

# Strategic Trade Management Initiative

Helping improve compliance with dual-use technology trade and sanctions

The Stimson Center's Strategic Trade Management Initiative (STMI) facilitates efforts by national governments to regulate foreign and domestic trade in dual-use technologies by translating current international obligations into actionable recommendations and advising on ways to improve inter-agency coordination.

## DUAL-USE TECHNOLOGY

The international trade in dual-use technologies—those that have both military and commercial purposes—is complex and multi-faceted. National regulations on top of international obligations make controlling dual-use items particularly challenging. International organizations often prescribe minimum and general standards of compliance for national governments expecting they will be translated into specific guidance for agencies and industry. However, gaps and loopholes in implementation and enforcement are common, creating confusion and uneven application across agencies and sub-optimal industry compliance within and across countries.

International agreements that regulate the security of, and trade and investment in, dual-use technologies include the Nuclear Nonproliferation Treaty, the Biological Weapons Convention, the Chemical Weapons Convention, UN Security Council Resolution 1540, various conventions of the International Atomic Energy Agency, four multilateral export control regimes and various UN Security Council Resolutions against terrorist groups and countries engaged in covert acquisition of weapons technologies and in supporting terrorism. Almost 170 countries have established regulations to meet their obligations under one or more of these agreements, however, the variations in scope of the regulations and in national capacities remain significant.

It can be costly for companies engaged in national or transnational activities to understand, de-conflict and comply with this web of regulations. Compliance is often cost-

## LEADERSHIP

**Seema Gahlaut**

Senior Fellow



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prohibitive for small and medium sized companies, further exacerbating the problem of deliberate or inadvertent violations. Bad actors exploit the situation by duping or co-opting companies or employees into supplying them with controlled technologies and using them to make weapons, plan terrorist operations, or divert resources to sanctioned persons or entities. In some cases, financial institutions get entangled in transactions that launder illicit funds through the acquisition of legitimate businesses and or underwrite illegal efforts to procure controlled technology.

## **CAPACITY BUILDING FOR TRADE SECURITY**

To close gaps and eliminate loopholes, governments need to build capacity to develop the effective regulations, processes, and procedures that international agreements require for compliance. Governments also need to convey the security rationale behind regulations to companies within their borders. As companies better understand compliance requirements, they tend to see technology regulation as a cooperative venture between government and industry, rather than an additional burden. Increased cooperation closes gaps and decreases bad actors' ability to exploit loopholes in supply chains, making compliance more cost-efficient and improving trade security.

Through customized training and consultancy services, STMI works with governments to develop compliance standards, effective ways to communicate those standards to industry, and helps industry better understand and comply with existing regulations. The project team also facilitates stakeholder discussions on challenges posed by dual-use technologies and creates opportunities for coordinated action among countries and between national governments and industry.

Stimson's approach is to apply deep expertise to very real security challenges, and the STMI team of experts has over 65 years of combined experience in decoding international obligations and improving regulatory practices for governments. The team works with a variety of regulators within a country (licensing and enforcement agencies, legislators, and political leaders) and with industry representatives at all levels to achieve the goal of better compliance while ensuring industry remains competitive in the global environment.

## **Contact**

For more information about program activities, contact Seema Gahlaut at [sgahlaut@stimson.org](mailto:sgahlaut@stimson.org). To discuss supporting the program, contact Sarah Savoy at [ssavoy@stimson.org](mailto:ssavoy@stimson.org).

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The Stimson Center, 1211 Connecticut Ave NW, 8<sup>th</sup> Floor Washington, DC 20036