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*Building an International Trade Compliance  
Program for Exporters  
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4:30 PM*

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# Trade Compliance Program Overview

Purpose of Trade Compliance Program:

- Conduct trade in accordance with US Trade Laws
  - **International Traffic in Arms Regulations (ITAR)**
  - **Export Administration Regulations (EAR).**
- Create a **series of procedures** for exporting
- **Mitigates risk** of regulatory violations
- **Empowers** staff
- Recommended organizations **do same for imports.**

# Trade Compliance Program Overview



**USG controls exports** involving different categories, including:

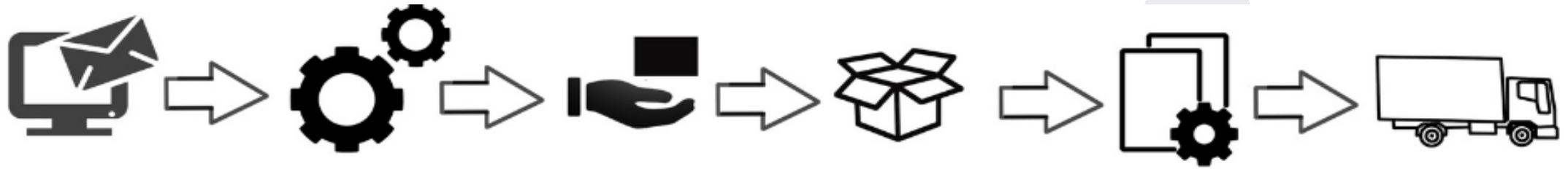
- **specific products** (dual-use products, weapons, articles associated with possible terrorist activities);
- **specific countries**, such as those where **U.S. sanctions and/or embargos** are in place, such as Cuba, Iran, North Korea, and Syria; and
- **specific individuals or parties** (barred, denied, unverified individuals).



# Key Factors in Designing Trade Compliance Program

- **Size** of organization & growth potential
- Strategic nature of items & possible **end-uses or end-users**
- **Geographic location** of organization, subsidiaries, & customers
- Relationships with **business partners**
- **Volume of exports**

# Real-life Examples



**Diverse in size, markets, products and controls**

- **Technology/Emerging Tech**
- **Software Company**
- **Consumer Goods – Retail Seller/E-Commerce**
- **Manufacturer**
- **Service Provider**

# Compliance Build Fundamentals – High Level

- 1. Management Commitment**
- 2. Risk Assessment**
- 3. Export Authorization**
- 4. Recordkeeping**
- 5. Training**
- 6. Audits**
- 7. Handling export violations/taking corrective actions**
- 8. Build and maintain your Trade Compliance Program**



# Management Commitment: Internal Controls

**Declare** importance & support of trade compliance policies and procedures as **part of internal controls**.

- i. Management Statement.**
- ii. Include in onboarding process of staff.**

# Compliance Build Fundamentals: Risk Assessment

## Evaluate risks/Mitigate risks:

- Identify Controls
- Market Risks (high risk, corruption, boycotts)
- How sales are conducted (Internal/External)
  - Internal Sales Team
  - Sales Agent or Distributor
- End-Use, End-Users, Re-export potential



## Compliance Build Fundamentals: Export Authorization

**Exporter** - Responsibility to determine if license required

Trick question: Is the **product controlled?**

Does export **require license?**



# Know Key US Government Players



*Three USG agencies have the authority to issue export licenses:*

- Department of State (ITAR),
- Department of Commerce (EAR), and
- Treasury Department (Various).

*Partner Government Agencies:* - Do not be surprised if there are other agencies that need to be consulted such as EPA, FDA, DOE or others

*Jurisdiction:* - Confirm agency jurisdiction for item to be exported

# Compliance Build Fundamentals: Export Authorization

**Classification — know how the product is classified**

- **ITAR/US Munitions List (USML) – State Department DDTTC**
  - Self-classification or do **Commodity Jurisdiction (CJ)**.
- **EAR/Commerce Control List (CCL)**
  - Self-classification or go through **DOC Bureau of Industry & Security (BIS)** for classification (**SNAP-R/CCATS**).
  - **Export Control Classification Number (ECCN)**
- **Note on Emerging Tech:** Ask for agency classification

# Compliance Build Fundamentals: EAR Screening

- Before export: **screen all parties in transaction**
- **USG Consolidated Screening List or Subscription Service**
- **Minimum Screen:** Initial time of order and prior to shipping/export.
- **Surprises and Challenges:** Now what?

# Compliance Build Fundamentals: Recordkeeping

- Vital to a successful compliance program
- Must be **kept 5 years from date of export**
- **Immediate access** to records a must
- **Integrate** into business recordkeeping procedures/processes
- Record keeping software an option

## Compliance Build Fundamentals: Training

- **Plan, conduct and maintain** training programs
- **Essential** in proving company is **implementing ongoing compliance program**
  - ✓ **Organization-wide** trade compliance training program
  - ✓ **Focused** training for those responsible for trade compliance
  - ✓ **New Hires** – trained within 90 days of hiring
  - ✓ **Ongoing** emails, articles, reminders & updates to staff.



# Compliance Build Fundamentals: Audits

- **Conduct regularly** - part of formal and informal audit strategy
- Proof that the compliance program is being **tested and tweaked**
- **Demonstrates** to USG officials that **compliance is a priority**
- **Either confirm no violation or expose violation**
- Presents **opportunity for corrective steps**
- **Change** process/procedures
- **Voluntary Self-Disclosure (VSD)** – tell them before they tell you.
- **Keep records of audit findings** – essential

# Compliance Build Fundamentals: Process for Violations

## 1. Before a violation occurs:

- Empower Trade Compliance team to stop shipments – no matter what!

## 2. Steps necessary once a violation found under these circumstances:

- By company personnel during order fulfillment/completion of sale
- Post shipment
- During an Audit
- Notification by the USG of a violation

## 3. Steps necessary for corrective action

- Establish dedicated team to review violation, possibly consult counsel, make corrective recommendations, implement those changes.



## Recap: Build & Maintain Program

- **Right-size program** for the company and its products
- **Goods controlled/generally not controlled** (except certain end-users/countries)
- **Organize manual for ease of use & accessible language**
- **Ensure all staff have access** to hard copies & electronic copies of the manual
- **Make sure all staff know how to contact trade compliance team**
- **Review often** with staff & more detailed fashion with those involved in implementation
- **Hold staff meetings for a critique** within the organization for improvements
- **Conduct regular Audits**
- **Update/maintain/document manual and trainings regularly**



# Virginia SBDC – George Mason University

## *2021 International Trade Compliance Guide*

<https://www.virginiasbdc.org/programs/international-trade/>





Questions?





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See SBDC's *2021 International Trade Compliance Guide*  
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