On Second Thought ...

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Compliance, security strategies for 2009

Global trade professionals are being asked to do more with less on a global basis, according to an import/export compliance survey conducted by BPE last month.

Only 29 percent of the global trade professionals surveyed are responsible for U.S.-only compliance, leaving the majority responsible for the United States plus other countries, or the entire world. Ninty-one percent of the time, the global trade professional is responsible for both imports and exports. These same companies have outsourced manufacturing in 76 percent of the cases and are using one to four people to support global trade.

What does this mean? Well, as usual, companies just don't "get" global trade.

Let's put it in financial terms. In a $10 billion company with four global trade team members, a single global trade professional is responsible for the compliance for upwards of $2.5 billion worth of merchandise. No corporate structure would have a general manager managing that much of the corporate value. And 88 percent of global trade professionals hold the position of director or lower and less than 2 percent achieve the title of vice president.

A clear global trade strategy can help your company weather the current global economic crisis. C-level executives are more open than ever before to viable suggestions that lower costs and/or increase competitive advantage. If your company doesn't get the strategic value of global trade compliance, it's time to step out of the shadows. Aggressively communicate and execute a global trade strategy to support your company. To ensure you'll be heard, make sure to map your global trade strategy to each of your corporate business objectives. My bet is that you can directly support almost every one of those company objectives.

One of the few bright spots last year was the strong growth of U.S. exports, which were bolstered by a weakened dollar and the growing productivity of major U.S. manufacturers. However, foreign governments continued to expand bilateral and regional pacts that threatened to make U.S. exports less competitive over the long run. Our challenge in the United States is that we have a system that too often costs U.S. companies foreign sales to counterparts in Europe and Japan. More often, foreign companies won't buy the U.S. product because they don't want to get caught up in the hassle.

For instance, the Bureau of Industry and Security (BIS) has issued proposed and new regulations for de minimis, encryption and an intra-company transfer (ICT) license exception. In addition, export penalties increased under the International Emergency Economic Powers Act (IEPPA), and we now have guidelines for Automated Export System (AES) penalties.

Your export strategy for 2009 should include fully integrated trade functions by involving import and export professionals from the birth of the idea. Make sure you are planning far in advance for all exports. You should definitely leverage your service providers — they are skilled in your business. Ensure that you conduct due diligence for mergers and acquisitions.

For your import strategy, we're recommending that you submit comments on any changes to the current import regulations whenever you are asked. Make sure to include risk-based analysis, costs, increased workload and cost-to-benefit analysis. You should plan on working closely with your trade associations to keep issues "front of mind" with Customs and Border Protection and the participating government agencies. Push Congress and the administration to breathe life back into the Doha round and demand that we complete our free trade agreements with Colombia, South Korea and Panama. And whenever possible, you should participate in pilot programs to test new regulations.

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The proliferation of statutory and voluntary security requirements and programs across and within countries is the most important security issue facing companies today. The programs are using various criteria for qualifying and complying, and the rules and regulations are still evolving. Unfortunately, we must accept that many security initiatives were not designed to form a "system." Case in point the U.S. Container Security Initiative, "10+2" and Customs-Trade Partnership Against Terrorism. One of the more troubling trends is that penalties will now be assessed — in the case of 10+2, it's up to $5,000 per filling. The filing must be timely, complete and accurate. Under C-TPAT, the penalties are increased exams and exclusion from the program.

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The most important strategy for global security is balancing security needs with demands for efficiency and velocity. You should develop processes, procedures and controls that support certification, sustain compliance and are global in nature. Leverage external resources to assist you with short-term projects rather than adding headcount. You absolutely must engage your suppliers. Institute a calendaring system to ensure and enforce compliance. And insist that each security regime establish mutual recognition and reciprocity.

In 2009 the risks are simply too high. There is no good time for a penalty or any shipment delay because of a governmental action regarding compliance. Because times are challenging, a penalty or shipment delay will have greater financial impact on your company. On top of that, compliance professionals must actively defend against new regulations that increase cost and delay to the supply chain. You risk production disruption, increased supply chain costs, and loss of customer satisfaction as well as your profit margin. As a result, you must communicate that even greater attention and a strategic approach to compliance is essential to your company's survival.

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BPE is a global trade consulting and training firm focused on enabling companies to succeed globally.