

BPE Global Hot Topic— July 2024

Mid-Year Check-In: Navigating Trade Compliance and Geopolitical Risks in an Election Year



As we move into the mid-year mark of 2024, global companies face a complex and evolving landscape of trade compliance and geopolitical risks. These challenges are further compounded by the approaching U.S. presidential election, which could bring significant policy shifts.

The following provides a high-level review of various and critical areas companies should focus on:

1. Impact of the Upcoming U.S. Presidential Election

The upcoming U.S. presidential election in November 2024 is a significant factor that could bring about substantial changes in trade policy. Depending on the election outcome, there could be shifts in tariffs, trade agreements, and regulatory enforcement priorities. Regardless of it being an election year or not, companies should always:

- **Engage with Policymakers:** Participate in industry groups and advocacy efforts to influence trade policy discussions and ensure their company's interests are represented regardless of who wins the election.
- **Scenario Planning:** Develop contingency plans considering potential changes in tariffs, export controls, and trade agreements.

And during an election year, companies must:

- **Stay Informed:** Monitor the political landscape and campaign promises of the candidates, focusing on their trade policy agendas.

2. Evolving Export Controls and Sanctions

Export control regulations are evolving rapidly, with significant updates from both the U.S. and China. The U.S. has tightened its Export Administration Regulations (EAR) and International Traffic in Arms Regulations (ITAR), focusing on sensitive, emerging, and critical technologies and specific end uses and end users. Concurrently, China's revised export control laws are impacting global supply chains, requiring businesses to reassess their compliance strategies to avoid disruptions and penalties. Companies should stay current with these ever-changing regulations for every country they operate in.

3. Enhanced Enforcement of Forced Labor Laws

The U.S., and governments worldwide, are intensifying efforts to prevent products made with forced labor from entering their markets. The Uyghur Forced Labor Prevention Act (UFLPA) remains a key focus. CBP has denied 3,493 shipments valued at \$700M USD.¹ Companies must trace their supply chains comprehensively – and not just for goods produced in China. CBP’s data shows that the majority of denied shipments have originated from Vietnam and Malaysia. Companies should not forget to thoroughly vet their supply chains!

4. Free Trade Agreements (FTAs)

FTAs can save companies millions, but they require a level of compliance knowledge and sophistication to ensure accuracy and effectiveness. Businesses should continually evaluate their use of FTAs to maximize duty savings and ensure compliance with rules of origin and other provisions, especially in light of potential new agreements or modifications to existing ones.

5. Country of Origin Verification

Country of origin validation is a foundational aspect of global trade compliance, influencing various facets of international trade from tariff determination to sanctions compliance and supply chain transparency. Both the Biden and Trump administrations leveraged trade remedy measures directly correlated to country of origin. Companies should ensure that they understand the Rules of Origin. And if a company has strategically shifted supply chain operations, they must ensure all Country of Origin changes are substantially vetted to confirm that the FTA can be claimed following the shift.

6. De Minimis Rule Changes

CBP is advancing proposals to address enforcement concerns around low-value shipments, including increasing liquidated damages for non-compliance and enhancing scrutiny of these shipments. Companies dealing with high volumes of low-value imports must stay updated on these changes to adjust their compliance programs accordingly. Companies should have documented de minimis processes and not forget about the costs to develop software and firmware.

7. Trade Remedies and Anti-Dumping Measures

The U.S. is intensifying its use of anti-dumping and countervailing duty cases to protect domestic industries, for example steel. Recent actions targeting commodities such as glass wine bottles and paper shopping bags indicate a trend towards more aggressive trade remedy enforcement. Companies should confirm that any item or supplier they import into the U.S. are not subject to anti-dumping or countervailing duties.

¹ <https://www.cbp.gov/newsroom/stats/trade/uyghur-forced-labor-prevention-act-statistics>

8. Geopolitical Risks and Supply Chain Disruptions

Geopolitical tensions, particularly involving China and Russia, continue to pose significant risks to global supply chains. Companies must evaluate the impact of these tensions on their operations and develop contingency plans to mitigate potential disruptions. Companies should have well-formed business policies with regards to transacting business in these countries and should have robust screening and license determination processed in place to ensure compliance.

9. Cybersecurity in Trade Compliance

The increasing reliance on digital platforms for trade compliance necessitates robust data protection measures. Companies must safeguard sensitive information against cyber threats and ensure compliance with data privacy regulations. Companies should implement advanced cybersecurity measures to protect trade data and maintain compliance integrity.

Conclusion

As we navigate the complexities of global trade in 2024, it is imperative that companies stay informed about regulatory changes, geopolitical developments, and the potential impact of the upcoming U.S. presidential election. Staying proactive and prepared will enable companies to adapt to changes and maintain their competitive edge in the global market.

As always, BPE Global is in your corner and is happy to assist in any capacity. You can find us on [LinkedIn](#) where we publish topical opinions on the ever-changing rules and regulations governing the landscape of global trade. Gabrielle Griffith is a Director of BPE Global. You can reach Gabrielle by email at ggriffith@bpeglobal.com.