

GLOBAL TRADE INITIATIVES: ARE YOU IN COMPLIANCE?

By Julie Gibbs, Director, BPE Global

It's not too late to get these initiatives on your 2016 checklist:

■ **Trans-Pacific Partnership (TPP) Agreement:** During the first year the TPP takes effect, 91 percent of Harmonized Tariff Schedule (HTS) codes will enter duty-free, based on 2010 tariff codes. If your products qualify, determine if the TPP is more beneficial than other free trade agreements (FTAs).

■ **Export Control Reform (ECR):** The ECR has yet to address six U.S. Munitions List (USML) categories, which means that 15 have been transitioned with final rules, and 11 have final transition end dates in 2016. Make sure your products that fall under these categories are fully reviewed and properly classified under the USML or Export Administration Regulations (EAR).

■ **Dual Use List Update:** If your company exports from the European Union, review the changes to the EU Dual Use List; they became effective Dec. 25, 2015.

■ **Encryption Reporting:** The annual self-classification report was due Feb. 1 for activity during January through December 2015. Additionally, if your encryption registration information has changed over the past year, you need to submit a new encryption registration form so you can be issued a new registration number. The semi-annual ENC license exception report was due Feb. 1 for activity during July 1 through Dec. 31, 2015.

■ **2016 HTS Changes:** Review the changes in the 2016 harmonized tariff schedule, posted on the U.S. International Trade Commission's (USITC) website. Also note the changes might affect the HTS reported in lieu of a Schedule B number for your export declarations. The U.S. Census Bureau has posted an add/delete list of Schedule B numbers on its website, so be sure to check this list, especially if your HTS numbers were affected in the new year.

■ **Certificates of Origin:** Request 2016 Free Trade Agreement certificates or statements from your suppliers for programs such as NAFTA and KORUS. Even if the certificates or statements were issued on a blanket level, don't use them if they are expired. If your company issues FTA certificates and/or statements, check with your manufacturing and procurement departments that sourcing has not or will not change before you issue any new 2016 blanket certificates. This is also a perfect time to run a cost/benefit analysis using Automated Commercial Environment (ACE) reports on past FTA activity to determine whether these programs are still profitable. Analyze your ACE reports to determine whether any newly imported products might be eligible for a FTA or other duty-savings programs.

■ **Export License Renewal:** If you utilize export licenses, create a schedule for renewal. This is especially important

for licenses from the Office of Foreign Assets Control (OFAC) that are not driven by quantity or dollar amount. Start working at least 60 days in advance of the expiration. Hopefully, you have a pulse on your company's business and development strategies and are aware of upcoming licensing needs. If not, it's a great time to make your sales and business development teams aware of licensing issues, such as your current licensable products and new sanctions.

■ **Auditing Schedule:** Establish your compliance audit schedule now to ensure your company's divisions or business units can plan appropriately and won't be adversely impacted. Coordinate internal audits with your corporate auditing team to ensure your audits don't overlap. Also include in your schedule an audit of your service providers, such as customs brokers and freight forwarders, who file AES declarations on your behalf. Conduct an annual review of their performance and compliance with your standard operating procedures.

■ **Training Schedule:** Plan trade compliance training sessions for your company. The entire company should be trained annually on general trade compliance with an emphasis on high risk areas. Certain departments, such as shipping and order management, will require more in-depth training. Whether these are in-person or online training courses, the earlier you plan and coordinate with other company initiatives, the more successful you will be. You'll also want to consider conferences and seminars for your professional development. Make sure there is a budget in place and that you organize your initiatives around these dates so you can attend the training sessions instead of being holed up in your hotel room answering email.

■ **Recordkeeping:** Can you move some records to your archives? Can you destroy records that exceed all company recordkeeping guidelines? Remember, you do need to keep some records for more than five years. You might need to retain supporting documentation for certain drawback claims for up to 11 years.

■ **Contract Renewals:** Review power of attorneys and other third-party contracts for renewals. Ensure that if your company is renewing contracts with customers, vendors, and suppliers that they are including the appropriate level of trade compliance verbiage. Your contract manufacturer documents should also have specific language regarding deemed exports and controlled technology transfers.

For more information, contact BPE Global, San Francisco, Calif. Phone 415-845-8967, email info@bpeglobal.com, or online www.bpeglobal.com