



Beth Peterson  
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# **Global Trade Strategy: Compliance, Content and Connectivity**

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## Agenda

- Strategic Role of Global Trade
- Realities of Global Trade
- Your Opportunity to Elevate Global Trade



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## **Strategic Role of Global Trade**



## World

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### Obama announces membership of President's Export Council

English.news.cn 2010-07-08 03:34:34

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WASHINGTON, July 7 (Xinhua) -- U.S. President Barack Obama on Wednesday appointed a group of business and labor leaders to the President's Export Council, which will offer advice and expertise on trade issues from outside of the administration.

Obama announced in March that he would re-launch the President's Export Council to serve as the principal national advisory committee on international trade. At that time, he named Jim McNerney, President and CEO of Boeing; and Ursula Burns, CEO of Xerox, as chair and vice chair of this council, while leaving other membership vacant.

The president appointed the remaining 18 members of the council during a speech at the White House, expecting them to "offer their unfiltered advice and expertise on how best to promote American exports."

The new appointees include Scott Davis, Chairman and CEO of UPS; Robert A. Iger, President and CEO of Walt Disney; Jeff Kindler, Chairman and CEO of Pfizer; Andrew N. Liveris, President, Chairman and CEO of Dow Chemical, among others.

#### Video >>



BP starts pressure test on well



Iranian scientist says he was kidnapped by CIA

#### Photos >>



Iranian president meets with Afghan FM in Tehran



Casualties in suicide blast in Pakistan's Mingora rise to 50

#### Top World News

#### Latest World News

- 1 U.S., Yemeni presidents discuss al-Qaida threat on phone
- 2 Two explosions kill at least 20 in SE Iran



## Did you Know?

According to the Aberdeen Group, “a \$1 billion company can free \$10 million to \$40 million in cash by better controlling its basic global trade processes...” .





## **So How Come??????**

Global trade is the one thing that CEO's constantly  
leave out of strategic planning???



## Who Feels the Pain in the Boardroom?

- CEO: Business viability and shareholder value at risk
- CFO: Accountability and transparency
- CIO: Meet requirements in a timely & cost effective manner
- GC: Confusion on how to meet an array of regulatory challenges
- VP Logistics/Supply Chain: Responsible for global trade risk and international operations



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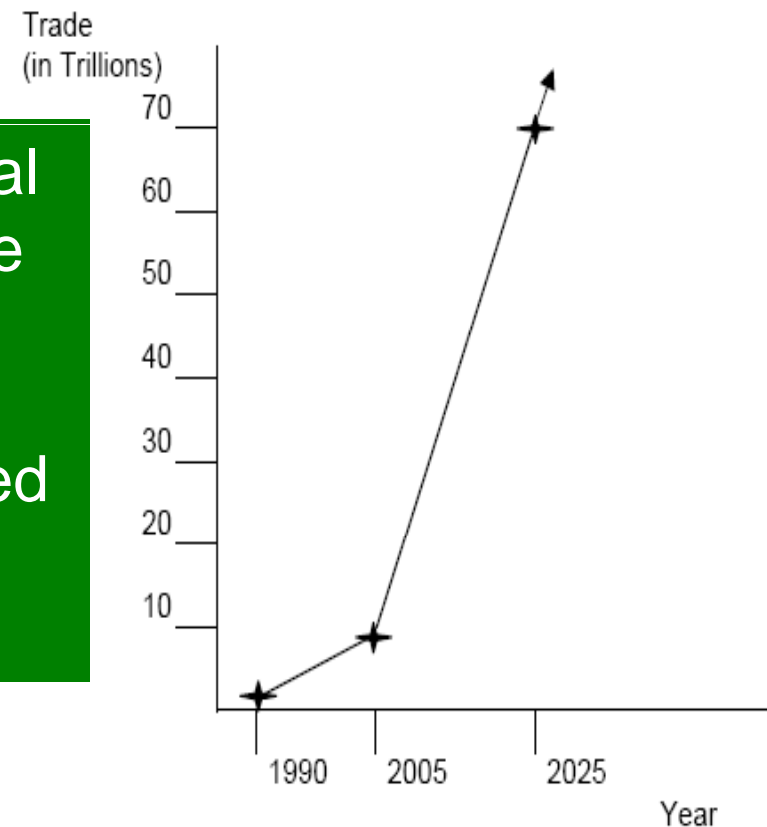
## **Realities of Global Trade**





## How Big is Global Trade?

“Complex, cross-border global transactions account for more than \$10 trillion in 2007 and, according to a recent McKinsey report, are expected to grow to more than \$70 trillion by 2025 .”





## Regulatory Compliance Realities

- Thousands of pages of regulations per country.
- 20,0000+ tariffs in the US alone.
- Multiple jurisdictions involved in the importation and exportation of goods.
- On average 27 parties are involved in the importation process.
- Many countries require advance filing of cargo information prior to departure or arrival.
- High penalties for non-compliance or violations.
- Risk of delays for repeat violations.



## What CEO's Want/Don't Want

- Want:
  - Corporate social responsibility
  - Positive image
  - Business section headlines
- Don't want:
  - Sales to terrorists
  - Company's product, software or technology in the hands of our enemies
  - Front page headlines



## **Regulatory Environment**

- Increasing attention from authorities
- More resources for enforcement
- Rapidly changing environment
- Stiffer penalties for violations



## **Regulatory Focus**

- Bio-Terrorism
- Supply Chain Security
- Advance Shipment Data
- Consumer Product Safety
- Environmental Protection
- Government Declarations
- Known Shipper Programs
- Export Decontrol
- Export Reform



## Penalties



### Issue

### Penalty

- Optrex America
  - Failure to exercise reasonable care \$913,000
- Pioneer Speakers
  - False NAFTA claims \$10,000,000
  - Recordkeeping violations \$16,000,000
- ITT
  - Export without a license \$100,000,000
- Lloyds
  - Violations of sanctions \$217,000,000



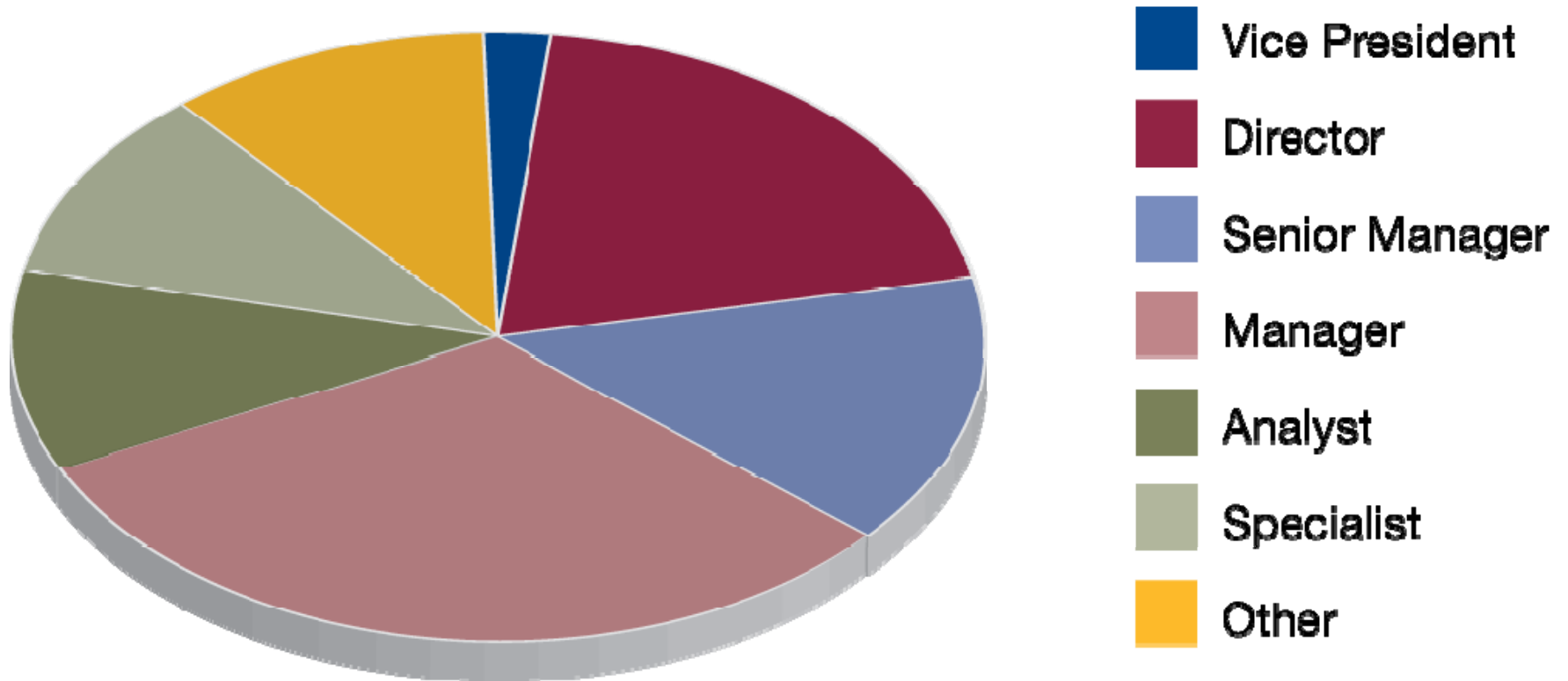
## Penalties & Violations

- Administrative penalties up to \$250,000 per violation
- Criminal penalties of up to \$1 million per violation and up to 20 years in prison.
- Denial or restriction of import and export privileges.
- Under the Immigration and Naturalization Act a Foreign National can be rendered inadmissible or deportable if he or she is found to have circumvented regulations or is in breach of export control laws.

**Bad public relations: What CEO's really care about.**



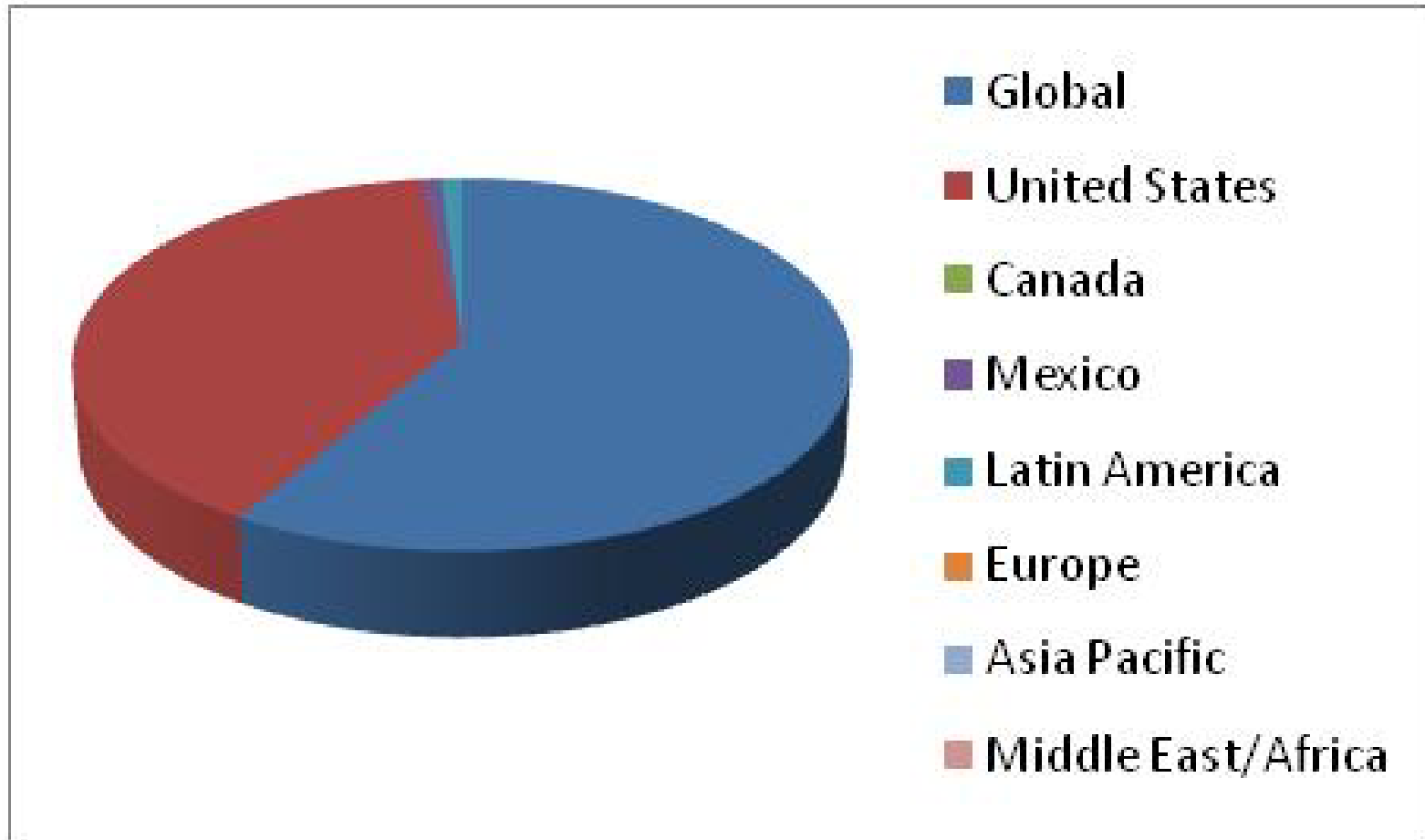
## Global Trade Titles







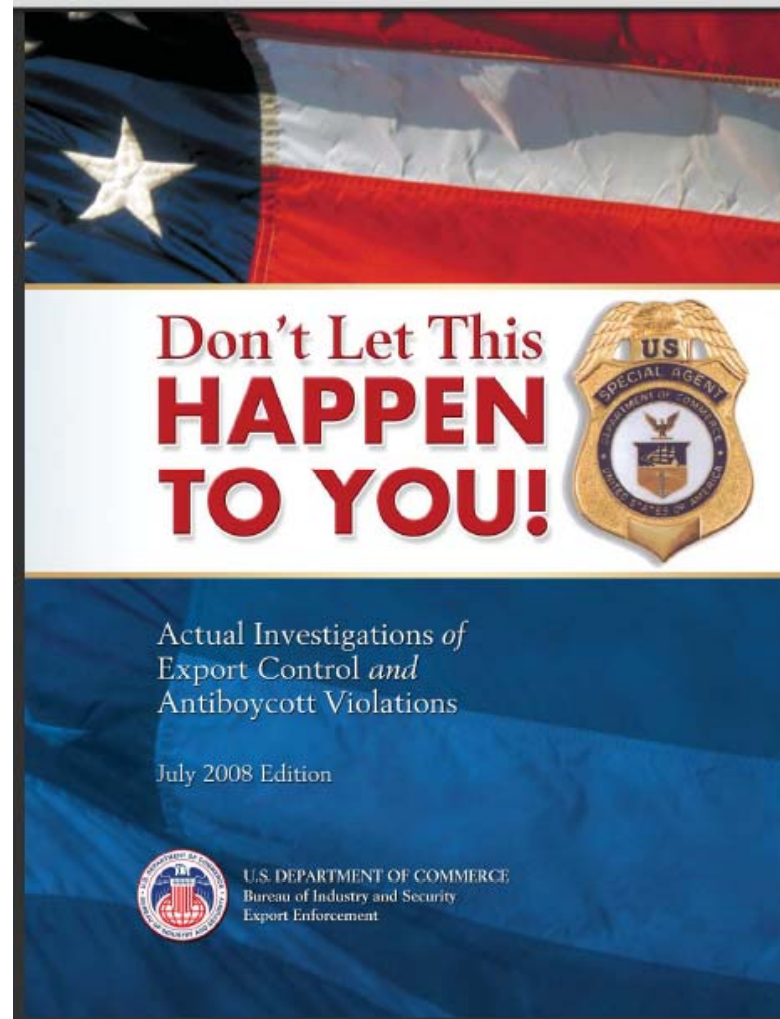
## Trends - Increased Global Responsibility





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## Don't Let This Happen To You





# Export Compliance in Action

## Table 1: Recent U.S. and U.K. Export Compliance Enforcement Examples

**May 17, 2010:** "Two Chinese Nationals Convicted of Illegally Exporting Electronics Components Used in Military Radar and Electronic Warfare"

**May 11, 2010:** "U.K. Firm Fined \$2 Million After Pleading Guilty to Illegally Exporting Boeing 747 Aircraft to Iran"

**March 26, 2010:** "Hong Kong Citizen Extradited to Massachusetts to Face Charge of Conspiring and Attempting to Illegally Export Military Parts from the United States"

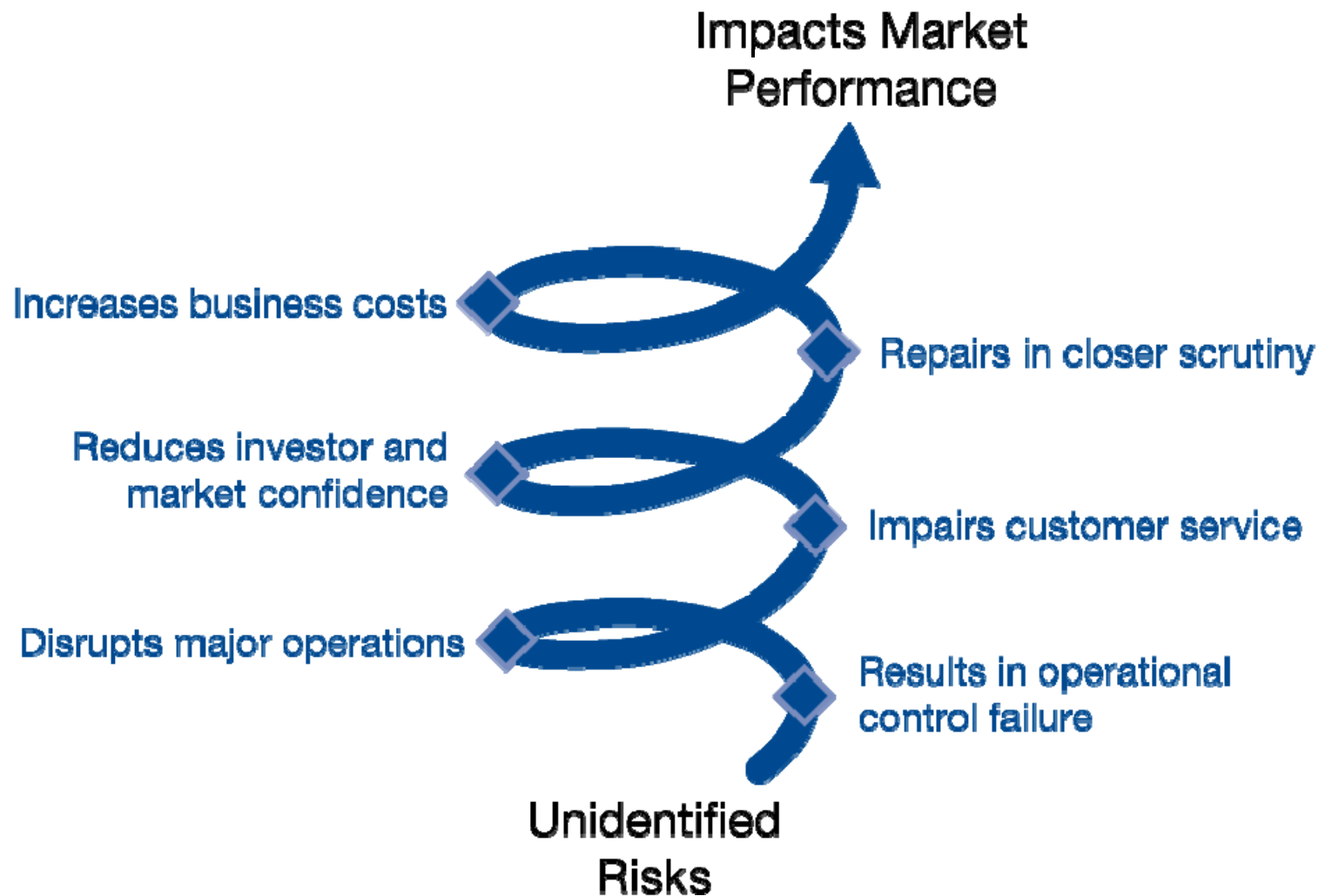
**February 4, 2010:** "Taiwan Exported Arrested and Charged with Exporting Missile Components from the U.S. to Iran"

**June 5, 2010:** "3 Men Jailed for Breaching U.K. Arms Embargo to Iran"

**March 2, 2010:** "Mining Company Fined for Attempted Export of Military Vehicles without a License"



## Unidentified Risks Impact Performance





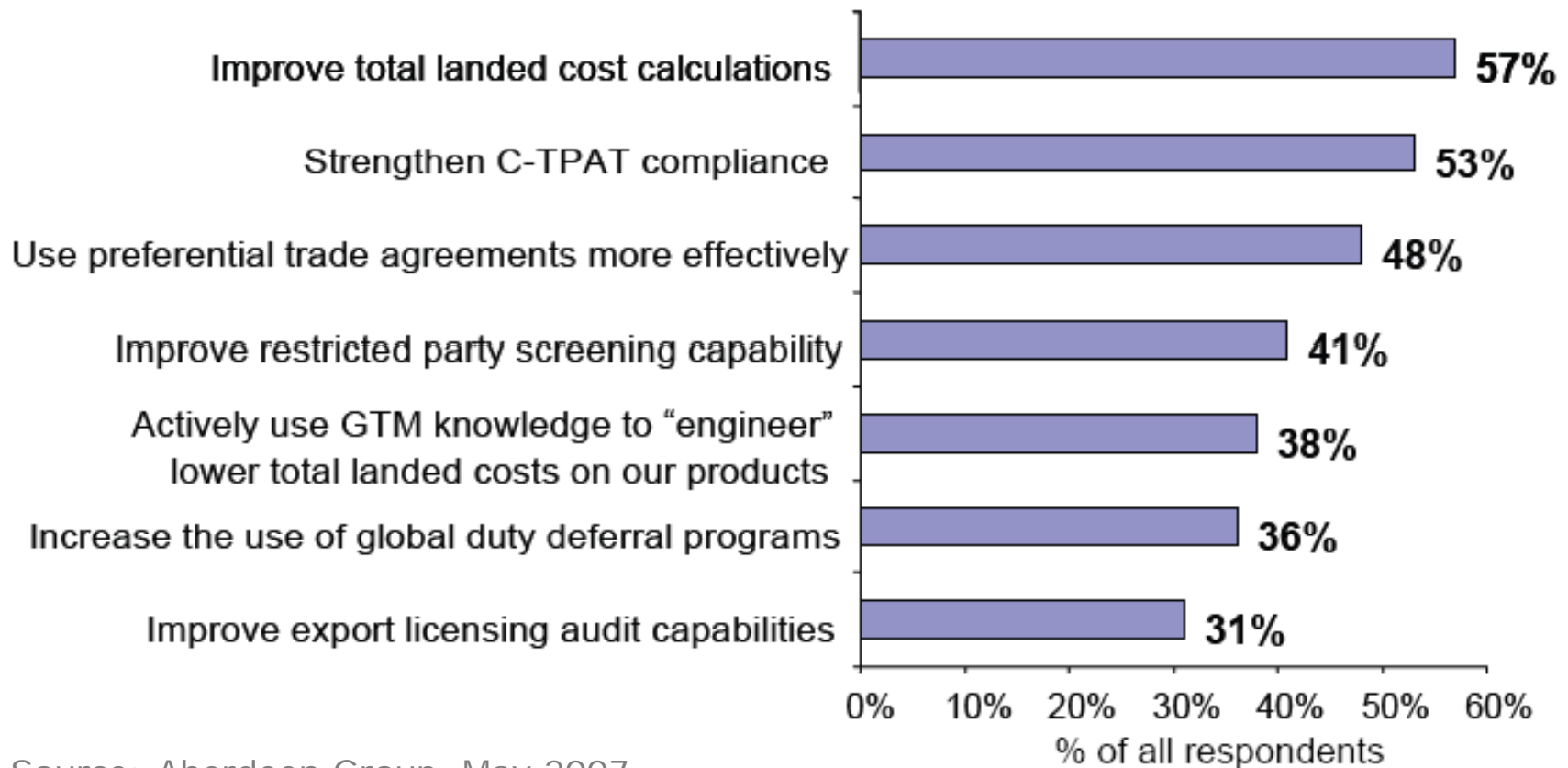
# Managing Global Risk

Exports	Americas	EMEA	APAC
EMCP	Compliant	Improvements required	At risk
Procedures	Compliant	Compliant	Compliant
Training	Improvements required	Improvements required	Improvements required
Internal Audit	Improvements required	Improvements required	At risk
Screening	Compliant	Compliant	At risk
Classification (ECCN)	Compliant	Improvements required	Improvements required
AES/EEI	Compliant	Unknown	Unknown
License Management	Compliant	Unknown	At risk
Anti-Boycott	Unknown	Unknown	Unknown
Imports	Americas	EMEA	APAC
Import Policy	Compliant	Improvements required	Improvements required
Procedures	Compliant	Improvements required	Improvements required
Training	Compliant	Unknown	Unknown
Internal Audit	Improvements required	Unknown	Unknown
Classification (HTS)	Compliant	Improvements required	Improvements required
Valuation	Improvements required	Improvements required	Improvements required
Documentation	Improvements required	Improvements required	Improvements required
Recordkeeping	Compliant	Compliant	Compliant
Free Trade Agreements	Compliant	Compliant	Compliant
Temporary Imports	At risk	N/A	N/A
ATA Carnets	N/A	N/A	N/A
OGA Compliance	Compliant	Compliant	Compliant
ADD/CVD	Compliant	Compliant	Compliant
Assists	Improvements required	Improvements required	Improvements required
Country of Origin	Unknown	Unknown	Unknown
Drawback	Unknown	Unknown	Unknown
General	Americas	EMEA	APAC
Government Contracts	Improvements required	Unknown	Unknown

Compliant
Improvements required
At risk
Unknown



## Trade Improvement Initiatives



Source: Aberdeen Group, May 2007



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## **Opportunities to Elevate Global Trade**



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## Next Generation Supply Chains







## What Next Generation IS

- Real-Time
- Competitive Advantage
- Risk-Based
- Holistic
- Synchronized processes
- Inclusive of:
  - Trade finance
  - Trade compliance
  - Security
  - Cost management



## **Export Management**

- Who - Lists
- What – Controls
- Where – Countries
- How - Use



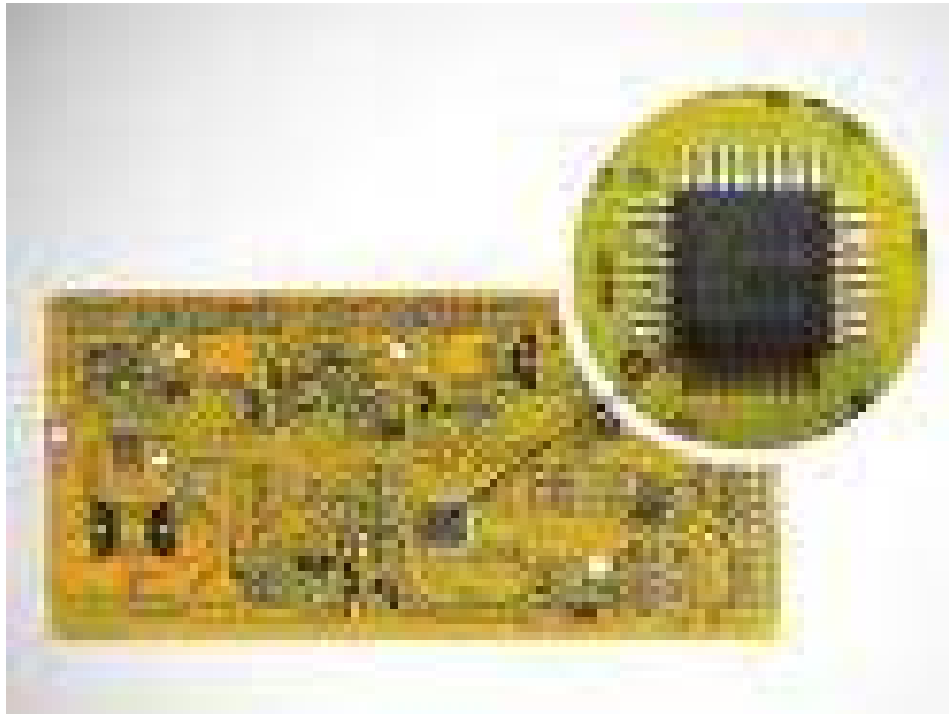
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## Screening





## Product Classification



- Jurisdiction
- Regime
- Export class
- Import class



## Anti-Boycott Members of the Arab League

- Algeria
- Bahrain
- Comoros
- Djibouti
- Egypt
- Iraq
- Jordan
- Kuwait
- Lebanon
- Libya
- Mauritania
- Morocco
- Oman
- Palestine
- Qatar
- Saudi Arabia
- Somalia
- Sudan
- Syria
- Tunisia
- United Arab Emirates
- Yemen



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## AES/EEI





## Translating your Export Responsibilities

- Increased revenue through
  - Access to all markets as a result of compliance.
- Customer Retention though:
  - Accurate classification and licensing of products.





## **Import Management**

- Classification - What
- Valuation – How much
- Country of Origin – Where





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## Valuation





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## Free Trade Agreements





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## Landed Cost





## Translating your Import Responsibilities

- Cost Reduction through:
  - Decreased clearance cycle time.
  - Duty reduction/avoidance programs.
  - Process improvements.
- Customer Retention through:
  - Predictable supply chain.
  - Accurate documentation resulting in accurate declarations.
- Higher Margin:
  - Lower inventory carrying costs.





## **Security**

- Advanced Data
- Cargo Security
- Personnel Security
- Financial Security
- Information Security
- Physical Security



## Translating your Security Responsibilities

- Customer Retention through:
  - Participation in government programs.
- Cost Reduction through:
  - Reduced loss/theft/pilferage.





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## Don't Forget Tools

- Global Policies
- Global/Regional/Country Procedures
- Training
- Automation
- Content
- Connectivity



Building Your Export Business:  
Global Trade Compliance, Content  
and Connectivity

Whitepaper by:  
Beth Peterson, President  
BPE





## Knowing your CEO and Company

- Corporate history
- Knowledge level you can expect
- Company's priorities
  - General (revenue, market share, compliance)
  - Specific and possibly new/changing goals
- Individual personalities in the boardroom





## Key Messaging

- Chief Executive Officer:
  - Cost - Potential violations, supply chain disruption
  - Market Loss – License denial, denial orders
  - Corporate image – negative headlines
- Chief Financial Officer:
  - Lack of Visibility to actual cost
  - Dual invoicing scenarios
- General Council:
  - Misstatements
  - Omissions and errors
  - Misdeclarations



## Corporate Impact

- Accelerate your supply chain.
- Increase corporate profit.
- Decrease costs.
- Establish competitive advantage.
- Mitigate Compliance Risk.
- Drive executive decisions.



**Business information can and should  
be used to outthink rivals**



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**ENABLING COMPANIES TO  
SUCCEED GLOBALLY THROUGH  
CONSULTING AND TRAINING**