



VIEWPOINT

by Leon Turetsky

Reducing the Cost of Cross-Border Compliance

In a global economy, the cost, speed, and certainty of crossing borders are all vital to maintaining competitiveness.

Falling tariff rates and vanishing trade barriers create the illusion that customs compliance is now simpler. In reality, complex procedures, innumerable conditions set by free trade agreements, stringent security regulations and stricter enforcement, among other issues, result in the increasing cost of cross-border compliance.

TAKING STEPS TO REDUCE COSTS

Faced with logistics complexities, U.S.-based companies are taking steps to better manage their cross-border flows and subsequently impact the bottom line. Here are some procedures you can implement to help reduce the cost of cross-border compliance:

■ **The C-TPAT program.** When companies properly secure their supply chains from tampering, transported goods are less likely to undergo inspection upon arrival in the United States. The cargo is further expedited if Customs Security Initiative (CSI) requirements are satisfied.

Centralizing information from numerous sources, and automatically verifying trade partners, is critical to eliminating weak links that can compromise the effectiveness of the whole supply chain.

■ **Informed compliance.** The shift from border inspections to focused assessments requires importers to estab-

lish adequate internal controls, import automation, and document procedures. The benefits are numerous: minimized customs intrusion costs, greater business certainty, more accurate data, and continuous company control over the process. Mandated penalties ranging from \$10,000 per entry for negligence to \$100,000 per entry for fraud easily justify compliance expenses.

■ **Process automation.** Today's volume of information and logistics complexity makes it impossible for companies to achieve cost effectiveness and accuracy by relying on manual procedures. The most innocent error in a single document can exact far-reaching consequences. Automating manual processes, especially cross-border compliance, is a necessity.

■ **System integration.** This is the single most important source of recovering logistics expenditures. Fully integrated supply chain systems considerably reduce the cost of data processing and the expense of redundant and erroneous data.

Sharing common objects in integrated systems makes it less costly to develop or absorb new modules, such as the CSI reporting layer. The integration of the CSI layer into a processing system minimizes security infractions and penalties.

■ **Intelligent sourcing.** During the sourcing process, companies must consider factors such as complete landed cost (including duties, fees, transportation expenses, and assists) as

well as the process of obtaining licenses and supporting documents. The system should also advise on current preferential programs, quota limits, restricted parties, and embargoed countries.

Manufacturers should be familiar with the process of exporting products from their own countries and the import compliance requirements in the United States.

■ **Internet collaboration.** Due to the global nature of contemporary trading patterns, the Internet presents the most appropriate vehicle for information exchange. A business model consisting of an integrated system with a centralized data repository creates a distinct advantage for global corporations. Security 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.

Global real-time visibility, combined with event management, forewarns companies of potential problems, allowing them to take corrective action when possible.

REAPING THE ROI

Resources and efforts spent on compliance are unavoidable expenses. Reducing these expenses, however, is possible. Faster cargo releases; fewer examinations, compliance audits, and litigations; and proper duties, drawbacks, and duty deferrals can help lead to efficient supply chains and increased profits. ■