

## Trade Compliance in a Challenging Economic Time

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“Only when the tide goes out do you discover who’s been swimming naked.” Warren Buffet... This quote can be interpreted in many ways, but it can also be applied to trade compliance programs. The U.S. economy has been showing signs of turmoil. Inflation is at the highest level in more than 40 years, the U.S. stock market has been struggling since its peak on January 3rd. But where there is uncertainty, there is also opportunity. It’s time to take advantage of an economic slowdown to analyze your compliance program and make sure it’s not ‘swimming naked’.

Trade compliance departments can be viewed as the ‘buzz kill’ team because we are responsible for making sure the company is adhering to rules and regulations, but here is a chance to prove that even in slowing economic times, you can be a great strategic partner. Depending on your industry and global footprint, there may be many opportunities to add value to your company. Here are some ideas to get your company in the best position possible for success:

1. **Conduct an Audit.** This is the perfect time to find the gaps and inefficiencies in your compliance operations. Audits have many purposes and not only to find errors or potential violations. They can uncover opportunities such as changes in your company’s import and export volumes which could reveal potential cost savings in the form of untapped free trade agreements, drawback, freight and routing decisions, and Incoterms. Audits can also expose areas of untapped sales opportunities or sourcing efficiencies.
2. **Perform Training.** Based on your audit results, you might find that additional employee training is required. This does not have to be because people are not performing their jobs correctly in terms of the regulations. It could be that the Sales team needs a refresher on the products, countries and customers they can sell to without an export license. Or for instance, work with the sourcing and logistics teams to explain that a better distribution strategy can be created to avoid duty expense.

Don’t be concerned that trainings need to be time intensive or expensive. The best trainings are usually a short in-person or online conferencing session. Shorter more focused trainings are more effective than all day or multi hour trainings where people easily lose focus.

3. **Review HTS classifications.** The U.S. had a huge tariff code update this year and I’m sure you’ve been forced to review the HTS numbers that were affected for your company’s products. However, there might be other opportunities for classification reviews. For instance, LEDs had a significant HTS changes this year. But were your LED products classified correctly in the first place? Duty rates under heading 8539 range from 5.8% to duty free. So it’s worth a review of items like this. Be sure to use the HTS explanatory notes, CBP informed compliance publications and CROSS rulings to ensure your classifications are correct.
4. **Update Technology Control Plans (TCP).** This is a good time to review your Company TCP and make sure it’s still accurate. TCPs are not just for high tech companies but for any company that has controlled technology such as chemical, pharmaceutical and materials companies. If your company does not have a TCP in place, it could indicate a lack of proper controls that would protect controlled technical data from unauthorized access by foreign nationals. In today’s world of cyber threats and hackers, it’s imperative that a company properly protect its controlled technology and intellectual property from competitors. But a security breach could also get your company in hot water with the government for an unauthorized export or deemed export of controlled technology.
5. **Perform a broker / freight forwarder review.** This also a great time to meet with your broker/forwarder(s). The agenda should include a review of performance metrics and any changes to

your business. These changes could include volume increases, the utilization of new trade compliance programs such as Chapter 98 provisions, FTA's or the introduction of highly controlled items that require licenses and permits. Also, be prepared to share any audit results that might involve the Forwarder and discuss corrective actions. Be sure to review your Power of Attorneys (POAs) to ensure they are current and still accurate.

Hopefully we've shed some light on this topic. Let BPE Global know if we can help you with any of your trade compliance needs. BPE Global is a global trade consulting and training firm. Julie Gibbs is a Director of BPE Global. You can reach Julie by email at [julie@bpeglobal.com](mailto:julie@bpeglobal.com) or by phone at 1-415-595-8543.