



ON SECOND THOUGHT *With JULIE GIBBS*

Exporter opportunities—what's the trend?

BPE Global just published our sixth annual *Export Operations and Compliance Benchmarking Report*, written in partnership with *American Shipper*. What

we've been able to glean from the survey results is that there are several opportunities to be had with regards to exports and they are not all that obvious. U.S. Exporters have a lot to consider whether it be moving into new markets, new trade agreements, changes to the regulations or greater global responsibilities. But all of the challenges are also excellent opportunities for a company.

The survey results shows a trend that export compliance is included in strategic new market opportunity discussions the majority of the time. Companies are finally recognizing that including export compliance in these discussions gives them a competitive advantage and uncovers trade related opportunities. Export compliance is also being included in merger and acquisition discussions. These are opportunities where export compliance can identify if the newly acquired company could contribute to cost savings through foreign trade agreements or sourcing/warehousing strategies. Export compliance can also keep a company out of hot water by identifying whether disclosures might be required prior to acquisition.

The survey identified opportunities in global responsibilities for export compliance. Although the average number of countries companies exported to decreased slightly from 38 to 32 this year, there was a jump in the number of respondents that said they are now responsible for exports globally. This added worldwide responsibility will require export managers to increase their knowledge of multiple country and territory regulations. This is a chance for export managers to widen their compliance knowledge but also gives them the opportunity to streamline and

consolidate export operations and compliance processes.

Another opportunity arose in the survey in the shape of U.S. export control reform (ECR). One of the initiatives of this reform was to move less sensitive items, mostly parts and components, from the State Department munitions list to the Commerce Department list. This, in theory, would allow exporters to ship these items more easily under Commerce, rather than the more complex licensing authorizations of the State Department. Our survey showed that large and small/mid-sized shippers reported a modest 5 to 9 percent increase, respectively, in their ability to ship to new markets and customers because of the export control reform.

It also appears that large shippers reduced their need for State Department licenses by a solid 25 percent, but then in return increased their need to obtain Bureau of Industry and Security licenses by

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16 percent. The good news is the need for export licenses decreased 9 percent overall and BIS has reported an improved 23-day turnaround time on processing licenses, down from 25 days last year.

Regarding new markets, we asked whether exporters would take advantage of the Trans-Pacific Partnership (TPP), if it passes. TPP is a proposed trade agreement among 12 countries, mostly along the Pacific Rim, and including the United States. It seeks to lower trade barriers such as tariffs, establish a common framework for intellectual property, enforce standards for labor and environmental law, and establish an investor-state dispute settlement mechanism. Even though TPP is still under negotiation, our survey showed that 21 percent of large shippers and 13 percent of small/mid-sized shippers plan to expand their markets into TPP countries. As mentioned earlier, get your export compliance team to analyze this potential new market opportunity if your company is not already exporting to these countries.

The last opportunity we found in our survey had to do with automation trends in terms of global trade management (GTM) software. In light of the increased global responsibilities we've seen from our respondents that now more than ever is the time to automate export compliance functions. The trend over the last five years for most has been to increase automation and get rid of a hybrid system of spreadsheets and system tools. About 45 percent of respondents said they have a single automated export system (that's not a spreadsheet), compared to 33 percent just two years ago.

One of the main reasons for not automating is due to a lack of funding and resources. Many export compliance groups do not get funding because management has no visibility to how important export compliance is for growth and scalability. Now is the opportunity to invest in automation because companies are centralizing their global responsibilities, dealing with new export regulations and new potential markets.

The survey results clearly show there are several opportunities for export compliance whether they are in the form of advising on new markets and acquisitions, taking on global responsibilities, dealing with new government regulations or trade agreements. Companies that acknowledge these challenges as opportunities will help them stay competitive.

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