



# EIB World Trade Headlines

Evolutions In Business • [www.eib.com](http://www.eib.com) • (978) 256-0438  
Fax: (978) 250-4529 • P.O. Box 4008, Chelmsford, MA 01824

October 1, 2019 - Volume 11, Issue 19



## Boris Johnson's Shutdown of Parliament Ruled 'Unlawful' by Britain's Highest Court

Jamie Ross  
Reporter

Boris Johnson has suffered a shocking defeat in Britain's highest court, which has unanimously ruled that his decision to suspend Parliament ahead of Britain's withdrawal from the European Union was unlawful. Johnson suspended Parliament for five weeks ahead of Britain's scheduled exit from the EU at the end of October. Many British lawmakers said it was a cynical move designed avoid scrutiny of Johnson's Brexit plans. The judges agreed in their historic ruling announced Tuesday morning, which said that Johnson's advice to Queen Elizabeth to suspend Parliament was unlawful and, therefore, that Parliament has not been suspended. Judges said there was "no justification" for the suspension. The speaker of the House of Commons, John Bercow, has entered immediate discussions with leaders of each party to ensure that Parliament reconvenes tomorrow.

### NEWSLETTER NOTES

- \* Boris ...
- \* Federal Aviation Administration...
- \* A European...
- \* Zimbabwe
- \* Navy Suicides
- \* China's defense...
- \* OFAC VIOLATION and PENALTY
- \* Water on...
- \* Gilbert Kaplan Resigns From Key ...
- \* USTR to Request...
- \* Chuck Yeager, pilot who broke ...
- \* UN report warns sea levels will ...
- \* Barclays pays ...
- \* Two more charged with FCPA ...
- \* Treasury Further Targets Entities...
- \* China Taps Its Private Sector to ...

## Federal Aviation Administration Misled Congress Over Boeing 737 MAX Inspector Qualifications: Report

Barbie Latza Nadeau

Investigators examining a Federal Aviation Administration whistleblower complaint have found that the federal agency misled Congress, The Washington Post reports. The complaint charges that safety inspectors who worked on training requirements for Boeing 737 MAX pilots were “under-qualified” and that the FAA provided misleading information about the problem to Congress. The complaint calls into question the FAA’s transparency and safety oversight, which has come under new scrutiny after a pair of fatal accidents involving Boeing 737 MAX jets that killed 346 people. Recent findings show the FAA had handed Boeing autonomy on a number of tasks that it should have overseen. Both Boeing and the FAA have faced increasing criticism that they had not adequately trained pilots to handle an allegedly faulty automated system on the 737 MAX jets.

## A European University is Testing 5G for Self-Driving Vehicles

The University of Warwick, in collaboration with NI, will be conducting tests of 5G-enabled services for autonomous and connected vehicles.

The University of Warwick, in collaboration with National Instruments (NI), has installed and will be testing Europe's first over-the-air 5G New Radio test user equipment. Using equipment provided by NI, the tests will be conducted on the university's Midlands Future Mobility (MFM) testbed and will involve connected autonomous vehicles using 5G connectivity to share sensor data with each other and to communicate with roadside infrastructure.

University of Warwick researchers will be conducting ongoing research into areas including using shared sensor data for remote driving and enhancing vehicle perception as well as using 5G to stream infotainment content to vehicle passengers.

“Crucial to our research strategy is the ability to understand and demonstrate the potential of 5G communications systems to our project partners early in their product development cycle,” Dr. Matthew Higgins, an associate professor at the Warwick Manufacturing Group (WGM) at the University of Warwick said. “NI’s latest 5G test solution enables us to conduct standard-compliant, real-time 5G link performance tests inside both a controlled lab environment as well as outdoors in campus trials before commercial hardware is available.”

## Zimbabwe

Zimbabwe's water crisis just got more desperate. The main water treatment plant in the capital city of Harare was shut down Monday, leaving 1 million people without tap water. Authorities are now scrambling to secure water purifying chemicals to keep up with the need for clean water, and people have resorted to digging makeshift wells on their property. Zimbabwe was hit by a severe drought between October 2018 and May. Besides the water crisis, the UN food agency says more than 2 million Zimbabweans face starvation.



## Navy Suicides

The US Navy has confirmed that three sailors assigned to the USS George H. W. Bush aircraft carrier off the coast of Virginia died by suicide in "separate incidents" last week and has launched an investigation into their deaths. None of the deaths seem to be related, and the sailors all worked in different departments. Five sailors who were assigned to the carrier have died by suicide in the last two years. The Marine Corps and the Navy have been dealing with a spike in suicides recently. The number of confirmed and suspected suicides among the active duty ranks of the two branches reached a 10-year high in 2018. After last week's deaths, Capt. Sean Bailey, commanding officer of the USS George H. W. Bush, called for the naval community to come together "to grieve, to support each other, and to care for those in need."

## China's defense industry is exploding onto the scene as its top arms makers push past Western powerhouses

The Chinese defense industry is making some waves as several Chinese firms have begun displacing traditional Western defense powerhouses in global rankings.

Last year, not a single Chinese company had even cracked the world's top 100 defense firms, according to a list published annually by Defense News. This year, six Chinese defense firms are among the world's top 15, with Chinese companies occupying eight of the top 25 spots.

Aviation Industry Corporation of China, with its annual defense revenue just shy of \$25 billion, ranks fifth, outpacing US and UK defense giants General Dynamics and BAE Systems. AVIC, the top Chinese company on the list, is trailing closely behind Raytheon and Northrop Grumman, two leading US defense firms.

AVIC is the company behind the development of China's fifth-generation J-20 fighter and the new H-20 stealth bomber, among other projects.

While it is possible that past rankings suffered from insufficient data — a common problem when analyzing Chinese companies — the sudden appearance of Chinese defense firms high on the list may also highlight the rapid growth of China's defense industrial base as China works to modernize its military to build a world-class force that can fight and win wars, an ambition repeatedly stressed by Chinese leadership.

China, as a top strategic rival to the US, is a unique challenger.

"The Soviets were never able to match, much less overcome, America's technological superiority. The same may not be true for China," former Deputy US Defense Secretary Robert Work and his colleague Greg Grant wrote in a recent report.

China's economic power makes it highly unlikely that the US will be able to spend its way to victory in its strategic competition with China, the authors contend. The US has not faced a competitor with a Gross Domestic Product (GDP) greater than 40 percent of its own in more than a century. China's GDP is currently around 63 percent of that of the US, and China is projected to eventually have the world's largest economy.

*(\*Continued On The Following Column)*

"China has the political will and fiscal strength to sustain a steady increase in defense spending during the next decade," the Department of Defense explained in its 2019 report on China's military might, noting that these increases "will help support [People's Liberation Army] modernization, develop an integrated military-civilian defense industry, and explore new technologies with defense applications."

The Pentagon identified the key elements of China's military modernization as investments in domestic defense, the development of the defense industrial complex, a growing science and technology research and development base, civil-military integration, and the acquisition of foreign technology.

"The result of this multifaceted approach to technology acquisition is a [People's Liberation Army] on the verge of fielding some of the most modern weapon systems in the world.," Lt. Gen. Robert Ashley, the director of the Defense Intelligence Agency, wrote in a letter prefacing a 2019 DIA report on China's military modernization.

"In some areas," he added, "it already leads the world."

## OFAC VIOLATION and PENALTY

ENFORCEMENT INFORMATION FOR SEPTEMBER 17, 2019  
Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 C.F.R. Part 501. On November 9, 2009, OFAC published as Appendix A to part 501 Economic Sanctions Enforcement Guidelines. See 74 Fed. Reg. 57,593 (Nov. 9, 2009).

ENTITIES – 31 C.F.R. 501.805(d)(1)(i)

British Arab Commercial Bank plc Settles Potential Liability for Apparent Violations of the Sudanese Sanctions Regulations: British Arab Commercial Bank plc (BACB), a commercial bank located in London, the United Kingdom (UK), with no offices, business or presence under U.S. jurisdiction, processed 72 apparent violations of the Sudanese Sanctions Regulations (SSR) (previously found at 31 C.F.R. Part 538) totaling \$190,700,000. The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has determined that BACB did not make a voluntary self-disclosure of the apparent violations, and that these apparent violations constitute an egregious case. The total base penalty amount for the apparent violations was \$381,400,000. In consultation with BACB's domestic regulator, the United Kingdom's Prudential Regulation Authority, OFAC determined that the Bank's operating capacity was such that it would face disproportionate impact if required to pay the proposed penalty of \$228,840,000.

*(\*Continued On The Following Page)*

As a result, and in view of BACB's operating capacity, the fact that it has represented that it ceased the conduct described below, its entering into a settlement agreement, and its maintenance of the compliance commitments articulated in the settlement agreement, BACB will remit \$4,000,000 to settle these potential violations and its obligations to pay OFAC the remainder of the proposed penalty amount shall be suspended. Between September 21, 2010 and August 27, 2014, BACB processed 72 bulk funding payments totaling \$190,700,000 related to Sudan. During this time, BACB operated USD accounts on behalf of at least seven Sudanese financial institutions, including the Central Bank of Sudan. BACB actively solicited USD business from Sudanese banks, and processed these USD transactions via an internal book transfer process involving a nostro account maintained at a foreign bank (Bank A). These transactions were not processed to, or through the U.S. financial system. The process to fund its USD nostro account at Bank B, however, did involve transactions processed to or through U.S. financial institutions in apparent violation of U.S. economic sanctions administered and enforced by OFAC which prohibited U.S. persons, including U.S. financial institutions, from processing such transactions.

Specifically, BACB established a USD nostro account in 2006 with a non-U.S. financial institution located in a country that imports Sudanese-origin oil for the stated purpose of facilitating payments involving Sudan. BACB funded this nostro account by routing large, periodic, USD-denominated wire transfers into the account (i.e. bulk funding) from non-U.S. financial institutions in Europe. The non- U.S. financial institutions in Europe then passed the USD-denominated transfers through banks in the United States for further credit to the USD nostro at the non-U.S. financial institution. Once the funds arrived in BACB's USD nostro at this institution, BACB instructed the institution to process individual payments (i.e. third-party payments) involving a variety of Sudanese parties, including Sudanese financial institutions. OFAC's analysis of the transactional data confirmed a pattern of the bulk funding transactions, which were processed through the United States, corresponding to the third-party payments, which were not processed through the United States. Several BACB employees, including certain managers and a member of the compliance team, were aware of this funding arrangement. They believed, however, all Sudanese transactions, including the inflow of USD to its nostro account at the non-U.S. financial institution would be processed outside the United States via funding from the BACB accounts in Europe, and understood how it would attempt to circumvent the U.S. sanctions regulations.

For more information regarding the conduct that led to the Apparent Violations, please see the Settlement Agreement between OFAC and the British Arab Commercial Bank plc here.

*(\*Continued On The Following Column)*

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31C.F.R. Part 501, app. A. The following were considered aggravating factors: BACB appears to have demonstrated at least a reckless disregard for U.S. sanctions regulations when it employed a years-long practice of processing Sudan-related transactions through the United States in a manner that obfuscated the underlying purpose from U.S. financial institutions; BACB appears to have ignored warning signs that reasonably should have put the bank on notice that its conduct constituted a violation of U.S. law (for example, the bank's knowledge of U.S. authorities' sanctions-related enforcement actions involving other European banks engaging in similar conduct); several members of the bank's senior management were aware of and involved in the conduct giving rise to the apparent violations; BACB conferred substantial economic benefit to persons in Sudan and caused significant harm to the integrity of a U.S. sanctions program and its associated policy objectives by processing USD transactions to or through the United States in apparent violation of the SSR for a number of years; and BACB is a commercially sophisticated financial institution.

The following were considered mitigating factors: OFAC has not issued BACB a Penalty Notice or Finding of Violation in the five years preceding the earliest date of the transactions giving rise to the apparent violations; BACB provided significant investigative leads regarding the foreign financial institution that hosted the BACB nostro account; BACB full cooperated with OFAC's investigation into these apparent violations, including by entering into a statute of limitations tolling agreement and agreeing to extend the agreement; and BACB has also represented to OFAC that it does not have a strong financial position to withstand a substantial civil money penalty. OFAC determined, in consultation with BACB's local regulator that BACB's operating capacity was such that the proposed penalty of \$228,840,000 was inappropriate, and that the proposed civil monetary penalty of \$4,000,000, while significant given the bank's operating capacity, was more appropriate. One additional mitigating factor included the fact that BACB represented to OFAC that it undertook several remedial measures in response to the apparent violations, including: exiting the Sudanese market in late 2014; hiring new senior management (including a new Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Chief Controls Officer, Chief Compliance Officer, and in-house General Counsel); and implementing improvements to the compliance program, including by centralizing its team and updating its processes and procedures pertaining to Know Your Customer, anti-money laundering, and sanctions. BACB also agreed to undertake certain compliance commitments to ensure that its OFAC sanctions compliance program remains strong over the next several years.

*(\*Continued On The Following Page)*

This enforcement action draws attention to, and highlights the risks surrounding, the use of complex payment structures, including bulk funding arrangements, to process payments on behalf of, or otherwise involving, U.S. sanctions targets. OFAC remains committed to ensuring that such structures do not represent an avenue for U.S. sanctions targets to access indirectly the U.S. financial system, realizing that bulk funding is an important part of correspondent banking practice. For more information regarding OFAC regulations, please visit: <http://www.treasury.gov/ofac>.

## Water on Airlines not Clean

### The Airline Rankings

According to the rankings, Alaska Airlines and Allegiant Air have the safest water, while JetBlue and Spirit Airlines have the worst.

Each airline included in the study received a “Water Health Score” from zero to five, based on criteria like fleet size, the presence of E. coli and coliform in water samples collected between 2012 and 2019, and violations of the Environmental Protection Agency’s Aircraft Drinking Water Rule (ADWR) recorded during that same period. Scores of three or higher indicate “relatively safe, clean water.” Here are the rankings for major airlines:

Alaska Airlines: 3.3  
Allegiant Air: 3.3  
Hawaiian Airlines: 3.1  
Frontier Airlines: 2.6  
Southwest Airlines: 2.4  
Delta Air Lines: 1.6  
American Airlines: 1.5  
United Airlines: 1.2  
JetBlue: 1  
Spirit Airlines: 1  
Regulation Concerns

The ADWR, which went into effect in Oct. 2011, demands that airlines provide safe drinking water and requires them to routinely disinfect and flush aircraft water tanks, as well as test water samples for coliform bacteria. When airlines find coliform in water samples, they must test it again to determine if it contains E. coli and, if it does, shut off public access to the water system within 24 hours and disinfect and flush it out.

The Food Policy Center executive director and Diet Detective founder Charles Platkin believe the 24-hour requirement is too lax.

*(\*Continued On The Following Column)*

“Why not immediately? Pun intended, this just feels like a watered down version of what should be a regulation for airlines,” he told HuffPost.

While the study found that ADWR violations have decreased in recent years across all airlines, there’s a chance that this is due to a lack of enforcement by the EPA, which hasn’t issued many civil penalties in that time period.

Platkin also pointed out that a different standard, the National Primary Drinking Water Regulations, includes testing for additional microorganisms, not just coliform.

“We need to make sure violations have penalties and costs that make airlines want to comply. We should tighten up the rules and add more tests to determine aircraft water quality,” he said. “It’s not just an ick-factor — there are public health concerns.”

### So How Does This Affect Travelers?

The report confirms what previous studies have shown: You should not drink airplane water.

Flight attendants pour drinking water from bottles, but airlines still use galley water in the coffee and tea they serve.

Passengers also come into contact with it when washing their hands or even taking a drink from the sinks in the lavatories. Airplane coffee has come under fire in the past due to other concerns about container cleanliness and even coffee maker-induced flight delays. Platkin advises travelers to steer clear of tea and coffee, particularly on those airlines with the lowest water scores.

“I also don’t wash my hands in the lavatory anymore,” he noted. “I make sure to have sanitizer. If you wash your hands in what could potentially be unsafe water, it sort of negates the whole process of actually washing your hands. You could be spreading E. coli all over... Sure, it’s not likely, but why should you take any chance?”



## Gilbert Kaplan Resigns From Key Trump Administration Trade Role

(Bloomberg) -- Gilbert Kaplan, a key figure in enforcing trade rules for the Trump administration as undersecretary for international trade at the U.S. Commerce Department, resigned on Thursday, according to people familiar with the matter.

A spokesperson for the Commerce Department declined to comment, and Kaplan couldn't be immediately reached.

His resignation came on the same day that U.S. and Chinese trade deputies resumed in-person trade talks in Washington, which are expected to continue Friday.

As under secretary, Kaplan led the 2,100-strong International Trade Administration tasked with monitoring unfair global competition from dumping and subsidies, enforcing U.S. trade laws and boosting America's trade competitiveness.

Kaplan filed and prosecuted the first successful anti-subsidy case ever against China in 2007 under the George W. Bush administration, and he also worked at Commerce in the Reagan presidency, according to the department's website.

Prior to being confirmed for his latest role in March 2018, Kaplan was a partner at King & Spalding and part of the International Trade Practice Group.

## USTR to Request First-Ever Environment Consultations Under the U.S.-Korea Free Trade Agreement (KORUS) in Effort to Combat Illegal Fishing

09/19/2019

Washington, DC – The Office of the U.S. Trade Representative (USTR) announced today that it intends to seek environment consultations with Korea under the Environment Chapter of the United States – Korea Free Trade Agreement (KORUS). Today's announcement follows the release of the U.S. National Marine Fisheries Service (NMFS) biennial report to Congress identifying nations for illegal, unreported, and unregulated (IUU) fishing, pursuant to the Moratorium Protection Act (MPA).

*(\*Continued On The Following Column)*

In its report, NMFS has identified Korea for "failing to apply sufficient sanctions to deter its vessels from engaging in fishing activities that violate conservation and management measures adopted by" the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR). Under the KORUS Environment Chapter, Korea is obligated to "adopt, maintain, and implement" measures to fulfill its obligations under CCAMLR. The United States is entitled to request consultations under Article 20.9 with respect to "any matter" arising under the Chapter, such as NMFS' identification of Korea for failing to apply sufficient sanctions to deter Korean vessels.

Background:

Article 20.9.1 of KORUS (Environment Consultations and Panel Procedure) provides that a Party may request consultations with another Party regarding any matter arising under the Environment Chapter (Chapter 20). Article 20.2 of the KORUS Environment Chapter states "[a] Party shall adopt, maintain, and implement laws, regulations, and all other measures to fulfill its obligations under the multilateral environmental agreements listed in Annex 20-A." CCAMLR is one of seven multilateral environmental agreements listed in the annex. NMFS and USTR will continue to work closely together, and with Korea, to ensure changes to strengthen Korea's domestic law to address its fishing vessels' illegal fishing activity under CCAMLR.

## Chuck Yeager, pilot who broke sound barrier, sues Airbus for trademark infringement

Chuck Yeager, the retired U.S. Air Force pilot who broke the sound barrier, has sued Airbus SE, accusing the aerospace company of using his name and likeness without permission to promote a new high-speed helicopter.

In a complaint filed on Wednesday that refers to him as "one of the most, if not the most, famous pilots of all time," the 96-year-old Yeager objected to a June 2017 piece on Airbus' website about making the Airbus Racer a fast and cost-effective way to fly.

The piece quoted Guillaume Faury, now Airbus' chief executive officer and at the time Airbus Helicopters' CEO, as saying: "Seventy years ago, Chuck Yeager broke the sound barrier," and Airbus was now "trying to break the cost barrier. It cannot be 'speed at any cost.'"

*(\*Continued On The Following Page)*

Yeager accused Airbus of trademark infringement and taking away his right of publicity through “fraudulent” conduct, in which it deceived the public into believing he endorsed it.

“This is not a company that sells burritos,” Yeager’s lawyer, Lincoln Bandlow, said in a telephone interview on Thursday. “It sells aircraft, and you can’t find a man more valuable to associate with aircraft than Chuck Yeager.”

Airbus spokesmen said the company, which is headquartered in Toulouse, France, had no comment on pending litigation.

Yeager is seeking unspecified compensatory, punitive and reputational damages, as well as restitution, in a lawsuit filed in the federal court in Santa Ana, California.

He has filed similar lawsuits against other defendants in the past.

Yeager became the first person to break the speed of sound, known as Mach 1, piloting his rocket engine-powered Bell X-1 over southern California on Oct. 14, 1947.

He became familiar to a younger generation 36 years later when the actor Sam Shepard portrayed him in the movie, “The Right Stuff,” based on the Tom Wolfe book.

Yeager said the website piece was not Airbus’s first use of his name and likeness without permission, saying it previously used an unauthorized video of his 2008 visit to the company.

He said Airbus Helicopters had asked for permission to use his name in press releases, but rejected his demand for more than US\$1 million and veto power over how it was used.

“There were some negotiations but they fell through, and litigation was unfortunately the next course,” Bandlow said.



## UN report warns sea levels will rise faster than projected by 2100

By Drew Kann, CNN

Updated 5:29 AM ET, Wed September 25, 2019

CNN)Cities from New York to Shanghai could see regular flooding, as sea levels rise faster than previously thought.

Glaciers and ice sheets from the Himalayas to Antarctica are rapidly melting.

And the fisheries that feed millions of people are shrinking. These are just some of the impacts that emissions of greenhouse gases have already triggered across the planet's oceans and frozen regions, according to a new landmark report from the United Nations' Intergovernmental Panel on Climate Change (IPCC).

More than 100 scientists from 36 countries worked on the report -- titled the Special Report on the Ocean and Cryosphere in a Changing Climate. It is the last of three special reports from the IPCC following last October's urgent report that showed the world may only have until 2030 to keep global warming below 1.5 degrees, and August's report on climate impacts to the planet's lands.

"This report is unique because for the first time ever, the IPCC has produced an in-depth report examining the furthest corners of the Earth -- from the highest mountains in remote polar regions to the deepest oceans," said Ko Barrett, vice chair of the IPCC. "We've found that even and especially in these places, human-caused climate change is evident." It is just the latest scientific evidence showing that human-induced warming is rapidly taking the planet down an uncharted path.

The scientists say there may be some impacts to the global climate -- like some amount of sea level rise -- that can no longer be stopped.

But even though there is uncertainty in the report about what exactly the future holds, the authors are unambiguous on this: Despite the damage that has been done, humanity still has a choice.

Taking swift action to end the global economy's dependence on fossil fuels can ward off some of the worst projected impacts, they say.

Or, we continue down the path we are on, into a world far less hospitable than the one we live in.

(\*Continued On The Following Page)

## An alarming global melt

This new report paints a full and alarming picture of the rapid thawing happening in frozen regions all across the globe -- and how the changes will dramatically alter human civilization in the coming decades.

The findings show that the planet's warming is accelerating melting in glaciers and ice sheets from Greenland to Antarctica, and that sea levels will likely rise more than previously projected by the end of this century.

Of the major ice sheets, Greenland's -- which has the potential to raise sea levels around 20 feet -- is melting the fastest, and lost more than 275 gigatons on average per year between 2006 and 2015. But the even larger Antarctic ice sheet is also shrinking, and its mass loss tripled between 2007 and 2016 compared to the previous ten years.

Because of the growing contributions from Antarctic melting, the authors say sea level rise is now likely to exceed three feet by 2100 if carbon emissions continue to increase.

Perhaps most concerning is what may be happening to the Antarctic ice sheet, which has the potential to raise sea levels much higher.

The scientists warn that more study is needed, but say changes observed in parts of Antarctica could be the first signs the ice sheet has reached a point of no return.

"If this is true, then there is a chance of a multi-meter sea level rise within the next two to three centuries," said Regine Hock, a professor at the University of Alaska Fairbanks and a coordinating lead author on chapter two of this IPCC report. "That is very substantial."

Even if collapse of the Antarctic ice sheet is not imminent, the report says that many of the 680 million people around the world living in low-lying coastal areas will experience annual flooding events by 2050 that used to occur only once a century.

At the other pole, scientists have long known that the Arctic is warming at a much faster pace than the rest of the planet.

But over the last 40 years, the report finds that Arctic sea ice is very likely shrinking during all months of the year, which is driving further warming. The decrease observed in September sea ice is particularly significant and likely unprecedented for at least 1000 years. In nearly all regions, the scientists also found that snow cover is diminishing and glaciers are in retreat. Runoff from these sources provides drinking water to millions and is used to grow much of the food we eat.

*(\*Continued On The Following Column)*

And permafrost, soil that stays frozen throughout the year and contains gigatons of potentially planet-warming carbon and methane, has also undergone record warming. Scientists say the oceans that cover 71 percent of Earth's surface have borne the brunt of the warming that humans have caused. But the report warns they can no longer keep up.

It is "virtually certain" that the world's oceans have warmed nonstop since 1970 and have absorbed 90 percent of the planet's excess heat, the report says. Marine heatwaves that have killed off vast stretches of Earth's coral reefs have very likely doubled in frequency and are projected to become more common and intense, the report finds. The oceans also naturally absorb carbon dioxide from the air and have likely stored 20 to 30 percent of what humans have released into the atmosphere since 1980, the report says. But absorbing massive amounts of carbon has made the ocean more acidic and inhospitable to corals that millions of other species depend on for survival.

As a result, shifts have occurred in the geographic ranges of many species and maximum fish catches have decreased, the scientists say. Some regions, like the Arctic, could see fish populations increase. But across the world's tropics, fish and other seafood are likely to become harder to find. For the millions of people around the world that depend on the ocean as a primary food source, the findings are troubling. "Taken together, these changes show that the world's ocean and cryosphere have been taking the heat for climate change for decades," said Barrett. "The consequences for nature and humanity are sweeping and severe."

The report is clear that there are some future impacts to the oceans and ice that cannot be avoided. Instead, many vulnerable cities and communities -- especially along the coasts and in the Arctic -- will be forced to adapt to the changes. Doing so will be difficult, especially for those in the poorest countries. And the scale and pace of the changes coming, the report warns, will challenge governments' abilities to develop and implement solutions.

But the science is equally clear that many of the projected impacts can be avoided through ambitious and rapid reductions in carbon emissions. For instance, rates of sea level rise are projected to reach 15 millimeters per year by 2100 under a high emissions scenario. But under a lower emissions scenario -- where humans draw down global greenhouse gases very soon -- sea levels are expected to rise much slower at 4 millimeters per year.

"It drives home the message that policies that curb greenhouse gas emissions can have a strong effect on future sea level rise," said Andrea Dutton, an associate professor in the Department of Geoscience at the University of Wisconsin Madison. "What we do today can decide which of those pathways we're on." The choices made now are critical to limit the future impacts, and avoid the escalating costs and risks that come with delayed action, the report says.

## Barclays pays SEC \$6.3 million to settle 'referral hiring' FCPA violations

Barclays PLC paid the SEC \$6.3 million Friday to settle FCPA offenses related to the hiring of relatives of public officials in Asia. The British bank disgorged \$3.8 million and paid a \$1.5 million penalty to the SEC, plus pre-judgment interest of \$984,000.

In an internal administrative order (pdf), the SEC charged Barclays with violating the FCPA's books and records and internal accounting controls provisions. From at least 2009 until August 2013, businesses within Barclays Asia Pacific Region (APAC) hired 117 job candidates referred by or connected to foreign government officials or non-government clients.

Some of the hires -- relatives and friends of government officials and executives of Barclays' non-government clients -- were extended as a personal benefit to those officials and executives with the expectation that the bank would gain investment banking business, the SEC said. Barclays APAC employees also falsified records to conceal the true identity of the person or entity requesting that a candidate be hired and the reasons for the hire.

In April 2009, a senior executive in APAC approved an "unofficial intern" program for Barclays South Korea that was separate from Barclays' formal internship program. From when it began until 2013, around half of the candidates in this program had a connection to Barclays' clients.

The senior banker responsible for the intern program in South Korea said "the key factor behind relationship hiring decisions was what business the client could deliver to the bank," the SEC said.

The banker also said relationship hiring decisions were made based on whether the client was important, whether the hire would enhance the business relationship, and whether hiring the candidate would "open doors" or otherwise help the bank win business. The hiring practices began in South Korea and later expanded to other APAC countries. APAC compliance officers were aware of the hiring practices by June 2009, the SEC said.

Despite an April 2009 Barclays policy that expressly addressed anti-corruption risks related to hiring decisions, APAC compliance officers said they weren't aware of that aspect of the policy, and a senior APAC compliance executive said he had never read the 2009 anti-bribery and corruption policy. Even with compliance reviews in 2011 and 2012, Barclays APAC continued to hire candidates connected to officials at state-owned entities or to executives of non-government clients where business was either pending or being sought.

Another Barclays banker who worked in both South Korea and Hong Kong from June 2005 to March 2017 said he was not aware of the FCPA until 2013. The SEC said it considered the bank's self-reporting, cooperation, and remedial acts.

In August, **Deutsche Bank** paid the SEC \$16 million to settle FCPA offenses related to its hiring of relatives of public officials in China and Russia.

In mid 2018, **Credit Suisse Group AG** agreed to pay a \$47 million penalty to the Justice Department to end an FCPA investigation into hiring practices in Asia.

In 2016, **JPMorgan Chase** paid \$264 million in penalties for awarding jobs to relatives and friends of Chinese government officials to win banking deals. The FCPA enforcement action was brought by the DOJ, SEC, and the Federal Reserve.

In 2015, **BNY Mellon** paid \$14.8 million to the SEC to resolve FCPA offenses for providing internships to family members of officials connected to a Middle Eastern sovereign wealth fund. In 2016, mobile chipmaker **Qualcomm Inc.** paid the SEC \$7.5 million to settle FCPA offenses for hiring relatives of Chinese government officials. The officials were deciding whether to select the company's mobile technology products, the SEC said.

## Two more charged with FCPA conspiracy in PetroEcuador bribe case

Two Ecuador citizens living in Florida were indicted for an FCPA conspiracy and money laundering in an expanding prosecution involving bribery at Ecuador's state oil company. A new 11-count [indictment](#) (pdf) was reported Monday by the *Financial Times*. It was filed without an announcement from the DOJ on May 9 in federal court in Miami.

Armengol Alfonso Cevallos Diaz and Jose Melquiades Cisneros Alarcon were charged with conspiracy to violate the FCPA, conspiracy to commit money laundering, and nine counts of money laundering. They allegedly helped pay and launder more than \$4 million in bribes to officials at Empresa Pública de Hidrocarburos del Ecuador or PetroEcuador. So far, at least four other defendants have pleaded guilty in the case. A former PetroEcuador lawyer who took bribes, Marcelo Reyez Lopez, was sentenced last year to 53 months in prison for a money laundering conspiracy.

And in September 2018, Jose Larrea, a U.S.-based financial advisor and American citizen, also pleaded guilty to one count of conspiracy to launder money. He was sentenced to 27 months in prison. Another defendant, Frank Roberto Chatburn Ripalda, has pleaded not guilty. His case is still pending. Ripalda, a dual U.S. and Ecuadorian citizen who also lives in Miami, was charged last year with one count of conspiring to violate the FCPA, one count of violating the FCPA, one count of conspiring to commit money laundering, and two counts of money laundering.

## Treasury Further Targets Entities and Vessels Moving Venezuelan Oil to Cuba

September 24, 2019

Washington – Today, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) designated four entities that operate in the oil sector of the Venezuelan economy pursuant to Executive Order (E.O.) 13850. Additionally, OFAC identified four vessels that transport oil and other petroleum products from Venezuela to Cuba as blocked property owned or controlled by the four designated entities.

“The United States continues to take strong action against the former illegitimate Maduro regime and the malign foreign actors who support it. Maduro’s Cuban benefactors provide a lifeline to the regime and enable its repressive security and intelligence apparatus,” said Treasury Secretary Steven T. Mnuchin. “Venezuela’s oil belongs to the Venezuelan people, and should not be used as a bargaining tool to prop up dictators and prolong the usurpation of Venezuelan democracy.”

Since the January 28, 2019 designation of Venezuela’s state-owned oil company Petroleos de Venezuela, S.A. (PdVSA), Cubametales, the Cuban state-run oil import and export company, and other Cuba-based entities have continued to circumvent sanctions by receiving oil shipments from Venezuela. On July 3, 2019, OFAC designated Cubametales for operating in the oil sector of the Venezuelan economy pursuant to E.O. 13850, as amended.

Today’s action further targets Venezuela’s oil sector and the mechanisms used to transport oil to Maduro’s Cuban benefactors, who continue to provide a lifeline to the illegitimate former regime:

- Caroil Transport Marine Ltd. is based in Cyprus, and operates three vessels: Carlota C, Sandino, and Petion.
- Carlota C (IMO 9502453) is a chemical/products tanker that recently delivered Venezuelan petroleum products, including gasoline, to Cuba. In August 2019, PdVSA, Cubametales, and Cuban officials arranged to ship gasoline from El Palito, Venezuela to Cuba. Later in August, Carlota C traveled from Venezuela to the Havana Port Petroleum Refinery in Cuba.
- Sandino (IMO 9441178) is a chemical/products tanker that recently delivered Venezuelan oil products to Cuba.

*(\*Continued On The Following Column)*

- Petion (IMO 9295098) is a products tanker that loaded crude oil as part of a shipment involving Cubametales and PdVSA in late May 2019.
- Trocana World Inc. is based in Panama and is the registered owner of Petion.
- Tovase Development Corp is based in Panama and is the registered owner of Sandino.
- Bluelane Overseas SA is based in Panama and is the registered owner of Giralt.
- Giralt (IMO 9259692) is a crude oil tanker that recently delivered Venezuelan oil to Cuba.

As a result of today’s action, all property and interests in property of these entities, and of any entities that are owned, directly or indirectly, 50 percent or more by the designated entities, that are in the United States or in the possession or control of U.S. persons are blocked and must be reported to OFAC. OFAC’s regulations generally prohibit all transactions by U.S. persons or within (or transiting) the United States that involve any property or interests in property of blocked or designated persons.

### DELISTINGS

U.S. sanctions need not be permanent; sanctions are intended to bring about a positive change of behavior. The United States has made clear that the removal of sanctions is available for persons designated under E.O. 13692 or E.O. 13850, both as amended, who take concrete and meaningful actions to restore democratic order, refuse to take part in human rights abuses, speak out against abuses committed by the illegitimate former Maduro regime, and combat corruption in Venezuela

In addition to today’s designations and in recognition of a demonstrated change in behavior, OFAC is delisting Serenity Maritime Limited, Lima Shipping Corporation, the vessels Leon Dias and New Hellas, and an aircraft (N133JA).

OFAC designated Serenity Maritime Limited on May 10, 2019, for operating in the oil sector of the Venezuelan economy, pursuant to E.O. 13850, as amended. Additionally, one vessel, the Leon Dias, was identified as blocked property in the interest of Serenity Maritime Limited. Following the company’s designation, Serenity adopted sanctions compliance measures that included the discontinuation of business activities with Cubametales, which chartered the Leon Dias to transport Venezuelan oil to Cuba.

Lima Shipping Corporation was designated by OFAC on April 12, 2019, for operating in the oil sector of the Venezuelan economy, pursuant to E.O. 13850, as amended. Additionally, one vessel, the New Hellas, was identified as blocked property in the interest of Lima Shipping Corporation. Lima Shipping Corporation has subsequently terminated its charter with Cubametales and refused new oil shipments from Venezuela to Cuba.

*(\*Continued On The Following Page)*

Finally, OFAC is delisting aircraft N133JA, which was blocked on January 8, 2019, because it was identified as property in which Gustavo Adolfo Perdomo Rosales (Perdomo) had an interest. OFAC designated Perdomo pursuant to E.O. 13850 for being responsible for or complicit in, or having directly or indirectly engaged in, any transaction or series of transactions involving deceptive practices or corruption and the Government of Venezuela or projects or programs administered by the Government of Venezuela, or for being an immediate adult family member of such a person. OFAC has determined that aircraft N133JA is no longer associated with Perdomo.

Treasury recognizes the actions that Serenity Maritime Limited and Lima Shipping Corporation took to ensure that these entities' respective vessels no longer support the economic interests of the illegitimate former Maduro regime. As a result of today's action, all property and interests in property that had been blocked as a result of the designation of Serenity Maritime Limited and Lima Shipping Corporation are unblocked, and all otherwise lawful transactions involving U.S. persons and these two entities are no longer prohibited.

For additional information about the methods that Venezuelan senior political figures, their associates, and front persons use to move and hide corrupt proceeds, including how they try to exploit the U.S. financial system and real estate market, please refer to Treasury's Financial Crimes Enforcement Network (FinCEN) advisories FIN-2019-A002, "Updated Advisory on Widespread Public Corruption in Venezuela"; FIN-2017-A006, "Advisory on Widespread Public Corruption in Venezuela"; FIN-2017-A003, "Advisory to Financial Institutions and Real Estate Firms and Professionals"; and FIN-2018-A003, "Advisory on Human Rights Abuses Enabled by Corrupt Senior Foreign Political Figures and their Financial Facilitators." Identifying information on the individuals and entities designated today.



## China Taps Its Private Sector to Boost Its Military, Raising Alarms

Western firms risk unwittingly helping China's defense buildup, report says

By Kate O'Keeffe in Washington and Jeremy Pagein Beijing  
Updated Sept. 25, 2019 7:36 am ET

Beijing is increasingly tapping private Chinese firms to acquire foreign technology for its military, according to officials and a new report, in a strategy that is prompting calls by leaders in Washington to retool U.S. national security policy.

China's President Xi Jinping is pressing these companies to bid for defense contracts as part of a "military-civil fusion" drive to upgrade an arms industry long dominated by a handful of inefficient state-run contractors and research institutes.

The initiative, highlighted in a new report by nonprofit C4ADS, is alarming U.S. officials, who fear it is a central plank in Beijing's attempt to build a world-class military, capable of challenging the U.S. in Asia and beyond. C4ADS does data-driven analysis on security issues, and is known for its work detailing how North Korea evades sanctions.

"China's obfuscation and elimination of barriers between the defense and civilian sectors has troubling implications for foreign as well as domestic Chinese firms," a senior U.S. administration official said in a statement to The Wall Street Journal.

China's strategy is creating new risks that foreign companies and researchers inadvertently help the People's Liberation Army, or PLA, acquire the technology and expertise it needs to enhance its already rapidly expanding capabilities, according to the C4ADS report released Wednesday.

The Washington, D.C.-based group said it has presented its findings to stakeholders including U.S. and allied government agencies and legislators, defense contractors, financial institutions and Silicon Valley startups.

Beijing has made similar attempts in the past but what makes its renewed push different and more troubling for the U.S. is that the country's industrial and capital base is much stronger today, and its involvement in business and research abroad far greater, C4ADS said. There also is much more scope now for using advanced civilian technology such as drones and artificial intelligence in modern military equipment.

Mr. Xi's vision for a more efficient defense industry is based largely on the American model. But there are significant differences between the Chinese strategy and the U.S. approach, Christopher Ashley Ford, U.S. Assistant Secretary of State for International Security and Non-Proliferation, said in an interview.

(\*Continued On The Following Page)

Unlike U.S. defense contractors, Chinese firms don't have the option to spurn government overtures, he said. Companies there participating in the military buildup also engage in rampant intellectual property theft, which the U.S. doesn't encourage firms to do, Mr. Ford said.

"We don't think we should be sending private companies around to take advantage of their commercial relationships as thieves in the night," he said. Chinese state media have called U.S. allegations of IP theft a "political tool." In a 2018 speech, Mr. Xi called military-civil fusion "a necessary choice for achieving the party's goal of a strong military for the new era."

The Pentagon declined to comment. China's Defense Ministry and Ministry of Industry and Information Technology didn't respond to requests for comment. In one example of military-civil fusion at work, detailed in the C4ADS report for the first time, privately held Beijing Highlander Digital Technology used a series of deals across Europe and Canada to build up China's military, including by contributing technology to the country's first aircraft carrier. The company touts its role in China's defense industry on its Chinese-language website and in company filings, including a claim in its 2017 annual report that its products are featured on "all models" of Chinese warships, according to C4ADS. Highlander has been doing deals with international technology firms that supply Western militaries since at least 2004, according to the report. It hit a snag after buying in 2016 a Canadian firm called Oceanworks International Corp., which had the U.S. Navy as a customer.

Canadian officials ordered Highlander to divest in 2017 and stipulated it couldn't access Oceanworks' "know-how, trade secrets or confidential information," according to a U.S. court filing that referred to the Chinese firm throughout as "Beijing Company." Earlier this month, Oceanworks executive Glen Omer Viau and his firm pleaded guilty to charges related to improperly sharing with China technical information about a U.S. Navy submarine rescue system. Preston Burton, a Buckley LLP lawyer who represents both defendants, declined to comment. Highlander didn't respond to a request for comment. The U.S. attorney's office in Washington, D.C., declined to comment. Crafting an effective response to China's military-civil fusion policy is taking on increasing urgency in Washington as the U.S. and China confront each other in not just a trade war, but a broader struggle for technological dominance, military supremacy in Asia and geopolitical influence world-wide. Many in the national-security community feel the U.S. needs to do more. While Congress last year passed legislation to tighten scrutiny on U.S. exports and foreign investment in the U.S.--both tools that could block China's efforts to get foreign technology--implementation has been fraught.

(\*Continued On The Following Column)

On Sept. 11, a bipartisan congressional group led by Sen. Tom Cotton (R., Ark.) and Minority Leader Chuck Schumer (D., N.Y.) wrote a letter to Defense Secretary Mark Esper, urging him to use all regulatory powers to confront the problem, including compiling a list of all Chinese military companies operating in the U.S. The same day, Mr. Ford of the State Department warned in two speeches about the risks of China's military-civil fusion policy. In one address, he discussed the implications of engaging with Chinese technology giants Tencent Holdings Ltd. , Alibaba Group Holding Ltd. , BaiduInc. and Huawei Technologies Co.

Military-civil fusion means that "it is very difficult and in many cases impossible to engage with China's high-technology sector in a way that does not entangle a foreign entity in supporting ongoing Chinese efforts to develop or otherwise acquire cutting-edge technological capacities for China's armed forces," he said at the time. Baidu declined to comment. Tencent, Alibaba and Huawei didn't respond to requests for comment. China's military-civil fusion efforts date to Deng Xiaoping, who launched market-opening economic reforms after taking power in 1978. While Mr. Deng got many outdated military factories to make wanted civilian goods instead, efforts to integrate modern civilian know-how in arms-making failed due to bureaucratic obstacles, a weak industrial base and the military's secrecy.

Mr. Xi's military-civilian fusion initiative, first proposed in 2015, was written into the government's five-year plan in 2016 and formally adopted as national strategy the following year. In January 2017, a new Central Commission for Integrated Military and Civilian Development was established, chaired by Mr. Xi.

**NOTE: In accordance with Title 17 U.S.C. Section 107, this material is distributed without profit or payment for non-profit news reporting and educational purposes only.**

**Reproduction for private use or gain is subject to original copyright restrictions.**