Amber Road
POWERING GLOBAL TRADE

eBook

Three Common Global Trade Compliance Deficiencies that Affect Your Bottom Line



Our recent eBook, "Three Common Global Supply Chain Issues that Affect Your Bottom Line," identified some common global logistics deficiencies that are costing companies money. This eBook focuses on the cost of common global trade compliance deficiencies.

Failing to Leverage Free Trade Agreements

Free trade agreements (FTAs) are a pact or program between a designated group of countries that have agreed to eliminate most or all tariffs, quotas, special fees and taxes, on many (if not all) goods and services traded between them. One of the most important goals of FTAs is the reduction of trade barriers — making it easier and cheaper for companies to export their products and services to trading partner markets. Companies that fail to recognize and take advantage of these opportunities are paying up to 22% of the value of the imported goods in duties that they don't have to. Compounding this oversight is the fact that duties are a tax, and as such, every dollar of duty avoided is a dollar that goes straight to your bottom line.

The most common reason most companies do not take advantage of FTAs is the administrative burden of identifying applicable FTAs and qualifying products. With over 100 FTAs in place around the world, manually administering FTAs is understandably difficult. Global Trade Management solutions, however, help you manage the solicitation and qualification process with your suppliers for all the goods you import. These solutions also help you determine whether your exports are eligible for preferential treatment from other countries. Ask the following questions about your company:

- How do we determine, solicit and track eligibility for our goods, parts and services for preferential treatment under any FTA?
- How are we tracking and monitoring origin information for goods?
- How do we deal with qualifying goods under multiple FTAs?

Automating the process can enable organizations to unlock the duty savings from two or more agreements while avoiding the costs of outsourcing the solicitation and qualification processes.



Not Using Electronic Filing Effectively

Electronic filing occurs when you have a connection to Customs, either directly or via your brokers, and are able to submit your export or import information in the required data format.

Incorrect data can lead to costly delays and even penalties. A Global Trade Management solution makes it possible for you to enter information once, and submit it to the correct regulatory authorities. For example, importers must electronically submit the Importer Security Filing (ISF) data elements at least 24 hours prior to arrival in a US port. Exporters must submit Electronic Export Information (EEI), along with ocean manifests using Customs' Automated Export System (AES).

Ask these questions to see whether improvements in your electronic communication systems can help:

- Are we experiencing high rates of delay for entry of goods due to incomplete or incorrect filing data?
- Do we spend a lot of time on the phone or email, going back and forth with our brokers?
- Do we need to hire more people to keep up with the volume of filings or can we do things smarter?

Using a GTM solution to eliminate the rekeying of data and facilitate electronic communication can dramatically reduce error rates, provide visibility to a common set of data, and speed Customs filings.



Not Taking Advantage of Duty Drawback and Deferral Programs

Drawback is a full or partial refund, reduction or waiver of customs duties assessed or collected upon importation of goods that are subsequently exported or destroyed. Of course the rationale behind drawback is to encourage businesses to compete internationally without the handicap of having to include the duty paid on imported goods in the sales price of merchandise.

In the US, to claim drawback, companies must prove that the merchandise imported was re-exported within five years. Typically a company can recover up to 80% of duties on qualifying imports.

Many companies fail to take advantage of duty drawback. It can be difficult to track which imports (or qualified substitute materials) are used to create goods for exports, and the rules for duty drawbacks are complex. They're so complex, in fact, that an estimated 90% of drawback refunds go unclaimed. Like FTAs, that's money that could go straight to your bottom line.

Global Trade Management systems simplify the duty drawback process by aligning imported goods with the re-exported goods.

Are you taking full advantage of duty drawbacks? Ask the following questions:

- How are we tracking imported goods (or qualified substitute materials) that are either used for export or destroyed?
- How do we currently file claims for duty drawback?
- Do we have adequate resources to devote to filing drawback claims?



Making The Changes

Recognizing areas where you may be losing money due to lack of process automation is only the first step in improving operations. Implementing processes that improve the efficiency of those areas is the next step in reducing costs.

As with any process optimization initiative, measurement of current performance is an important input to future improvement. Take some time to analyze some relevant information:

- What percentage of our goods could qualify for preference under one or more free trade agreements?
- What is our frequency of filing errors and the resulting cost of delays?
- Are we leaving real money on the table by not claiming duty refunds?

With answers to these questions and others posed earlier, you'll be able to determine whether a Global Trade Management solution will produce tangible results.

About Amber Road

Amber Road provides a single, on-demand platform that automates and streamlines global trade. By helping organizations to comply with country-specific trade regulations, as well as plan, execute and track global shipments, Amber Road enables goods to flow unimpeded across international borders in the most efficient, compliant and profitable way.

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One Meadowlands Plaza · East Rutherford, NJ 07073 · (T) 201 935 8588 · (F) 201 935 5187 · www.AmberRoad.com

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