

BPE Global Hot Topic – August 2019

Scream, Take a Deep Breath, Pause and then Get Back to Work

So, here's the scream: The daily bombardment that we trade professionals, and our companies, are getting hit with can become overwhelming. I want to take time today to talk about this new normal that we are all operating in.



On one hand, it is a dream come true that the CEO of every company that I work with knows the importance of trade compliance. For the first time in my 30+ year career, I am seeing an equal focus on exports and imports. On the other hand, can we get a break?

When I started my career, my entire focus was on creating collaborative relationships with the agencies that regulated my business. And I feel that we've done an amazing job of bringing that to fruition. The Bureau of Industry and Security (BIS) provides great workshops on export controls and classification. I know that we have a tremendous relationship with the licensing officers that we deal with daily. On the import side, we've created Customs and trade partnerships with groups such as the Trade Support Network and the Customs Operations Advisory Committee (COAC). And Customs and Border Protection has created Centers of Excellence and Expertise accessible to all importers.

It's crushing to have focused a career on building bidirectional relationships with government agencies to end up in a position where tariffs are tweeted and imposed with no Advance Notice of Proposed Rulemaking, zero industry focus groups and not one single consideration of the impact of a government action on a business and its supply chain. Gone are the days of submitting comments and working with agencies to identify reasonable approaches to national security concerns. Today, punitive tariffs and licensing delays are commonplace. Exclusion request processes are implemented well after the damage has been initiated.

This last round of U.S. Section 301 tariffs on China (i.e. List 4) was announced in May. It wasn't until August 13th that the list was split into two lists, one to be implemented on September 1, 2019 and the other to go into effect on December 15, 2019. On August 27th, the U.S. Trade Representative gave less than one week's notice that the tariff rate would be 15 percent, not the 10 percent that was originally announced. This is not how you support U.S. businesses. Don't even get me started on the retaliatory tariffs that China just announced in response to the U.S. tariffs.

This is a true tipping point. In our 15 years of being in business at BPE Global, we have focused on helping companies build effective and compliant trade compliance programs around their existing supply chains, wherever those supply chains are in the world. Now, our practice is focusing on how to help companies avoid doing business in the U.S. and setting up supply chains that aren't subject to change with a tweet. Previously we have been the support crew, the team that gets you across the finish line. Now we are the change agent. How does a company design a product that has lower controls? Where do companies source components from so they can afford to make their products? How do consumers avoid footing the bill for this entire fiasco?

We all need to take a deep breath: We are living a new normal where everyone knows what we do and wants a daily report on what the latest tweet means.



BPE Global
139 Pierce Street
San Francisco, CA 94117
T 877-264-3836
info@bpeglobal.com

And now it's time to take a pause. I want to remind you that in the new normal, the one constant that remains is product classification. If you haven't correctly classified your products, you are open to tremendous risk. This has never been a truer statement. Leading companies are reviewing their entire product catalogs and purchase parts to ensure they've correctly classified them. They are not going to leave their bottom line and "hope" that the classifications that they've been using for years and years are done. Let's face it, many company's trade compliance operations have evolved over time. Many trade compliance operations began extremely small with very little training.

Now get back to work. We're already more than halfway through the year and our trade compliance environment is changing daily. We all need to focus and make sure that the classifications that we are basing our damage reports on are accurate. At the very minimum, companies should do an 80/20 review of their products. Which products represent 80 percent of their export and import volume and make sure that the classifications are correct. And don't forget that incorrect legacy classifications will need to be corrected, CBP is on a tear issuing Requests for Information (CF 28) when they see a tariff change.

It's only after we've confirmed the correct classifications that we'll be able to communicate accurately to our leaders about the damage that the current trade war with China and other trade initiatives really mean to our businesses.

BPE Global is a global trade consulting and training firm. Beth Pride is the President of BPE Global. You can reach Beth by email at beth@bpeglobal.com or by phone at 1-415-845-8967.