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Risk: From Global to Desk Level

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Risk. It's something every trade person discusses on a daily basis. There are so many levels and types of risk. In this Hot Topic, I will start from the highest level and make my way down to your company, at your desk level.

This month, as a co-Chair of AAEL's International Policy Committee, I attended the summer World Customs Organization (WCO) Private Sector Consultative Group and Policy Committee meetings in Brussels. I also delivered a presentation to U.S. and European Union chief negotiators at the European Commission Stakeholders Meeting during the 14th round of Transatlantic Trade and Investment Partnership (TTIP) negotiations. Risk was on the agenda at all these meetings.



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Director

All companies transacting business globally must perform a risk assessment. In recent years, advances in payments and technology have enabled the e-commerce space as well as transactions outside the usual business to business space to grow exponentially. At the WCO, risk related to e-commerce was the hot topic and the WCO formally agreed to support an e-Commerce Work Group, led by AAEL, to develop a framework for e-commerce shipments. The risk related to e-commerce is around the shipments of tangible goods, data collection, and revenue leakage for customs authorities. There was overwhelming support for this work group from customs authorities worldwide. The first steps of this Work Group are to develop collaboration and exchange of information among administrations to better understand the risk management issue related to e-commerce.

The presentation at the European Commission TTIP Stakeholders Event outlined a risk management instrument for companies claiming benefit under TTIP. The risk assessment is to go beyond the requirements of Authorized Economic Operator (AEO) and Customs-Trade Partnership Against Terrorism (C-TPAT) as these trusted trader programs do not take into consideration other agencies that are involved with imports and exports. All agencies tasked with security compliance, commercial compliance, environmental compliance, and health / safety compliance must be part of an importer's risk assessment. Accordingly, recommendations were made for language related to risk management to be inserted into the agreement, a description of impacted agencies by the risk management instrument was provided, benefits to industry and government from a risk management instrument were outlined, and an overview of the framework to assess risk was discussed.

Bringing this discussion of risk management to your desk level, in your company, I will pass on experiences that uncovered potential exposure in the areas of classification, country of origin, and valuation. In the area of classification, erroneous or incomplete assessments of global HS numbers and ECCN determinations not only create duty exposure, but also to costly delays, fines, and penalties. With country of origin, one minor shift in a manufacturing process may result in non-compliance with TAA requirements for government procurement. And finally, valuation. Tax and customs regulations are often not aligned – standards created under tax



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regulations are not always acceptable to the customs side of the house, especially in the area of transfer pricing.

In all cases, whether at the global policy level or at your corporate level, developing a profile to identify stakeholders and assess risk is of utmost importance. Ignacio García Bercero, EU Chief Negotiator for TTIP, recognized this at the Chief Negotiators Briefing when he stated *“The many rounds of talks allowed us to consult plenty of stakeholders, including from trade unions, consumer groups and small and medium companies... thanks to those consultations we have clarified our policy objectives.”*

Every company and trade professional can take a page out of the Chief Negotiator’s playbook and remember that consultation with all stakeholders key to successfully identifying and mitigating risk areas while staying true to your objectives. Whether you are working among international stakeholders or within your corporate environment, communication among all stakeholders illuminates how decisions made at a local level may have larger trade impacts.

My call to action for you for the next month? Identify all your stakeholders and map out your risk. Are you talking to your procurement teams? Sales? Tax and Finance? Get them together and get aligned on your policy or compliance objectives. It’s the only way to identify and mitigate risk. BPE Global is always happy to help you build your risk profile and identify where your greatest chance of exposure exists.

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