

COMMENTARY: Keeping an eye on sanctions

Uncertainty around trade sanctions will keep shippers on their toes and necessitate use of technology.

By: **Gary M. Barraco**



Importers and exporters are faced with a lot of potential changes to trade rules in the coming months, and that should rightly be causing trepidation.

Even before taking office, President Donald Trump was clear that U.S. global trade policies would be altered dramatically in fulfillment of his campaign promise to bring manufacturing jobs to America.

Retooling trade agreements is just one part of his grand plan to decrease imports and open—or close—borders with other countries. The newly-minted president has already shown his willingness to pull a rabbit out of the hat and surprise the worldwide audience, so no one should be astounded if economic trade sanctions are used like a hammer in the Trump tool box.

Governments and multinational bodies impose economic sanctions to penalize state and non-state actors that violate international norms of behavior. Jonathan Masters, with the Council

on Foreign Relations, once said, “sanctions have become the defining feature of the Western response to several geopolitical challenges, including Iran’s nuclear program and Russia’s intervention in Ukraine.”

How are sanctions determined and who enforces them? U.S. sanctions policy is overseen by the Office of Foreign Assets Control (OFAC), a sub-body of the Office of Terrorism and Financial Intelligence, which is itself part of the Department of Treasury. They are enforced through tariffs, duties, quotas, embargoes and restrictions on trade.

While the U.S. has long-standing sanctions against many countries – Cuba, Russia, Iran, Iraq, and North Korea, for instance – the confusing relationship between Trump and Russian President Vladimir Putin has everyone keyed into this pressure-placing tool. Before Obama departed from the White House, he and a bipartisan group of legislators took one last jab at Russia (in retaliation for the email hacking episodes during the election and its involvement in the Ukrainian/Syria conflict) by imposing restrictive sanctions. It is yet to be seen whether Trump, or one his potential cabinet members, will uphold these sanctions. Trump’s Secretary of State, Rex Tillerson, won’t commit to his future actions against Russia, but Treasury Secretary nominee Steven Mnuchin has vowed to support the sanctions.

Ultimately, these and other trade restrictions impact importers and exporters. Companies engaged in global trade must manage a tremendous amount of information to establish and maintain compliance with regulations.

To efficiently import or export goods, shippers need fast access to data for all the countries where they trade. Unfortunately, collecting, cleansing and publishing trade content is complicated by the number of countries and government agencies, differences in trade regimes, wide variety of formats, and rapidly-changing information. Trying to maintain a complete and accurate database can be time-consuming and costly.

Many companies have elected to embrace technology and acquire an enterprise solution to help them manage screening. Given the sheer volume of sanctions and denied party lists, coupled with the fast-paced logistics processes most companies have, screening the customer base manually is not only inefficient, but in many cases impossible.

Shippers can also utilize robust databases to help them determine the need for an export license or other documentation. Effective End-User, Know Your Customer (KYC) and parties-to-the-transaction checks are carried out in best-of-breed technology solutions. In this way, shippers can manage controlled products used in connection with military and dual-use items with the correct license and ensure compliance with all sanctioned and denied party requirements and destination restrictions.

As trade policy shifts remain fluid, it becomes imperative for organizations to adopt global trade management software that enables them to access critical information such as sanction lists, automate transactions, gain control and compliance.



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