



## Automation of Import and Export Operations Has High Returns

by Leon Turetsky

Time and resources spent compliance with import and export procedures are direct, but unavoidable expenses. However, creating efficient supply chains with faster cargo releases, proper duty payments, drawbacks, duty deferrals, fewer cargo examinations and compliance litigations leads to a significant reduction of logistics expenses and increased revenues.

Import and export procedures pose significant non-tariff barriers to trade. As estimated by United Nations Conference on Trade and Development (UNCTAD), compliance with procedural requirements may represent anything between 2% and 10% of overall transaction costs. That could be over \$400 billion on a global basis each year.

Global companies must comply with national laws, satisfy ever-increasing security measures, meet documentation requirements, understand complicated valuation and classification procedures, and coordinate the involvement of all supply chain participants. Manual, time-consuming, error-prone procedures cannot deal with the complex challenges of today's trade, especially during peak seasons. Piecemeal efforts to automate and rationalize cross-border methods bring only partial success. A coordinated collaborative approach to standardize and streamline import and export processes across the entire enterprise is seen as vital for the success of the endeavor.

Regardless of adopted practices, all companies must have a reliable method for ensuring compliance with cross-border laws and regulations. Companies that do not automate their exporting or importing functions and record keeping are losing the competitive edge. They cannot take advantage of technologies like the Internet and XML or government initiatives like remote filing of export and import documents, and are seen as sub-standard by customers and by Customs.

Here are cons and pros of implementing an automated security, compliance, and clearance system for import/export operations:

<b>Cons</b>	<b>Pros</b>
An automated solution may be initially expensive.	Today's technologies reduce transaction costs making it possible to achieve cost-effectiveness and reliable accuracy.
Having an inadequate system is worse than not having one at all. Instead of reducing compliance exposure it may lead to establishment of lax compliance procedures.	The system pays off with minimized Customs intrusion costs, greater business certainty, more accurate data, and continuous company control over the movement of goods across the supply chain.
An implementation of the system cannot be a one-time, perfunctory effort. It must be maintained to reflect all new Customs rules and regulations.	Many nations have become as prolific as the U.S. in regulating international trade, increasing the volume of information and complexity of the processes.
Operational changes and additional training may be required to ensure proper functioning of the system.	Companies must have a reliable record-keeping system and maintain adequate data mining tools to produce information upon demand during Customs audits.
Increased compliance expertise must be available in-house.	The intuitive system increases compliance expertise of the existing personnel.

The system must be able to accommodate specific business practices of individual companies. Two most important factors to be considered are: technology and integration.

Fortunately for a company with a multi-national supply chain, the selection of the most appropriate technology is straightforward. Today's global trade management system must be built with the Internet-native components and services. A business model consisting of an integrated system with a centralized data repository creates a distinct advantage to global corporations. Data integrity is greatly enhanced by collecting data at the point of origin, delivering it directly to the destination, and limiting data access to authorized parties only.

Real-time availability of data, elimination of data redundancy and interpretation of proprietary formats, universal around-the-clock access, and reduced human intervention result in considerable savings to the trading community. Global real-time visibility combined with event management forewarns of potential problems allowing time to take corrective actions, when possible.

A seamlessly integrated solution whereby datasets for export form the basis for, or even replace, the dataset presented at import is a single largest source of recovering logistics expenditures. While all trading partners need to share essential financial, compliance and transportation information, they often lack the means to achieve this goal being forced to rely on multitude of stand-alone domestic components.

Fully integrated supply chain systems considerably reduce the cost of data processing and expenses caused by data redundancy and unreliable or erroneous data. Reduced human intervention results in additional savings. The system should

make an extensive use of built-in business and compliance rules, and shared product catalogs with pre-defined global parameters.

Sharing common objects in integrated systems makes it less costly to develop or absorb new modules such as homeland security initiatives introduced by U.S. Customs. The integration of the security layer into a processing system minimizes security infractions and exposure to penalties.

The system should be intelligent enough to support the sourcing process, calculate complete landed costs (including duties, fees, transportation expenses, assists, etc.), advise on current preferential programs, quota limits, restricted parties, convicted factories, and embargoed countries, manage logistics, and clear goods through national Customs.

Hosting of the Internet-native integrated system should not affect compliance and clearance functions. Whether a company owns a system or pays per transaction becomes a security policy issue or a monetary consideration. In many cases, a reasonable combination of keeping sensitive data inside of firewalls and allowing public access to non-proprietary information crates a sensible solution.

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