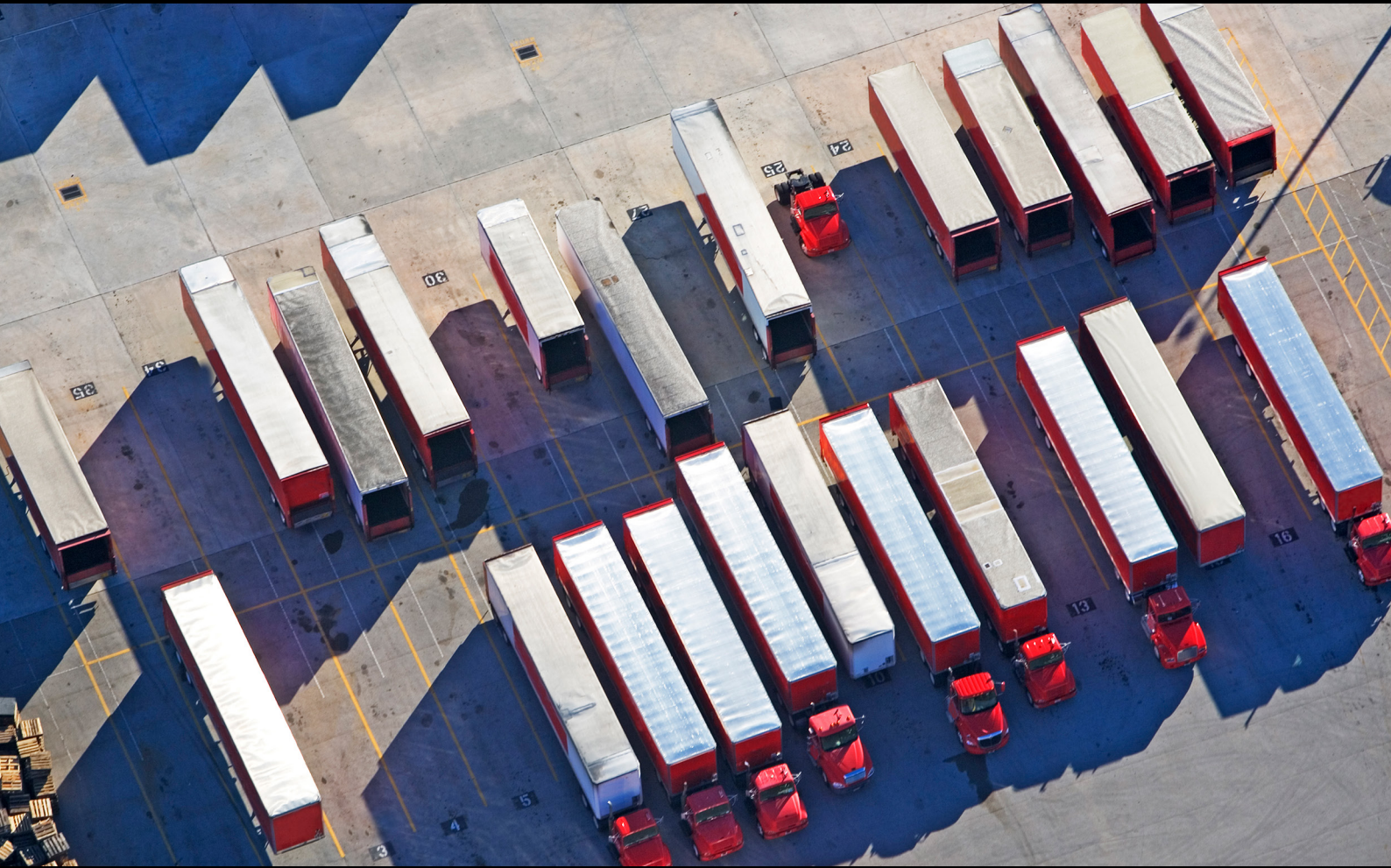


Managing Export Compliance Effectively

A Guide for Exporters



In April 2023, the U.S. Department of Commerce issued a publication on the identification and capture of potentially suspicious dual-use components by exporters providers. Matthew Axelrod, assistant secretary for export enforcement at the U.S. Commerce Department stated, “carriers, forwarders and exporters...we want everyone in the supply chain sensitized to the importance of (upholding Russian and Chinese trade sanctions).”

As Russian trade sanctions continue to increase in size and scope and further restrictions are imposed on semiconductors and super computing technology, the need for the shipping, logistics, and corporate sectors to understand and mitigate the risks of unwittingly facilitating the movement of strategic and military goods is highly important.

Dangerous Goods Are Not Dual-Use Goods

Dual-use and military goods do not fall under the scope of dangerous goods. Licensing requirements set out by export control authorities restrict trade in certain goods and commodities. A specific export control classification number (ECCN) manages the trade of strategic and military goods ranging from innocuous household items such as chemical substances to the more industry specific such as streamer sections used for ocean topography purposes.

Identifying dual-use and military goods in trade documentation is important and ensures that exporters adhere to local guidelines. Compliance teams need to understand and identify potential red flags associated with exporting goods that fall in the categories of nuclear, chemical, navigation, computing, or avionics.

Getting it wrong can lead to regulatory enforcement action. A large U.S. logistics firm reached a \$9.4m settlement with the U.S. Department of Commerce in a case involving hundreds of shipments to Iran, Sudan, and Syria. Similarly in 2022, a large Australian forwarder received a \$6.1m penalty for failing to keep up with the pace and complexity of its growing operations, including the risks associated with the use of U.S. financial institutions to make or receive payments related to sanctioned jurisdictions and persons.

Examples of dual-use goods and sectors



Electronics: Super computing technology, chips and circuits, tantalum capacitors, electromagnetic interference (EMI) filters.



Chemical and biological: Various toxins and pesticides such as botulinum.



Nuclear: Reactors, control rods, and other components.



Aerospace: Rockets, missiles, propellants and thrusters.

Transhipping Risk

Exporters must not be self-blinded to the ultimate destination of the goods being shipped. Best practice advises that ‘exporters should provide the appropriate ECCN and the final destination for where the items are intended.’ The top 10 transshipment risks in 2023 as determined by regulatory reporting are, U.S., Russia, Mainland China, Hong Kong, Turkey, UAE, UK, Canada, Singapore, and Cyprus.

Mind the Compliance Gap — Incomplete, Inconsistent, Ineffective

A major disadvantage to identifying dual-use and military goods is knowing the potential items on the market that meet such criteria.

Many current dual-use goods identification solutions provide a data-list of possible product names, keywords, synonyms, and acronyms with which to use as a foundational search engine. These data lists are limited in scope, generate high levels of false positives and even when implemented alongside AI tech-solutions still contain many gaps and weaknesses that leave organisations vulnerable.

S&P Global Market Intelligence’s Trade Compliance Secure offers a radically new solution for the market.

Successfully Identifying Export Control Risk

Coverage of export control goods regulation for the following markets:

- U.S. Commerce Control & Munitions
- EU Dual-Use, Military & Law Enforcement
- China Export Control Law
- United Kingdom Strategic Control List
- Japan Security Export Control
- Pakistan SECDIV Control List
- United Arab Emirates Control and Chemical List
- EU 833/2014 Russia Embargoed Goods
- EU 2022/355 Belarus Embargoed Goods
- Drug Enforcement Agency (DEA) and INCB Controlled Substances and Regulated Chemicals
- Australia Defence and Strategic Goods
- Canada Export Control List
- Singapore Strategic Goods (Control) Order
- South Korea Regulations on Export Control
- Wassenaar Arrangement on Export Controls and Arms
- G7 Common High Priority Goods Lists
- U.S. Department of Treasury (OFAC) Russia Determination Goods

AI and Machine Learning model designed to learn from historical good descriptions

- Captures obscure product brands and models.
- Understands typos, abbreviations, and concatenated words.

Accurate and precise results based on benchmarking and back-testing of the algorithm

- False positive rate below 6%.
- Model metrics offering user transparency.

Big data sets spanning military, defence, nuclear, electronics, engineering, and chemical products

- 500,000+ unique keywords.
- Updates based on historical enforcement actions.
- Model continuously learns from 1.8m+ real-life bill of lading goods descriptions.

Identification of Product Classification

- Automatically determine a HS Code for a product or goods description.
- Resolve to 6, 8, and 10 digit HS/Schedule B codes.
- Identify licensed goods by HS Code.

Denied Party and KYC Screening

- Identify blocked parties through screening names and entities on watch-lists.
- Highlight individuals with adverse media or negative news searches.
- Understand real end-user risk.

For more information visit

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