5 Commandments of Moving Goods Across Borders

How to negotiate the complexity of multi-country customs and keep your supply chain moving
Introduction

Off shore, near shore, any shore

Growth in global trade is opening up a wealth of opportunities – including low cost manufacturing and new markets for products. And the range of countries engaging in trade is expanding rapidly.

BUT

This generates greater complexity in the supply chain. Particularly when you have to cross multiple borders.

This eBook explores the world of multi-country customs and offers tips to help you get it right – because your business depends on keeping your supply chain in motion.

“Developed economies export more than half of world merchandise exports but saw a decline of 3% in exports in 2012. In contrast, exports of developing countries went up by 4%.”

World Trade Organization (WTO)
Patterns of global trade are shifting...

Growth of merchandise exports is greater in the BRIC than in NAFTA or the European Union.

The highest growth in imports was recorded by Africa and the Middle East - 11.5% & 8.0% respectively.

Source: WTO World Trade Developments 2012
There is no single standard.

When it comes to customs and compliance procedures, be prepared for multiple formats and changing regulations.

Despite high-level global agreements to standardize, countries legislate their own borders and set their own regulations and processes.

Even harmonized procedures within the EU (e.g. NCTS, EMCS, AES) are not implemented in a common way across the board. Individual member states each have their own electronic systems.
Don’t underestimate the risks.

Moving goods across borders requires compliance with a multitude of regulations.

Non-compliance WILL ultimately cause delays and incur sanctions. Even an administrative oversight can quickly become a major headache and a huge cost to the business.

Sanctions are not only financial – goods can be refused entry, essentially freezing your supply chain. And at the extreme end of risk, non-compliance with the JP24 advance filing rules for ocean freight imported to Japan could result in a year's hard labor!
Compliance Risk Cheat Sheet

- Customs is often compartmentalized as a specialist, complex area that a specific area of the organization deals with – but compliance impacts everyone.

- There is often limited management understanding, visibility or responsibility.

- The sanctions for non-compliance are serious and have the potential to cause major issues – from costly fines to lost clients to imprisonment.

- C-level responsibility for customs is essential if moving goods across borders is a critical part of your business.
The future’s electronic.

Electronic customs and compliance is quickly becoming mandatory worldwide.

To file the correct declarations, you must either maintain links with customs authorities in each country you import to/export from, or retain the services of a partner who can do this for you.

Security initiatives such as the EU Export Control System (ECS) & Import Control System (ICS) and the US Import Security Filing requirements focus on collecting data before goods are moved.

You must also be able to receive confirmations and queries electronically.

While this may require some upfront investment, it will quickly benefit you in terms of speed and accuracy.
Efficiency is critical in every facet of your business, and cross-border trade is no exception.

Automated, repeatable and efficient customs processes save you money over manual data handling and also lower your risk for errors.

Regardless of whether you carry out compliance in-house or outsource it, a significant volume of data is required, which differs by country and type of declaration. As your business grows, the big data problem grows.

It’s essential to be able to quickly access and utilize data housed in operational systems and execute on it efficiently and effectively.
Customs Automation Checklist

- Check for manual processes – understand where you still rely on paper forms.
- Find out what operational data is needed for each of the countries you import to/export from.
- Can your operational systems provide all of the data needed at the right point in the process?
- Establish and implement the correct process workflows.
- Ensure you have robust reporting and alerts in place for managing exceptions.
It’s a moving target.

Don’t underestimate the level of domain knowledge that is required to maintain compliance. This area is ever-changing – even customs officers struggle to keep up, and their knowledge is country-specific.

Changes are made at a local, regional and global level. Implementation dates differ and often change. And you never know if a new regulation can be phased in or it will be made mandatory immediately.

So agility is key.
The Stakes are High
Sanctions for Non-Compliance

**USA**: ISF - Up to $10,000 per late/inaccurate filing

**UK**: £2,500 per contravention of customs procedures

**EU**: EMCS – Revoke handling license for repeat offenders

**USA**: Criminal prosecution could result from violations of Export Administration Regulations & International Traffic in Arms Regulations

**Japan**: JP24 non-compliance could result in a year's hard labor
Understand your responsibilities. Depending on your role in the supply chain, responsibility for execution may lie with the carrier handling the goods, but the buck ultimately stops with the shipper or forwarder.

Integrate compliance with your operational IT systems (e.g. TMS, WMS). The greater the degree of data sharing, the more accurate the information submitted and the lower the risk of error.

Carry out a critical analysis of your organization’s capabilities, including a gap analysis and risk assessment.

Understand the costs of ensuring compliance – in terms of ongoing training of your own employees or procuring external services. Include the cost of managing multiple providers.

Future-proof your compliance strategy. You may only import to/export from a handful of countries now, but an acquisition, a change in strategy or a new customer opportunity could require a rapid change.
Sidestep the issue and assume the next link in the chain is responsible. All supply chain partners increasingly bear responsibility.

Create data silos. Compliance is not just a box to be ticked, it has major implications for the supply chain. If there is an issue, all other links in the chain need to be aware right away.

Assume knowledge of one country is transferrable to another.

Ignore the cost and risk of fines and sanctions, imposed both formally and by customers.

Top Tips
To keep your supply chain moving
Death, taxes & compliance...

Some things cannot be avoided. Customs compliance is a fact of life for those involved in transporting goods across borders.

Taking the appropriate steps to plan for it and make investments in the right technology and infrastructure to support customs compliance will ensure smoother operations and lower risk. Efficient, effective processes can reduce the overall cost of compliance and improve your profit margins.

Getting customs compliance right the first time, every time allows your business to focus on its core competencies and better serve customers and shareholders.

Added reward:

Companies that demonstrate a strong compliance record may be eligible for “lighter-touch” regulations in many geographies.
About Kewill

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The Kewill platform supports supply chain execution activities for more than 7,500 companies in over 100 countries. Visit us at kewill.com.