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Compliance in the spotlight as tariffs, sanctions turn into geopolitical weapons

By  Ruth Prickett | Thu, Aug 14, 2025 5:13 PM

Navigating tariffs and sanctions is fast becoming a core and growing part of the compliance role for an increasingly wide range of companies. As the U.S. and other countries expand the use of economic policies to achieve political aims, compliance teams across the world are having to understand and adapt to a new trend in geo-economics.

Logistics and transport companies, unsurprisingly, cite sanctions and tariffs as one of the most important (and problematic) parts of their compliance work. But the latest Gartner Quarterly Emerging Risk Report, published July 24, ranked the escalating tariff and trade war at the top of the list of emerging risks among the 233 senior enterprise risk executives surveyed.

The increasingly blurred lines between economic policy and geopolitical strategy mean that export compliance is no longer just a legal issue — it's also a business imperative, says Natalia Gindler Corsini, founder of corporate compliance consultancy Prae Venire. Export compliance is a critical risk for global businesses, with regulatory expectations expanding alongside geopolitical tensions, she says.

"Once viewed as a narrowly defined legal function, export controls today intersect with supply chain integrity, third-party risk, and reputational exposure," Corsini says. The weaponization of economic tools means that compliance is no longer just about following the rules – it is about staying ahead of political developments that may suddenly alter what is permissible or prohibited."

That uncertainty means compliance teams need to scramble to work out how the latest announcements affect their business — and how they should react. The U.S. government announced new tariffs on more than 90 countries on August 7. Further tariffs on Chinese imports were postponed on August 11, but they may come in later. And the rules don't just apply on a regional basis – further complexity is added with specific rules for some products, such as semiconductors (100%) and pharmaceuticals (potentially 250%).

There are also exemption rules that will enable organizations that commit to manufacturing in the U.S. to continue to import without tariffs for a period of time – for example, Apple promised an extra $100 billion in investment in the U.S.. But the details of these exemptions and any subsequent penalties for firms that fail to build promised factories, and the proportion of U.S. manufacturing they will be required to commit to, are unclear at this time.

Reuters reported that President Donald Trump warned companies that are granted exemptions that if they did not invest as promised, they would be penalized. "If, for some reason, you say you're building and you don't build, then we go back and we add it up, it accumulates, and we charge you at a later date, you have to pay, and that's a guarantee," Trump said. But the news agency added that these comments were not a formal policy announcement, and it's unclear how they would be implemented, or how long companies will get to set up new factories and transition supply chains.

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> Natalia Gindler Corsini, founder of corporate compliance consultancy Prae Venire

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Compliance must also watch multiple countries' reactions to tariffs and monitor developments in potential trade war hotspots. The key question: If your organization decides to change supply chains in response to tariffs, how quickly can the business adapt policies and processes to ensure it understands the new requirements and whether those changes warrant new compliance procedures?

Gamika Takkar, a research director in the Gartner Risk and Audit Practice, wrote in the report that organizations must be prepared for potential disruption to supply chains and changing costs of doing global business. "These impacts have the potential to be more disruptive at a time of slowing global economic growth."

Takkar added that hasty or unplanned cost-cutting measures in response to emerging risks could be counter-productive, which means that enterprise risk management (ERM) is essential – and must include information from compliance teams. “Half of the executive leaders Gartner surveyed indicated that they depend on qualitative insights from internal teams, such as compliance and ERM, to guide them,” he said.

Sanctions enforcement

While sanctions have been a global issue and a headache for compliance for many years, the rules and enforcement approaches are currently evolving and escalating rapidly. Sanctions are predominantly applied by the U.S., U.K., and EU, with the recent focus on the Russian state and individuals close to President Putin, in response to the invasion of Ukraine.

However, there are also sanctions on trade with other countries, including Iran and North Korea.

There are continual new developments and additions in the key regions, and the rules are mutually inconsistent. Enforcement responsibilities and powers are also divided between multiple countries and regulatory bodies. But it’s worth noting that both the EU and the U.K. are stepping up their sanctions enforcement, law firm A&O Sherman wrote in an article on June 25.

One driver is an EU directive aimed at standardizing approaches to sanction implementation that was due to be brought into all EU countries’ national laws by May 20 this year. “Until recently, the lack of EU-wide minimum standards for prosecuting sanctions violations has contributed to fragmented enforcement,” the lawyers write. “The adoption of the Directive (EU) 2024/1226, which sets out common definitions of criminal offenses and penalties for breaches of EU sanctions law, is intended to change this.”

This regulation should increase consistency of prosecution for sanctions breaches (although not all countries have met the deadline). The U.K. is also ramping up enforcement “both as regards sanctions and export controls.”

The lawyers add that sanctions are often linked to other prosecutable offences. “In any such cases, there are likely to also be associated money laundering considerations. The U.K. authorities are also showing a growing interest in activities which may be perceived as circumvention."

Article 5r

Francis Marinier, financial crime compliance industry practice lead at Moody's, warns that the sanctions rules are applicable to an increasing number of companies. Moody's latest data shows that nearly 48,000 companies in the EU now meet the reporting threshold of over 40% Russian ownership (under the EU's Article 5r of Regulation (EU) No 833). This is almost 560 more than in July 2024.

Article 5r requires companies to report outgoing financial transactions of more than 100,000 euros ($117,181) from entities that are more than 40% Russian-owned. Moody's research found that the Czech Republic and Bulgaria have the highest numbers of Russian-backed entities (13,346 and 11,369, respectively). Germany, the EU's largest economy, is next, with 3,554.

More organizations are likely to fall under Article 5r in the future. Bulgaria saw a 36% increase in Russian-owned entities between July 2024 and July 2025. Other sharp rises occurred in Malta, where Russian-owned entities increased by 29% in that year, and Portugal, where they rose by 26% in the same period.

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"It is crucial for businesses to know who they are doing business with," Marinier warns. "Many organizations are still adjusting to the operational requirements of monitoring outbound transfers to Russian-linked entities – for example, the need to implement robust, real-time screening controls to avoid potential policy and regulatory breaches."

Marinier says that non-compliance with EU reporting obligations on outgoing transfers of funds under Article 5r can lead to regulatory actions and "material financial penalties." Fines for non-compliance with sanctions rules in the EU can be up to 4% of a company's global turnover, or 20 million euros, whichever is higher.

The EU's 18th package of sanctions against Russia (which came into force on July 18) is focusing organizations on the need to continuously monitor and respond rapidly to sanctions exposures, Marinier adds. “The effective use of technology and artificial intelligence (AI) can potentially help to scale up sanctions programs to meet both regulatory obligations and achieve business growth.”

The U.S. and the 50% rule

In the U.S., companies that are 50% owned by one or more sanctioned parties are also considered sanctioned (even if they are not explicitly listed.) Prae Venire’s Corsini warns that there is increasing pressure to tighten this rule further. “Critics have long argued that this rule allows too much ambiguity, especially when ownership is divided among multiple sanctioned entities or layered through subsidiaries and affiliates.”

Regulators have signalled that they may close loopholes that allow companies to transact with indirectly owned or influenced entities, Corsini explains. “While these changes are still evolving, the message is clear: companies can no longer rely solely on list-based screening – they must understand and assess ownership structures and control relationships in their third-party networks.”

Common compliance gaps

Despite this, Corsini says many organizations still have gaps in their export compliance programs. Common failings include: outdated or insufficient risk assessments that fail to capture evolving export control or sanctions regimes; inadequate due diligence on third parties and intermediaries; lack of automated screening tools; weak documentation and record-keeping (which can compromise the organization’s position in an audit or investigation); and limited training beyond the legal or compliance team (so frontline staff are unaware of red flags and escalation protocols.)

She says these gaps are particularly risky as the U.S. and other regions are expanding liability for sanctions breaches. This means that companies can be held accountable not only for their own direct actions, but also for the actions of suppliers, brokers, distributors, and even customers.

Corsini advises compliance teams to take a “multi-layered, cross-functional” approach to close these gaps. She says compliance should conduct dynamic risk assessments that reflect their company’s evolving business model – including new markets, acquisitions, and product changes. They should also update screening tools regularly and implement robust third-party due diligence, particularly on distributors and agents who may re-export goods or provide services in restricted territories.

Companies should also have clear escalation protocols and ensure that frontline staff know how to flag potential issues. Compliance should provide training to commercial, logistics, and procurement teams, so compliance is part of business operations, not a legal checklist. The entire program should be regularly tested, Corsini adds, through internal audits, mock investigations, or external reviews to identify blind spots.

Improving tariff compliance

Similar actions can help boost compliance and resilience around fluctuating tariff regimes, according to Kristy Grant-Hart, vice president of compliance advisory services at Spark Compliance, a Diligent Brand. She highlights the regulatory burden and operational disruption caused by rapid changes to tariff rates.

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She advises compliance teams to start conducting risk assessments on the company's tariff payment and product clarification processes if they haven't already. "The U.S. False Claims Act looms large here, and a company misclassifying a product or its country of origin can create enormous exposure to fines through whistleblowers (called relators under this law)."

Compliance managers should view shifting tariff policies as a reminder to focus on long-term governance, risk, and compliance (GRC) resilience and to use advanced GRC platforms to proactively manage potential risks while capitalizing on strategic opportunities. "These platforms help to ensure comprehensive oversight and help businesses track regulatory changes amid market shifts," Grant-Hart says. "Ultimately, the ability to navigate the ever-changing compliance landscape with agility and foresight will determine which organizations flourish and which fall short."

The increasing importance of tariffs and sanctions as geopolitical tools is a business risk, but also an opportunity for compliance to take a frontline role. Businesses across the globe will need to rely on compliance teams to understand the rules as they evolve and ensure that policies and procedures can cope with high-stakes uncertainty and rapid change.

As Prae Venire's Corsini says: "As tariffs and sanctions are increasingly deployed not just as economic tools but also as strategic levers in global policy, companies face heightened uncertainty in managing compliance across jurisdictions."

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