



Global Trade and Transportation:

Best Practices for Global Manufacturers

A QAD Leadership White Paper for
Global Trade and Transportation Execution

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GLOBAL TRADE AND TRANSPORTATION: BEST PRACTICES FOR GLOBAL MANUFACTURERS

INTRODUCTION

There have been significant changes to global trade in recent years. Some will benefit manufacturers who work across multiple geographies, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP is a free trade agreement (FTA) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. Another important bilateral trade deal is the Economic Partnership Agreement signed by the European Union and Japan, which came into force in early 2019. This trade agreement removes tariffs and other trade barriers and creates a platform for better cooperation in order to prevent obstacles to trade between the two entities.

Agreements like CPTPP and the EU-Japan deal seek to reduce or remove tariff barriers. However, new tariffs have been a recurring theme in the global trade space. In 2018, the US imposed

duties of 25 percent on steel and 10 percent on aluminum from a number of trading partners. These included China, Canada, Mexico and the European Union. Exemptions have been granted to certain countries, such as Australia, and companies can apply for their imports to be excluded.

Additional geopolitical issues include the UK's withdrawal from the EU; renegotiated NAFTA, the US-Mexico-Canada Agreement; new sanctions imposed on countries like Russia and Venezuela; and the US withdrawal from the 2015 Iran nuclear deal.

Enterprises may not be able to do much about global trade uncertainties. What they can do, however, is ensure their own operations are optimized to navigate dynamic trading environments. In this white paper, we outline best practices for global trade and transportation for manufacturers with multinational operations.



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BEST PRACTICE 1 — LEVERAGE FREE TRADE AGREEMENTS

A free trade agreement (FTA) is an arrangement between two or more countries. The signatories agree to reduce or eliminate tariffs and non-tariff barriers on substantial trade in goods among themselves. According to the WTO, there are several hundred trade agreements in force worldwide. However, this number is constantly changing as new agreements are negotiated and existing agreements are amended or terminated.

When goods qualify for preferential treatment — reduced or no tariffs — the duties normally paid by the customer are reduced or eliminated. Manufacturers who leverage FTAs gain a competitive advantage and can maximize profit through cost reduction.

It is widely recognized that many companies, especially small and medium-sized enterprises (SMEs), do not take full advantage of the benefits offered by FTAs due to various reasons. This is largely due to the complexity of FTA compliance.

For manufacturers, this process begins by pulling production bills of material (BOMs) and performing the respective content calculation. Without a global trade management system, the in-house compliance team is tasked with a time-consuming process, including:

- Soliciting and managing sourced materials from suppliers
- Obtaining up to date rules of origin
- Calculating regional value content
- Performing tariff shifts
- Checking de minimis thresholds
- Preparing certificates of origin and declarations for customers
- Abiding by data retention requirements

These are just some of the tasks you must perform for an FTA origin determination. Furthermore, FTA origin status is not static. Legislation can change, and a change in supplier or material costs can impact FTA origin. Qualifying products should be reassessed, depending on the agreement, every

calendar year or when changes to cost, bill of materials or suppliers occur.

Manual or poor processes can result in incorrect FTA qualification status. This puts manufacturers at risk of receiving severe penalties and fines. Given this, it is unsurprising that many manufacturers do not take advantage of FTAs. However, FTA solutions can remove the burden of compliance by automating the most time intensive steps.

HOW QAD CAN HELP

With QAD Free Trade Agreement, manufacturers can automatically qualify goods — within fractions of a second — according to current preferential Rules of Origin legislation. You can easily assess your entire product line under FTA Rules of Origin, obtain a full detailed audit trail of the results, and automatically generate outbound Certificates of Origin to your customers. The solution seamlessly integrates into your existing ERP and business systems for consistent, refined calculations and centralized data.

QAD Free Trade Agreement manages all trade agreements recognized by the WTO in every region of the world. The solution covers Rules of Origin across all Harmonized Tariff Headings (HTS).

Key Features

- Complies with FTA requirements for WTO trade agreements
- Covers Rules of Origin across all HTS headings
- Determine origin status under FTA using automated rules of origin
- Prepare Certificates of Origin and declaration statements for customers
- Solicit and manage supplier Certificates of Origin
- Report archiving to fulfill retention requirements
- Detailed origin audits
- International currency conversion
- Creation of “What if” scenarios for upcoming free trade agreements

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BEST PRACTICE 2 — ENSURE ONGOING COMPLIANCE

Global manufacturing and shipping comes with its fair share of compliance issues. Regulations can change at a rapid pace. Government bodies and international organizations keep lists of sanctioned entities, groups and individuals with whom it is illegal to trade. Keeping current with these Denied Party Lists (DPLs) and manually checking each shipment against them is an onerous task. DPLs are subject to thousands of changes every year. What is legal today may be a violation tomorrow.

Global shippers must perform due diligence to ensure that all exports are compliant with current regulations. This includes parcel shipments. Complicated regulations are no excuse for compliance failures. Compliance missteps have significant consequences, including monetary penalties, loss of export privileges and even jail. There is also the issue of damage to your company's reputation and loss of customer confidence.

Automating trade compliance is the most reliable and effective way of ensuring that no violations occur. The alternative is to spend hours sifting through numerous regulation reports, licensing agencies and DPLs. Even if a company has the labor resources to do so, human error can occur.

Standardization of compliance processes and data is especially critical for multinational companies which are decentralized, that is, where each subsidiary operates independently using its own procedures and systems. By standardizing trade compliance policies and systems and leveraging shared data, companies can reduce risk while expediting process time (for example, using a Schedule B or ECCN number that's already been vetted by another subsidiary for the same product).

An integrated compliance, global trade and transportation solution speeds up processing time. It also ensures that each site uses the same

enterprise-wide procedures. Furthermore, by automating and integrating these processes your company is not relying upon the tribal knowledge of a few specialists to handle day-to-day operations. Instead, global trade professionals and logistics managers are free to concentrate on long term planning and strategy.

HOW QAD CAN HELP

From the start of the export process, QAD Global Trade and Transportation Execution (GTTE) automatically verifies that your trading partner has passed DPL screening, determines the End Use of the item, validates that the country of destination has been approved and ensures that any special documentation — including import and export licenses and permits — or actions are included to support your reporting to authorities. Addressing compliance regulations through an integrated trade compliance and transportation solution ensures the same level of preparedness across all operations and helps speed up processing time.

Furthermore, QAD has a team of dedicated content professionals who monitor changes to trade regulations and DPLs. Content changes are issued daily. This ensures that QAD customers are constantly kept up to date with the latest trade content data from the ever changing government lists.

Key Features

- Verify trading partners
- Leverage automatic alerts and system holds
- Stay up-to-date with denied party lists
- Perform due diligence
- Determine end use
- Create audit ready reports
- Validate the country of destination
- Access KPIs for operational visibility
- Ensure special documentation or actions are included
- License determination and management

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BEST PRACTICE 3 — GET YOUR DOCS IN A ROW

Global shipping involves a ton of customs documentation and export reporting. Manually creating all the documents needed to complete a shipment is time-consuming. These include commercial invoices, accredited carrier labels, general purpose shipping labels, address labels, packing lists, bills of lading, dangerous goods notes, and driver manifests.

Incomplete documentation or license requirement errors will lead to delayed shipments. Recurring delays will lead to damaged customer relations, and possibly canceled orders.

HOW QAD CAN HELP

QAD GTTE helps manufacturers manage the challenges of shipping internationally. The solution automates export processes, documentation production and customs reporting. This ensures that each shipment has the correct

documentation, and that your goods glide through customs.

In addition, QAD GTTE records and stores all shipment data in a clear, consistent manner that is repeatable across customers, shipments and countries.

The solution screens each order automatically, and either clears the order for shipment or flags it for export compliance issues. QAD GTTE software also allows you to capture and calculate various costs associated with each shipment, by line item or by complete shipment. Therefore, you have a true picture of what your international deliveries cost.

Key Features

- International, regulatory and multilingual documentation
- Electronic customs reporting
- Item / commodity association
- Letter of credit management
- Landed cost calculation



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BEST PRACTICE 4 — STANDARDIZING SHIPPING PROCESSES ACROSS MULTIPLE SITES

Global manufacturing organizations almost always have complex shipping needs. However, when an enterprise works across different sites, regions and countries, standardizing transportation operations may seem like a daunting task. Each site may need to contend with a different regulatory environment, and transportation infrastructure varies widely across the world.

No matter where they are located, manufacturers must ensure on-time delivery and continued customer satisfaction. Customers will blame manufacturers for delays — especially if your customer's customers are also left waiting. If your customers repeatedly receive less than satisfactory service, many will seek alternative vendors.

Given this, it is no surprise that many manufacturers rely heavily on only a handful of trusted global carriers. However, there are benefits to leveraging local and regional carriers alongside global giants. These include different rates, routes and service levels as well as specialist capabilities. This can allow manufacturers to improve delivery times while still controlling transportation costs.

Managing multiple carriers across different regions can become an overwhelming project. Regions such as Europe and Asia, for example, have dozens of carriers, each with their own set of rules and protocols. Plus, when your shipping data is spread across multiple carrier systems, having a true picture of carrier costs and performance becomes almost impossible to track. Although leveraging multiple carriers reduces costs, it is still a challenge to monitor and maintain all of these relationships.

HOW QAD CAN HELP

QAD GTTE with multi carrier shipping allows manufacturers to seamlessly switch between carriers to get the best rate and service level for each delivery. Using configurable business rules and routing guides, enterprises can standardize shipping processes across multiple sites and regions. QAD's multi carrier shipping software also maximizes overall visibility and gives logistics managers insight into the exact status of shipments.

QAD Delivery Exception Management is a centralized portal, accessible from anywhere, to get visibility into all shipments — both to and from your customers. QAD Delivery Exception Management provides multi carrier status information about packages in-transit, helping you manage problem shipments by exception. With visibility to return shipments from your customers, QAD also helps your organization with reverse logistics management and inbound planning efforts.

QAD ensures that shippers are up-to-date and compliant with carriers. This includes rates, routing codes, label formats and end of day transmissions.

Key Features

- Automated routing guide
- Global multi carrier network of 5,000 carriers services
- Multimodal shipping — parcel; LTL (less than truckload); TL (truckload); freight; courier
- Transportation labels and documents
- Rate management
- Consolidated shipping
- Desktop shipping
- A centralized portal for multi-carrier and global package tracking
- Event and exception management
- Proof-of-Delivery capture
- Content subscription

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BEST PRACTICE 5 — CONSOLIDATE SHIPMENTS

Consolidation — also known as direct injection or zone skipping — is the practice of grouping shipments destined for different end-customers in the same country, or market like the EU, for customs clearance.

Consolidating shipments for the first leg of their journey can save time and money. Logistics managers should plan and consolidate shipments based on customer regional proximity or distribution center availability. It is also best practice to look for less-than-load (LTL) shipments that can be consolidated into truckload shipments, and to determine if parcel shipments can be consolidated into a single shipment.

This practice is particularly advantageous when you ship internationally. A consolidated shipment only needs one customs declaration. Sent separately, each order would need its own declaration.

HOW QAD CAN HELP

Some carriers offer services where they will consolidate shipments on your behalf. There is a cost attached to these services. QAD GTTE offers consolidation opportunities up-front by region and final destination. As a result, manufacturers can use their choice of carriers for both the first and last mile for greater cost savings or/and more advantageous routes.

ABOUT QAD GLOBAL TRADE AND TRANSPORTATION EXECUTION (GTTE)

QAD GTTE provides industry-leading global trade compliance, and multi carrier transportation execution solutions from a single, integrated platform. An ISO-certified company, QAD assists companies to streamline their import, export and transportation operations, optimize deliveries, and increase logistics ROI. QAD GTTE is a scalable and extensible solution that integrates with existing ERP and WMS solutions. Industry leaders in every region of the world rely on QAD to leverage thousands of carrier services and manage millions of global trade and shipping transactions every day.

For more information about QAD, visit our website: www.qad.com



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