
❖ SPC&B Update ❖

A Newsletter for Clients of Sharretts, Paley, Carter & Blauvelt, P.C.

March 1, 2013

Impact of the Sequester



At some point today, “sequestration,” a series of automatic U.S. federal government budget cuts, will go into effect. Nearly half of the sequester cuts affect defense and the military, while the other half will affect domestic programs. Up to 10% of the budgets of affected federal agencies could be cut.

How will this affect businesses such as yours, that are involved in international business and trade? Despite the dire warnings, there may be a thin silver lining.

Last month, Homeland Security Secretary Janet Napolitano gave the following alarming statement on the effects of sequestration on U.S. Customs and Border Protection (“CBP”):

“Sequestration would roll back border security, increase wait times at our nation’s land ports of entry and airports, affect aviation and maritime safety and security, leave critical infrastructure more vulnerable to attacks, hamper disaster response time and our surge force capabilities, and significantly delay cyber security infrastructure protections. In addition, sequestration would necessitate furloughs of up to 14 days for a significant portion of our frontline law enforcement personnel, and could potentially result in reductions in capabilities across the Department.”

Drilling down to the details, Napolitano projects that CBP will have to reduce its work force by the equivalent of over 5,000 Border patrol agents and over 2,750 CBP officers.

Such a reduction in staff is likely to affect the speed at which goods enter and exit the United States, as, among other things, inspections of goods and containers will likely be delayed. This is not good for importers and exporters. At the same time, however, the move may result in fewer inspections, Requests for Information, Focused Assessments, and other enforcement efforts by CBP, thereby decreasing the burdens imposed on the international trade community by such efforts – our thin silver lining. It also is not clear how soon the reductions would take place and how extensive they actually would be at the outset. Nevertheless, it is probable that CBP employees will start receiving furlough notices as soon as April,

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unless Congress acts quickly.

Of course, the sequester will not just affect CBP. Cuts to other agencies such as the U.S. Fish and Wildlife Service (“FWS”) and the Food and Drug Administration (“FDA”) will also certainly impact businesses involved in importation and exportation of goods, and for the most part in a negative fashion.

We will keep you apprised of any further developments on the sequester’s impact on international trade.

If you are interested in more information on the sequester’s effect on your business, please contact Gail Cumins at gcumins@spcblaw.com , Alli Baron at abaron@spcblaw.com or Donna Shira at dshira@spcblaw.com.
