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Are you ready for the next big change in international trade?

By Lindsay Bernsen Wardlaw

Without an effective international arbiter of trade-related complaints to hold them back and with little interest in a dispute resolved primarily through military might, governments are turning to their national trade regulations to influence foreign affairs and manage international crises.^[1]

New tariffs, sanctions, export controls, and import bans all have a profound impact on businesses. Your organization may suddenly need to replace a vital source of supply because the supplier is blacklisted, the supply is tainted by forced labor, or the use of the supply confers problematic export control or sanctions jurisdiction on the product it will be incorporated *into*. Or your organization may be able to keep using the same source of supply—but only by paying steep tariffs on each shipment. Or perhaps you may lose access to certain customers or markets, or you may have to reduce your service offerings, open accounts at a new financial institution, or change your pension plan investments.

Whatever the nature of the change, your organization must be ready to enact new regulatory requirements immediately. In the United States (US), for example, trade-related federal government agencies may—and often do—rely on their national security and foreign policy missions to issue far-reaching mandates that take effect the same day they are published or very shortly thereafter.^[2]

We do not know what new events or conflicts might prompt trade action in 2023, but some trends are already in motion: US prohibitions on transactions (including exports, imports, and intangible exchanges of ideas or transfers of funds) with entities in Russia^[3] and China^[4] will likely become even more stringent^[5], as will US safeguards on the technology and equipment necessary to develop and produce artificial intelligence,^[5] semiconductors,^[6] and quantum computing.^[7] Persuaded by Russian aggression in Ukraine, surveillance and human rights concerns, and US pressure on semiconductors, other governments across the world appear increasingly likely to adopt lockstep or complementary measures.^[8]

The European Union (EU) is making dramatic changes to its import taxation regime, including implementing a Carbon Border Adjustment Measure^[9] and Foreign Subsidies Act.^[10]

And though we often focus on the effect of new *restrictions* on business, loosening trade-related constraints without fully removing them also increases compliance costs as businesses try to navigate what is permitted and what is prohibited. In 2023, the United States may also lift some constraints on Iran and Venezuela—if those governments become more amenable to US interests and international human rights norms.

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