



## On Second Thought With Beth Peterson

### Picking your top three trade initiatives

**W**hile attending the 91st American Association of Exports and Importers' Conference & Expo in early June, we took the opportunity to do an informal

survey of attendees and thought you would be interested in what people had to say.

We asked the attendees what their top three global trade initiatives were for this year. Not surprising, the No. 1 initiative was compliance. This included both export and import compliance and there was a definite focus on compliance with non-U.S./preferential regulations.

We're excited to see that people understand that every export is an import and see the value in ensuring compliance at both ends of the transaction. While global trade compliance is music to our ears, we do want to point out the essential success factor to any compliance initiative is that your initiative must be aligned with your corporate objectives.

Working towards global trade compliance when your corporate objectives may be in opposition to them is a losing battle. If you have compliance as one of your top initiatives, please make sure that you have already accomplished the task of aligning your trade compliance efforts with your corporate objectives.

Two initiatives actually tied for second and they were classification and training. For classification, AAEL conference attendees cited both Harmonized Tariff Schedule (HTS) and Export Control Classification Numbers as a priority.

Global harmonization of classifications was a clear objective for companies. Classification is essential to your overall global trade compliance and your corporate strategies. Unless you clearly identify your product, software and technology classifications, you really don't have a frame of reference to build your global trade compliance program around. You can take a generic internal control program and insert your company name, but a truly viable global trade compliance program begins with your product classifications.

Once you understand the controls, du-

ties, taxes, special programs and licensing requirements for your products, you can create a program that supports your specific business. And that leads directly into training. Several people stated that internal training was one of their initiatives for this year. Others highlighted business and vendor training.

Any global trade compliance training should be based on what industry your company is in, how your products are controlled and classified, and how your company can ensure compliance based on the compliance requirements for the business you are in. Remember that any effective training must speak from a common language, the language of your business and your products.

Two more initiatives tied for third place. They were export controls and free and/or preferential trade agreements. Initiatives focused on export controls make a lot of sense given President Obama's export control reform initiative.

Because the Defense Department and representatives from Commerce, State, and other relevant agencies are undergoing a systematic review of the current export control process, it behooves companies to undertake a similar effort and review their products to understand the effects of export control reform on their global business. Leading companies have embraced this concept and participate on the President's Export Council and have engaged their government relations colleagues to stay on top of export control reform efforts.

Free and/or preferential trade agreements are also a very timely initiative given the long-awaited U.S.-South Korea Free Trade Agreement, in addition to other non-U.S. free trade agreements. Every company doing business between the United States and South Korea should undertake an intensive analysis of how the FTA could impact their cost, operations and development strategy.

Don't assume that doing business with these countries automatically qualifies you for the trade agreement. You must properly classify your products, understand the rules of origin under the trade agreement, qualify your product under the agreement, certify your products, be able to substantiate your claims and maintain records to support those claims. Before you even consider participating in the FTA, you should do a cost-benefit analysis to determine if the benefit of participating in the trade agreement offsets the cost of managing the program.

We also asked attendees to share with us the biggest challenges to the success of their initiatives. The barriers included money, resources and time to implement — the classic challenges to any project. Additional challenges include knowledge of global trade compliance, understanding the international landscape, lack of understanding by executive management, and ever-changing regulations.

In addition, we asked participants what benefits they expected to achieve from their global trade compliance initiatives. The majority of people stated they expect cost savings from their initiatives, in particular from their duty drawback programs. With the cost savings, several people expected to receive funding for future global trade compliance initiatives. Efficiency was another benefit that people expected to receive and one participant said "better business — easier."

Overall, it was exciting to see that people are setting global trade compliance initiatives and measuring their success against these initiatives. One thing that still appears to be missing is a standard way to measure global trade compliance.

Hopefully, this survey will provide you with a perspective to compare to your initiatives, and that you succeed in your initiatives and attain the benefits that you expect. We would also like to thank everyone who took the time to stop by our booth and take our informal survey.

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