce his ownership below 50 percent. His reduced stake would protect the companies "from the controlling influence of a Kremlin insider," Treasury said, adding that the companies had been sanctioned "solely because they were majority-owned or controlled by Deripaska."

Under a rules change Congress passed in 2017, lawmakers have a 30-day window to block any relaxation of Russia-related sanctions proposed by the Treasury Department. That window closes Friday. Treasury officials didn't immediately respond to requests for comment Thursday.

Critics and supporters of the sanctions decision have been scrambling to win votes in Congress, particularly in the last week. Leading House Democrats insisted that Treasury Secretary Steven Mnuchin brief them on the Treasury Department's plans, which he did last Thursday in a classified setting.

House Democrats emerged from the briefing complaining that it was insufficient, while Mnuchin has since been trying to shore up support among Republicans to keep Treasury's plans intact.

Former senator David Vitter (R-La.) has also been lobbying on behalf of the Deripaska-controlled En+ Group, a holding company that controls the aluminum producer Rusal. Mnuchin was seen last week in Senate Majority Leader Mitch McConnell's (R-Ky.) office waiting for a meeting, just days before the measure objecting to lifting the sanctions came to the floor.

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The measure fell just a few votes shy of the 60 needed to advance it to a final vote in the Senate, even after attracting the support of eleven Republican senators including Marco Rubio of Florida, Josh Hawley of Missouri and Ben Sasse of Nebraska.

"With the threat that Russia poses to the United States, to our friends and allies, to democracy around the world, Congress cannot just look the other way when the Administration rushes a decision like this. There are too many open questions about whether Deripaska will still control the companies that these sanctions address," Rep. Eliot L. Engel (D-N.Y.), chairman of the House Committee on Foreign Affairs, said on the House floor Thursday.

House Majority Leader Steny H. Hoyer (D-Md.) sent a letter to Mnuchin renewing the request to delay the easing of the sanctions, in light of the votes in the House and the Senate.

Washington's sanctions on Rusal and En+ Group clobbered Deripaska financially, sinking the market value of his publicly traded companies. Rusal shares have rebounded somewhat on the Hong Kong Stock Exchange since Treasury announced it would lift the sanctions, rising about 18 percent in a boost for Deripaska. But the stock is still down about 65 percent from its pre-sanction levels.

The U.S. sanctioned Deripaska and his companies in April 2018, among a group of Russian elites the U.S. said had furthered "the Kremlin's global malign activities, including its attempts to subvert Western democracy."

In announcing those sanctions, Treasury also noted that Deripaska had been investigated for money laundering and accused of "threatening the lives of business rivals" and having ties to organized crime.

Deripaska has denied those allegations in the past. He and his companies did not respond to requests for comment.

FORMER FLORIDA CEO PLEADS GUILTY TO EXPORT VIOLATIONS AND AGREES TO PAY RECORD $17 MILLION TO DEPARTMENT OF COMMERCE

WASHINGTON, DC – Eric Baird, the former owner and Chief Executive Officer (CEO) of a Florida-based package consolidation and shipping service, has pleaded guilty to one count of felony smuggling and admitted to 166 administrative violations of U.S. export control laws as part of a global settlement with the U.S. Department of Justice (DOJ) and the U.S. Department of Commerce's Bureau of Industry and Security (BIS).

On December 12, 2018, Baird's criminal plea was accepted by a federal judge in the U.S. District Court for the Middle District of Florida, and BIS issued an Order outlining the administrative violations and imposing civil penalties of $17 million, with $7 million suspended, and a 5-year denial of export privileges, of which one year is suspended. The civil penalty is the largest to be paid by an individual in BIS history. In February 2017, Access USA settled with BIS and agreed to an administrative civil penalty of $27 million, with $17 million suspended.

As part of the administrative settlement, Baird admitted to violations of the Export Administration Regulations committed from August 1, 2011, through January 7, 2013, during his tenure as CEO of Access USA Shipping, LLC d/b/a MyUS.com ("Access USA"). Baird founded Access USA and developed its business model, which provided foreign customers with a U.S. address that they used to acquire U.S.-origin items for export without alerting U.S. merchants of the items' intended destinations. Under Baird's direction, Access USA developed practices and policies which facilitated concealment from U.S. merchants. Access USA would regularly change the values and descriptions of items on export documentation even where it knew the accurate value and nature of the items. Among the altered descriptions were some for controlled items listed on the Commerce Control List (CCL). For example, laser sights for firearms were described as "tools and hardware," and rifle scopes were described as "sporting goods" or "tools, hand tools."

Additionally, Baird established and/or authorized Access USA's "personal shopper" program. As part of this program, Access USA employees purchased items for foreign customers from a shopping list while falsely presenting themselves to U.S. merchants as the domestic end-users of the items. In some cases, Baird directed or authorized Access USA employees to use his personal credit card information, and in others Baird personally asked Access USA employees to apply for and use personal credit cards of their own to make such purchases and have the items sent to their personal addresses.

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As a result, in addition to being misled to believe that a domestic customer and end-user was involved when the items were in fact intended for export, the U.S. merchant would be misled to believe that Access USA itself was not involved in the transaction.

The activities that Baird knowingly authorized and/or participated in resulted in unlicensed exports of controlled items to various countries, as well as repeated false statements on Automated Export System (AES) filings. As early as September 2011, Baird was made aware that undervaluing violated U.S. export laws, including the EAR. In fact, Baird received e-mails on this subject from his Chief Technology Officer, who stated, "I know we are WILLINGLY AND INTENTIONALLY breaking the law." (Emphasis in original). In the same email chain, Baird suggested that Access USA could falsely reduce the value of items by 25% on export control documentation submitted to the U.S. government and if "warned by [the U.S.] government," then the company "can stop ASAP."

"It was through the outstanding investigative skills and dedication of the special agents of the Department of Commerce and the Department of Homeland Security, that enabled us to protect our country's national security by detecting, disrupting and prosecuting a complex illegal export scheme led by Access USA's former owner and CEO, Eric Baird. The message must be received that individuals, as well as companies, are equally liable for their illegal activities," said BIS Special Agent-in-Charge Robert Luzzi. "BIS brought this action because of the serious potential harm to national security inherent in a business model where companies consolidating or forwarding packages abroad conceal from U.S. merchants the location of foreign customers and the fact that items are intended for export. As a result of these deceptive practices, U.S. merchants' compliance programs may be unable to detect potential unlicensed exports and other violations."

"We expect companies and individuals to adhere to our nation's strict import and export laws," said U.S. Attorney Chapa Lopez. "Shipping and freight forwarding companies must take sufficient steps to ensure that they are always in compliance with United States law, in order to protect our borders and prevent potentially dangerous items from reaching the hands of our adversaries."

The case was the result of the joint investigation by BIS' Office of Export Enforcement and the Department of Homeland Security's Homeland Security Investigations. It was prosecuted by Assistant U.S. Attorney Patrick Scruggs for the Middle District of Florida, and the Department of Commerce's Office of Chief Counsel. A criminal sentencing date for Baird is pending with the U.S. District Court for the Middle District of Florida.

Venezuelan opposition leader declares himself president; U.S. recognizes him as interim president, fueling uprising aimed at Maduro

Juan Guaidó, a 35-year-old industrial engineer who heads the country's National Assembly, declared himself "president in charge" in a speech as widespread street protests against President Nicolás Maduro escalated in the strongest domestic challenge to him since he took office in 2013.

The White House announcement delivered a major diplomatic blow to leftist Maduro, whose reelection last year President Trump called fraudulent.

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"Learn how to be happy with what you have while you pursue all that you want."

Venezuelan President Maduro gives U.S. diplomats 72 hours to leave after U.S. recognizes opposition leader as interim president

By Mariana Zuñiga Anthony Faiola and Carol Morello
January 23 at 5:10 PM

CARACAS, Venezuela — President Nicolas Maduro on Wednesday faced the gravest challenge to his authority since assuming power in 2013, as the leader of the U.S.-backed opposition claimed the legitimate mantle of leadership, and President Trump and other world leaders promptly recognized him as Venezuela's interim and rightful head of state.

A defiant Maduro responded by announcing a break in "diplomatic and political relations" with the United States, and ordering American diplomats to leave the country within 72 hours.

U.S. officials said they were rushing personnel out of Caracas.

"We're scrambling," said a State Department official, who noted that personnel would be rushed out immediately with the hope of retrieving equipment and belongings later. "People now. Stuff later."

The high stakes move set up a potential diplomatic crisis as Washington weighed how to respond to a demand by a leader it nows sees as illegitimate. Juan Guaidó, the opposition leader now recognized by Washington as Venezuela's true interim ruler, called on any diplomats expelled by Maduro to remain.