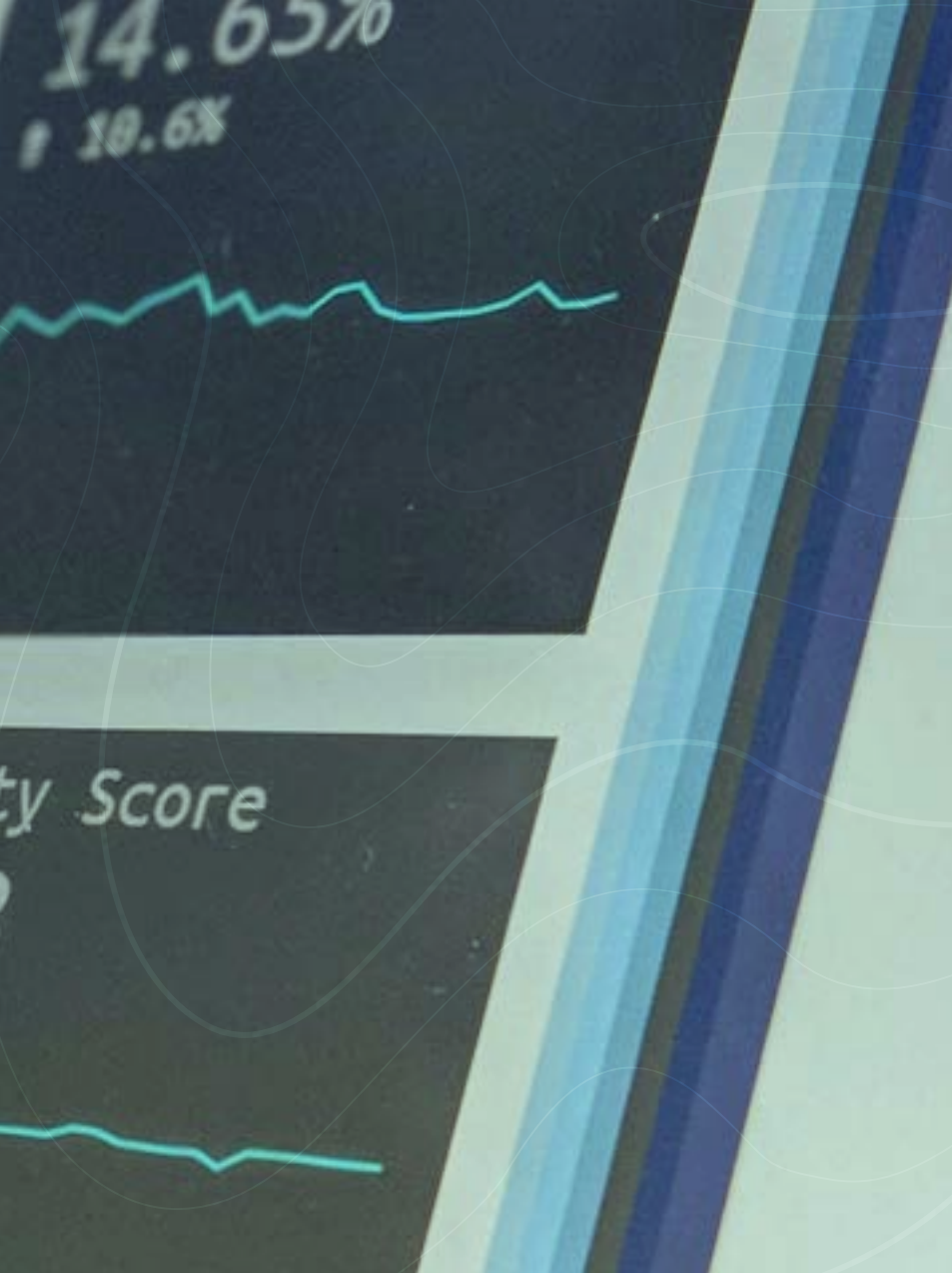


WHY IS TRADE COMPLIANCE IMPORTANT IN AN ORGANIZATION?

© Stephen Dawson - Trade compliance is often viewed as a barrier for growth rather than a valuable asset

ABSTRACT

Trade compliance is typically perceived as a roadblock in an organization or corporate world and is often overlooked in the context of relationship building or business-friendly functions. This article aims to change this perception by highlighting the different benefits and value trade compliance brings to organizations. It describes how effective trade compliance, despite being a non-revenue generating function, can enhance company integrity, provide high reputational value, and can help reduce the risk of heavy penalties (monetary fine or seizure of goods) due to non-compliance with export control laws. Additionally, the article aligns trade compliance with international obligations under United Nations Security Council resolution 1540 (2004) (UNSCR 1540), particularly its role in preventing the proliferation of weapons of mass destruction (WMDs) through the implementation of robust trade controls, thereby ensuring both corporate and global security.



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Navigating and understanding the intricacies of trade compliance can seem daunting to many, often labeled as complex or even tedious. It is also often viewed as a barrier for growth rather than one of the most valued stakeholders in an organization. It is a path that not everyone embarks on willingly, but, despite its complexity, trade compliance is crucial for any organization, large or small.

This function ensures that businesses operate within legal boundaries and ethical standards.

Trade compliance might be the last thing people consider when thinking about building relationships, however, reshaping this perception requires a fundamental shift in mindset throughout the organization, starting from top management down to every employee. This shift is partic-

ularly critical in light of international obligations, such as those outlined in UNSCR 1540, which mandates that States prevent non-State actors from acquiring chemical, biological or nuclear weapons, their means of delivery, and related materials.

Operative paragraph 3 (c) and (d) of UNSCR 1540 explicitly requires all States to implement effective national controls and establish appro-



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appropriate laws and regulations that control the transfer of materials that could be used in chemical, biological or nuclear weapons. Trade compliance professionals play a pivotal role in ensuring that businesses adhere to these regulations, thereby contributing to global efforts to prevent the proliferation of WMDs.

So, how do we instigate this change?

Changing this perception begins with trade compliance professionals. We play a key role in this transformation by aligning with the company's goals of growth and seamless execution; we must demonstrate the value of trade compliance in sup-

porting business objectives. This means being 'ahead of the game', becoming proactive strategists, anticipating business needs, participating in decision-making processes and providing support and guidance on trade compliance matters by actively engaging and partnering in all facets of operations.

Embedding trade compliance controls into critical business functions is essential for ensuring compliance across the organization. Here are some examples of how trade compliance is integrated into various functional areas within organizations to ensure legal compliance, mitigate risks, and facilitate international trade:

- **Human resources (HR)**

- » Screening and conducting background checks on foreign workers to ensure compliance with immigration and employment laws, as well as export control.
- » Providing training to employees on trade compliance regulations and policies during the onboarding process.
- » Ensuring that HR processes, such as hiring and training, align with trade compliance requirements.

- **Legal**

- » Reviewing all contracts to ensure compliance

with export control regulations.

- » Advising on the inclusion of export control clauses in all contracts, such as End User License Agreements (EULAs).
- » Conducting legal research to stay updated on changes in trade regulations and advising the company on compliance requirements.

- **Sales and marketing**

- » Conducting end-user screenings to ensure that products are not sold to prohibited parties or countries.
- » Reviewing sales contracts to ensure compliance with export control regulations and incorporating necessary export control clauses.
- » Partnering with sales and marketing teams to provide guidance on compliance requirements when expanding into new markets or forming partnerships.

- **Research and development; product management; engineering and IT**

- » Integrating trade compliance considerations into the product development lifecycle to classify items and identify export control requirements early in the process.
- » Collaborating with engineering and IT teams to understand the level of export control for technology transfers and incorporating necessary controls into product design and development.
- » Ensuring that technology and intellectual property rights are protected in accordance with trade regulations during research and development and product management processes.

- **Procurement and supply chain and logistics**

- » Screening potential suppliers and conducting due diligence to ensure compliance with trade regulations, including sanctions and export control requirements.
- » Evaluating suppliers' compliance programmes and incorporating trade compliance considerations into procurement contracts.
- » Ensuring that suppliers meet the company's trade compliance standards before onboarding them into the supply chain.
- » Assessing risk and ensuring resilience in the supply chain, both domestic and international.
- **Order management and operations**
 - » Ensuring that supply chain processes comply with import and export regulations, including customs requirements and documentation.
 - » Incorporating trade controls into order management systems to ensure that every transaction is compliant with relevant trade regulations.
- » Training for order management staff on trade compliance requirements and procedures to prevent non-compliance issues during order processing.

In a global business environment, trade compliance becomes even more critical, with each country's unique regulations requiring meticulous attention. Effective trade compliance is not only a safeguard against potential penalties, but also a crucial element in adhering to the broader security objectives of UNSCR 1540, particularly in controlling the export and transfer of sensitive goods and technologies that could be used in the development of



© Scott Graham - Compliance requirements should be considered when expanding into new markets or forming partnerships

WMDs. While larger companies may have dedicated trade compliance teams, smaller businesses may struggle to allocate resources to this essential function. However, regardless of size, investing in compliance programmes is ultimately a cost-saving measure, preventing potentially hefty penalties and reputational damage down the line. In other words, “invest now or pay later.”

As regulations evolve, so must our approach to compliance. Adaptability is key, and compliance professionals must remain vigilant, constantly updating their knowledge and processes to stay ahead of the curve, as ensuring compliance in a rapidly changing regulatory environment is a mandatory necessity.

Though the challenges may be daunting, trade compliance professionals play a vital role in upholding ethical business practices and mitigating risks. By maintaining integrity and a commitment to doing what is right, we not only safeguard our organizations but also contribute to a more compliant and harmonious global marketplace.

In the realm of trade compliance, there are no small victories. Every success, no matter how incremental, contributes to a safer, more transparent business environment. So, let us embrace our role as unsung heroes, knowing that our efforts pave the way for a brighter, more compliant future.

“The only constant in this world is change,” as the saying goes. By prioritizing compliance and embracing change, businesses can successfully navigate the complex landscape of international trade. Whenever regulatory changes or new mandates are implemented by local or foreign authorities, whether in the United States, Southeast Asia, or elsewhere, trade compliance professionals must undertake several crucial steps: understanding the amended laws, assessing their impact on business, products, and processes, identifying exceptions and ensuring qualification, integrating changes into operational processes, securing necessary licenses in advance, and executing these changes to maintain compliance and avoid penalties.

These efforts not only fulfill business objectives but also align with international obligations, as stipulated in UNSCR 1540. This resolution emphasizes the need for effective trade controls to prevent the spread of materials that could be used in the development of WMDs, reinforcing the critical role of trade compliance professionals in maintaining both corporate and global security.

Continuous learning and adaptation to evolving import and export regulations in each country are imperative, albeit challenging. The ever-changing regulatory landscape complicates business processes for many global companies, demanding swift responses and strict adherence to customs regulations, trade agreements, and export controls. Nevertheless, despite the challenges, there is a sense of fulfillment and pride in working towards a greater good and contributing, albeit indirectly, to global harmony through trade compliance.