

BDP gateway

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Helping Global Shippers Navigate The Value Chain

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Ready for anything

***If a major disaster occurs, is your
company prepared?***

The responsibility for ensuring a “Closed for business” sign doesn’t hang over your company doesn’t just reside at the top. Nowadays, each employee has an even greater stake in not only the growth of the company but also its ability to weather any storm. Disasters don’t play by any color-coded rules that we know of. And security alerts from blue to red do just one thing: they warn. The rest is up to each of us.

Whatever you choose to call it—business continuity management, business continuation planning, or disaster planning—the importance of having a contingency plan in the event of an emergency or disaster cannot be underestimated. And with speed-to-market goals that get shortened each year, technology enhancements that promise just about everything, and ever increasing customer demands, transportation and logistics professionals are suddenly in the forefront of ensuring their companies stay open for business.

Expect the unexpected

*While many companies have flirted with the
(continued on page 2)*

Maintaining a global advantage



It is definitely not business as usual for large shippers. The elements of change that challenge importers and exporters also affect their transportation and logistics resources. A global presence requires true global expertise, not just a patchwork of capabilities, and must be backed up by successful business solutions.

To be effective, external resources should proactively provide services above and beyond the expectations of even shippers themselves, says BDP Americas managing director, John Bolte, which means identifying services that will help drive a client’s business—in particular support services that are in addition to any ongoing transactional services.

If shippers want to improve management and expansion of their global operations, it’s clear that transportation and logistics companies that support them must have non-transactional expertise. “Traditional freight forwarders and Customhouse brokers didn’t need much more than the basics—shippers wanted someone who knew how to move freight and who knew the country regulations,” says Bolte. “That’s all. Although there are minimal savings, if any, in transactional fees anymore, there are significant opportunities in other, higher-level activities. By analyzing them, we can demonstrate to our clients that there are areas to concentrate on in which literally millions of dollars in savings can be achieved.” Understanding that non-traditional services need non-traditional structures and non-traditional

ways of paying for those services, BDP launched Centrx, an independently operated supply chain consulting firm (see “Thinking outside of the box” in the Spring/Summer 2003 Gateway).

Process and project management

Recently, to meet the special requirements of a major client, BDP developed a dedicated Global Support Team (GST), a variation of the lead logistics provider (LLP) organization implemented two years ago for another top client. This core group of dedicated staff has a blend of non-traditional experience and extensive freight forwarding and Customhouse brokerage expertise. BDP saw that the primary LLP and GST service elements of the two accounts formed the basis of most global accounts specialized service needs. These include: improving transactional execution/process stabilization of existing processes; global regional transition implementation; global logistical and systems implementation and support; and metrics development and analysis. The idea is to drive quality, fulfillment, and lowest total cost initiatives for the client. Effective project reporting at all levels of the client and BDP organizations is essential to ensure success and is a GST priority. Quality management includes BDP’s web-enabled corrective action tool, *CustomerCorrect*, for collection and response to non-conformance and other issues. GST staff are also well-versed with Six Sigma—Total Quality Management on steroids—
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Maintaining a global advantage

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methodology, which has been highly embraced by a number of international companies.

Systems support

GST staff can help shippers use their systems to the optimum to help them make decisions and to ensure they are getting the appropriate impact from their systems investments.

Technology features “best in class” electronic transactional processing and includes single portal access via *BDPCustomer.com* for all web-based customer (tracking, data management, documentation, corrective action) solutions.

One BDP client is implementing 14 systems transitions within a two-year period, including multiple business unit SAP implementations. “This demands systems transition expertise, SAP expertise, Six Sigma project support expertise, corrective-action applications, global metrics for management by exception (MBE), and project management support software to handle multiple projects all at a glance,” says Bolte. “We are managing 47 separate projects at one

time for the client. Large customers, because of their business environment and their desire to reduce costs and drive efficiencies, need solid recommendations from their resource partners. Without specifically asking you, they know there is a need. It’s our role to understand that and deliver practical business solutions. This project-focused organization model, which can include carriers as full partners in the effort, can help provide shippers the visibility, control and data they need to manage their business globally. It is an effective way to bring projects to the finish line for the client.

“To be effective, external resources should proactively provide services above and beyond the expectations of even shippers themselves.”

John Bolte – Managing Director, BDP Americas

Bottom line value

Bolte doesn’t see a major hurdle in convincing Fortune 500 companies to see the value of the GST or LLP approach to achieve cost reductions and efficiencies.

“With cost pressures to reduce headcount, outsourcing becomes a necessity,” he points out. “One client was paying \$192 to process each transaction. After we had reviewed their process efficiencies we were able to reduce that to \$142 per transaction, a considerable savings when you’re talking about 45,000 annual transactions. That makes the CEO and the CFO very happy.”

Value creation is the focus of the GST. “We believe the goal of BDP staff worldwide is to understand where and how to add value for the customer by focusing on specific opportunities for improvement,” says Bolte. “We have already seen where we can develop expertise in-house that we can actually put onsite at the customer’s location.”

As GST moves forward, Bolte’s objective is to review all of BDP’s global accounts and to go to them and say, “Here are some services we have to support your business, and we would like to show you how they drive cost reductions and efficiencies for you.” References and examples of how BDP can help will be provided. “We want our customers to understand that BDP’s business model has expanded to include these capabilities,” adds Bolte. “Not because it is a good idea—which it is—but because it makes good business sense. 🌐

Ready for anything

(continued from page 1)

idea of formalizing a detailed, wide-reaching plan, it appears likely that few have made a serious commitment. In fact, according to the contingency planning industry, currently there appear to be no hard data to suggest companies are prepared. Only information technology professionals have taken positive steps. According to an InformationWeek report of business-technology executives, most companies have the basics of security protection covered (see “IT is ready” box on this page).

The contingency planning industry describes Business Continuity Management (BCM) planning as the advance planning and preparations which are necessary to: identify the impact of potential losses; formulate and implement viable recovery strategies; develop recovery plan(s) which ensure continuity of organizational services in the event of an emergency or disaster; and administer a comprehensive training, testing and maintenance program.

Benefits of Business Continuity Management

Shortly after September 11, 2001, BDP Singapore developed and implemented its own contingency plan. Their good business practices provided a solid foundation for BDP’s plans on a global basis. “The benchmarking initiative by our Singapore office two years ago played a vital role during last year’s SARS crisis in the Asia Pacific region,” says BDP President Richard Bolte, Jr. “It enabled our office staff there to conduct their business on behalf of our clients with minimal interruptions. This also fits well within BDP’s strategic approach to our global business operations on behalf of our clients.”

According to BDP Singapore Manager Winston Koh, “We saw the need to develop a specific BCM plan, which included processes and procedures to minimize the adverse impact of disruptions on our company’s businesses. What happened in the U.S. can happen anywhere.”

This plan was intended to raise awareness and preparedness by the company’s management and staff and to

maintain the confidence level of customers. “It also addressed the rapid business recovery and resumption of critical business (continued on page 8)

IT is ready

The InformationWeek Research’s Outlook 2004: Priorities IQ report of 400 business-technology executives shows increased interest in disaster-recovery efforts. Three-quarters report that business continuity planning and improved disaster-recovery procedures are a priority for companies of all sizes. This is up significantly compared with 2003. The report shows that nearly 80 percent of respondents say they plan to improve information security in 2004. Almost 70 percent expect to work more closely with suppliers and business partners to address business risks. And 60 percent will initiate risk-management assessments to identify and remedy vulnerabilities within their companies.

Opportunities and change in Europe

Although doing business in Europe is not all that different to the U.S., there are some key considerations. The marketplace continues to be a lot more nationalistic than many may realize, regardless of the European Economic Union (EEU). There are subtle yet distinct and very important differences in how logistics business is handled in each of the EEU countries. This requires companies to work with resources that have local expertise.

Do your homework

For starters, transportation in Europe is very different to the United States. The dynamics of the marketplace are different. Even the terminology is different: what the U.S. calls forwarders are called deep-sea or air freight handlers in Europe. While we think of Europe as vast, in fact everywhere is reachable within 48 hours by truck.

In the U.S., the market is all about ships, trucks, trains and planes. In Europe it's mostly about trucks. Intermodal is virtually unknown in Europe, where most cargo travels to ports by road or by inland waterway. Thanks to higher-cost truck and barge transportation, inland transportation is much more expensive compared with U.S. intermodal capabilities. It's not unusual for the cost of a container shipped from the U.S. to Antwerp to be the same amount as a three- or four-hour road trip from the port to the next destination, says Luc Van Heygen, BDP's Vice President, Strategic Development, Europe. "It is most important for shippers to conduct a cost analysis with a competent transportation and logistics resource before they bring products to the market in Europe to ensure they do not underestimate the inland component," he says. "You cannot look at a map and assume that it's about the same distance as from Philadelphia to New York, so the cost will be similar."

Increasing costs

There is no substitution for reliable resources in Europe in order to manage those costs and increase efficiencies. And it's not only basic transportation costs that are affected. When Spain and Portugal joined the EEU, labor costs shot up over a period of five to ten years. "Membership in the EEU increases labor costs and the cost of doing business," notes Van Heygen, "so business naturally will look to move its manufacturing beyond the borders of the EEU. Some companies are moving to Romania, Ukraine, and other locations further east. You need the local expertise

because no matter how familiar you may be with doing business in Belgium, Holland, France, Germany, the business borders in the evolving EU are moving further out as new members join the Union."

The move to centralization

One approach that BDP has found to yield cost and performance results for customers is the centralization of resource locations. "Preliminary feedback from our current and prospective customers indicates that we are already ahead of the curve," says Van Heygen. "For U.S. companies, it may be surprising but it is still very much a practice in Europe to have Dutch shipments handled by Holland, French shipments handled by France, etc. Even the largest transportation and logistics companies in Europe are clinging to the multiple-office concept—they continue to have many offices in each country.

"It is most important for shippers to conduct a cost analysis with a competent transportation and logistics resource before they bring products to the market in Europe..."

Luc Van Heygen - BDP Vice President, Strategic Development, Europe

"We see things differently," adds Van Heygen. "It is not absolutely necessary to be in Rotterdam to handle a Rotterdam shipment. While some companies want their business handled locally with multiple offices in every country, many others—especially global companies—see the value of a more centralized approach. We're bringing the first steps of this concept to the table. It means that strategically located offices for BDP can manage business throughout Europe. What allows us to do that is the same

reason that we have been able to do it successfully in the U.S.—our systems capabilities. For example, *BDP Customer.com*, our web portal, provides customers, as well as BDP staff and partners, control over their global logistics. We are tailoring this capability to the European marketplace. By providing information management and other allied services, BDP's customers in Europe will enjoy one-stop shopping for visibility, management control, and reliable communications for their shipments."

Entrepreneurial spirit beginning to emerge

However, there is a growing wave of excitement, as businesspeople in Europe have a sense that there is a better way of managing their operations. "The cost control issue is causing companies to reflect and begin to embrace better and different solutions," says BDP President, Richard Bolte, Jr. "It will prompt review of long-term business relationships. For instance, a company outside Munich, Germany, placed all of its global business with BDP—the client saw the need and the value of doing business differently... the recommendations we presented were (continued on page 6)

Understanding VAT

For importers to Europe, one major added complexity is handling the Value Added Tax (VAT) applications, a sales tax added to just about everything. To complicate matters, VAT charges also vary by country. Mastering local VAT procedures is a necessity and requires fiscal representation within Europe, since all non-registered foreign companies must present a VAT identification number before doing business in the EEU. A VAT number can only be obtained via an approved local representative.

"There should be an awareness of the application of VAT payment or payment processing," says Luc Van Heygen, BDP Vice President, Strategic Development, Europe. "Our subsidiaries, such as BDP ti, Belgium, BDP International GmbH, Germany, and BDP International S.A.S., France, are provided that fiscal representation and guidance in VAT-related matters for clients."

The dizzying demands of data control

Segments of the U.S. chemical industry slow to embrace Government's C-TPAT program

At the recent Chemical Week Transportation & Distribution Conference in New Orleans, attendees heard the surprising results of a BDP International study that measured the extent to which the codes of Responsible Care and the Customs Trade Partnership Against Terrorism (C-TPAT) are being shared and integrated among companies in the chemical sector.

Nearly two-thirds of chemical industry executives were unaware of the U.S. Government's Customs C-TPAT program and its similarities to existing American Chemical Council (ACC) Responsible Care® standards. Approximately 44% of respondents were unaware of C-TPAT and of those who were, more than 37% were unaware of its similarities to the chemical industry's Responsible Care program. Significantly, more than 90% of the respondents who were aware of C-TPAT felt it was important to align their organizations with its initiatives. However, only 44% could identify a function, job title or department within their companies that would be accountable for coordinating C-TPAT and Responsible Care.

"These findings suggest there is ample opportunity for the chemical industry to merge Responsible Care and C-TPAT in the interest of supply chain efficiency as well as security," said Michael Ford, BDP Vice President for Regulatory Compliance. "Although participating in the C-TPAT program is not mandatory, if your suppliers and customers are, it behooves you to get on board. The data also suggests the need for initiatives on the part of the Bureau of Customs and Border Protection and associations such as the American Chemistry Council to educate the industry about the similarities of these programs and perhaps even partner with chemical companies to expedite their integration."

Of the respondents who could identify where responsibility for coordinating Responsible Care and C-TPAT would lie, 24% assigned it to supply chain management, 22% to international transportation/logistics and 25% to safety and security. Moreover, 90% of these

respondents reported that their companies are undertaking specific measures to integrate the Responsible Care and C-TPAT into policies, programs and procedures.

When asked what practices were being undertaken to share and benefit from similarities between Responsible Care and C-TPAT, among the initiatives noted were joint domestic/international supply chain security teams (29%), comparative analyses of Responsible Care and C-TPAT (28%), and incorporation of Responsible Care security measures into the C-TPAT program.

Respondents who could not assign specific responsibility for coordinating Responsible Care and C-TPAT cited other priorities in a resource-constrained environment as the single largest barrier to integrating the programs.

Note: C-TPAT is a voluntary program. A joint initiative of the Bureau of Customs and Border Protection (CBP) and the private sector, C-TPAT is designed to protect the security of cargo entering the United States while improving the flow of trade. Membership is open to importers, carriers, third party logistics providers, warehouse operators, and manufacturers. Formal membership for exporters is expected to begin in 2004.

A spokesman for the Department of Homeland Security, which is now the parent agency of Customs and other transport regulatory agencies, stated that almost 4,000 large companies have signed memos-of-understanding, making a formal commitment to participate in C-TPAT, but acknowledged that "thousands and thousands of companies" have not. Industry data indicates that the program covers 70 percent of all import containers and roughly 38 percent of U.S. imports' dollar value.

"C-TPAT has an international flavor," notes Ford, "whereas individuals that deal directly with Responsible Care tend to have "domestic and U.S.-centric responsibilities." Many Responsible Care managers work in health and safety or environmental disciplines and may have limited interaction with

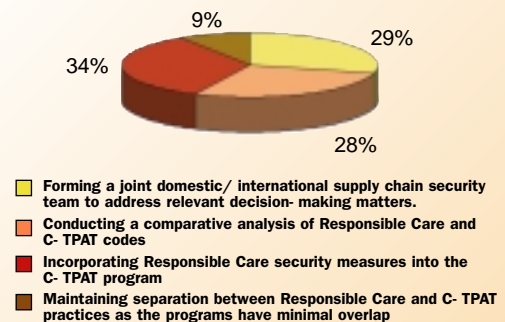
international trade issues. Fifty-three percent of those interviewed were responsible for domestic transportation or areas such as general management not closely involved in international freight movements. "Companies that run these programs on completely separate tracks are open to wasteful duplication in common areas such as asset control, Ford explains. "A lot of efficiency and synergy can be gained by overlaying or modifying practices already in place for Responsible Care. In addition, you don't want to make a change in one that would contradict the other."

The C-TPAT process doesn't end with certification but with validation. Customs must verify that a company's security self-assessment is accurate. Security recommendations for importers fall into seven categories: 1) Procedural security; 2) Physical security; 3) Access controls; 4) Personnel security; 5) Education and training programs; 6) Manifest procedures; and 7) Conveyance security. Check the Bureau of Customs and Border Protection website at www.customs.gov.

(Centrx, the co-sponsor of the survey, is an independent unit of BDP established to share intellectual capital with companies seeking to achieve greater supply chain value and logistics process improvement on a global level.)

For more information on the combined C-TPAT and Responsible Care initiative, contact Michael Ford, BDP Vice President for Regulatory Affairs, at (610) 521-4200 or mford@bdpnet.com.

Which of the following measures are being undertaken to integrate Responsible Care and C-TPAT?



Source: BDP Centrx Responsible Care C-TPAT Awareness Study, 12/ 03

Containing costs without compromising service

Balancing customer service with cost reduction is quite a challenge for any company. Especially when you consider that customer service is a lot more than telephone etiquette and can take place long before and way after the order is taken. Add to the equation the additional security measures shippers and their resources must face and you get an idea how service can be easily affected.

Players in the new global logistics arena must provide both premium service and premium systems. Unfortunately, few can match up well, which is why those companies must take steps to reengineer. They must look at their goods and how they are moving them and how they can reduce logistics costs—and at the same time continue to improve their level of service to clients by using the right resources.

The new customer service kid on the block

There are two views of customer service: traditional and new. The traditional view is that if you increase the level of customer service you will also increase the costs within the supply chain. However, the new view is that companies that reengineer their supply chains to reduce logistics costs also need to improve the level of service to clients. This view is one that companies should always be working toward, keeping in mind that the cost of logistics is more than just transportation. Suppliers must be able to respond quickly because the goal at the end of the day is to provide a specific level of service to the customer.

Outsourcing part of your logistics is one approach. Or you can partner with another company. Either way, you may not need to reengineer all of your supply chain, perhaps only a section here and there. Establish the right relationship with an outside resource by bringing them into your process, rather than treating them as a “vendor,” which often translates into keeping resources at arm’s length. When they are a part of your decision-making process and your planning and design up-front, your resources are better able to respond and help you meet your customer

service needs.

The first questions when reengineering is being considered often are: Could it be costly? Is it going to involve a lot more of my time? Yes, it could be very costly and it does take time to reengineer. But the longer-term benefits, in addition to the short-term advantages, are worth it. No matter how efficient your process is today there are always a few areas that can be improved.

Although companies have taken steps to ensure their goods move effectively and efficiently, there are ways to raise the bar without redoing your entire supply chain, such as constantly looking at costs, making sure your inventories are in place, and that you have the right number of vendors completing the right number of tasks.

Cost reduction is a worthy goal, as long as it is not achieved at the expense of value creation, by losing your customer service edge, or key information that could benefit your customer. A low-cost strategy may lead to efficient logistics but not effective logistics, meaning that if you selected a low-cost resource, although the goods may get there, at the end of the day if your customer demands tracking and you’re not able to provide it to them, then no value has been created.


Three basic steps

Customer service in any given company is made up of three separate elements: pre-transactional, transactional, and post-transactional.

Pre-transactional: Service exists in your customer service policy, manual, corporate vision, organizational structure, and corporate system flexibility. Before the transaction, a company is going to make the decision why they select a particular resource. How a prospective company conducts its business, its organizational structure and customer service policy (do they have one and does it satisfy your needs?), as well as its mission and its beliefs are all important considerations in the selection process. While not one hundred percent accurate, you can get a good feel as to whether there is a good match between your company and the prospective resource through examining each of these elements. It’s how the company “talks.” For example, looking at a company’s website will tell you a lot about them.

Transactional: This area of service covers order management issues—how an order is processed, responsiveness, communications: a) order cycle time, b) inventory availability, c) order fill rate, and d) order status. Each of

these elements affects the response level and the level of service you can expect.

Post-transactional: Covers a) availability of replacements or spares, b) product tracing and warranty, c) customer issues and complaints, and d) an error correction system. These are all activities linked to the ability to respond and react after the sale is made. For example, does the customer have a positive experience when repairs are requested for a piece of machinery purchased from the manufacturer? 

For further information, contact Michael Ford, BDP Vice President for Regulatory Affairs, at (610) 521-4200 or mford@bdpnet.com.

Dimensions of customer service

Time: Order cycle time, the total time experienced by the customer from order placement to order delivery.

Dependability: The assurances that customers experience when dealing with your company

Communications: Information provided to the client about the status of their order—managing expectations with reality.

Convenience: The ability to serve your client; and being flexible.

Levels of customer service by which you serve your clients

- Setting standards by which your company operates
- Levels of quality: management philosophies on total quality
- Customer service policies: how your company interacts and communicates with clients
- Control: the measurement of your service, performance standards throughout the supply chain. Opportunities for improving your service levels exist in this area.

Understanding and setting priorities

Successful customer service require that companies:

- Identify the key components of customer service as seen by the customer
- Establish the importance of each component
- Identify a “cluster” of customers for specific service preferences—those who share common needs, perhaps by industry. This covers listening to customers within a group and understanding and responding to those needs.

Information – the mantra of security


Demand for information has not only increased but also is now a mandatory prerequisite for the safe, efficient movement of goods, and will become a business rule of the 21st century. Traditionally, transportation and import/export processes have been isolated from one another through government agencies and the private sector. No longer. Shippers and logistics providers are working more closely since 9/11 to understand and secure international supply chains. Foreign governments, while initially slow, have been extending their presence in cargo and trade security.

In fact, the request for advance information under the recently introduced 24-hour manifest rule may become a business model for other governments as they adopt U.S. processes as the standard for their own security programs.

At first, there were many naysayers who thought that 24-hour rule would never pass and that it would never be a success. However, in only a few months, it has proved to be successful.

Customs is now able to meet its two primary objectives: to target and inspect. Other countries have begun to come to U.S. Customs to discuss this approach for their own compliance needs. The governments of Canada, India, Singapore, and South Korea have said that they will adopt a similar rule. The EU has done likewise. They want improvements to their own data collection, in order to get information up front and combat terrorism. They may take the best that the 24-hour rule has to offer and adopt their own versions and are likely to be not as stringent as the U.S. The type of rule will probably vary by country. For example, the EU may want the same amount of information as the U.S. but not require it 24 hours prior to loading.

Don't be surprised if, during the next few months, foreign governments request full information disclosure for goods entering their countries to assist them in managing goods that enter their country.

Stay tuned... 


Opportunities and change in Europe

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exactly what were needed. BDP's presence was constituted by a global joint venture in the region."

The solutions BDP has enacted on behalf of clients in the chemical industry operating in Asia and the U.S. frequently apply to supply chain configuration Bolte and his staff see in Europe. "We are in an increasingly global environment and companies must have a full global solution to their transportation and logistics needs," Bolte emphasizes. Because Europe is under the same cost pressures as other regions of the world, companies are increasingly looking to resources that will help them to truly eliminate costs from their systems. Bolte and his staff are beginning to see a trend by technology-savvy decision-makers, who are taking a closer look at their profits and seeing a critical need for information and greater visibility of their shipments.

The cost issue has hammered home the concept of integrated offerings. "Visibility is what we are ultimately there to provide—intelligence and process management—regardless of whether it is truck, plane, or ship," says Bolte. "Procedures and processes that we take for granted in the U.S. are, in some cases, different in Europe. Companies there do their own documentation—shippers actually cut their own Bills of Lading and produce their own invoices. We ask them to consider who is in the best position to handle those activities?"

"While outsourcing to offshore locations such as Mumbai, India, is now the trend, the customers' ability to work through a European interface ensures a comfort level," adds Bolte. "That approach satisfies not only a tangible, cost-control need but also lets customers feel at ease working with a manager of the process, someone in their own market. We want to standardize this approach for clients." 




Heavyweight boxing match

With 17 million cargo containers moving around the globe at any one time, it's easy to see why they have

become "the workhorse of international trade." Now, with the heightened levels of security in the shipping industry, the "low-tech, metal box" could be in for a serious makeover. According to *The Wall Street Journal*, U.S. government officials are requesting minimum standards in smart box technology, including a high-strength bolt to replace the weak plastic strips currently used, and a device to detect if unauthorized people have opened the container. The idea is that smarter containers would be able to move faster through Customs—and that means fewer delays.

Technology companies have suggested boxes with higher IQs—enabling them to communicate their location, content, and condition. However, the price tag for such innovations could run anywhere from \$50 to \$800 per container, depending on the features selected. Opponents say that such devices could provide false alerts, severely affecting shippers and terminals. Advocates counter with a "more timely and reliable movement of goods" argument, which could help reduce inventory levels and related carrying costs.

This contest could go extra rounds. 

DID YOU KNOW?

China has surpassed Japan as the No. 2 petroleum user after the U.S. The country is increasing its oil purchases even faster than it is pumping up its robust economy. Industry estimates show that China's imports will double by 2010, and by 2030 will equal current U.S. imports of 10 million barrels a day. Interestingly, China's domestic oil output remains flat.

REGULATORY WATCH

PERIODIC UPDATES ON U. S. CUSTOMS POLICIES AND OTHER REGULATORY ISSUES

Free FTA Advice

By Gerald R. McManus, Former Assistant Commissioner - Commercial Operations, U.S. Customs, and BDP Vice President - Regulatory Affairs.

On January 1, 2004, free trade agreements (FTAs) with Chile and Singapore went into effect. Importing and exporting products to and from these countries just became less expensive, particularly exports to Chile with its six percent overall tariff on imported goods.

As almost all U.S. exports to Singapore already enjoy duty-free entry, the agreement will mainly impact imports into the U.S. from that country. Singapore has not enjoyed any special treatment on imports since its graduation from the GSP (Generalized System of Preference) program. Now, an SG prefix (SG - country code for Singapore) to the harmonized tariff number on import entries will allow free or reduced duty treatment on Singapore products entering the U.S. market. Most goods from Chile already enjoy duty-free U.S. entry due to its GSP status. Now, a CL prefix (CL - country code for Chile) on import entries will greatly expand the duty-free list for Chilean goods.

Definition of free

But, and there's always a "but," according to Michael Ford, BDP's Vice President for Regulatory Affairs. As he put it, "free trade with Chile and Singapore isn't free...of red tape." Ford further explained that as with the NAFTA agreement regarding trade among Canada, Mexico and the United States, reduced duties only apply to originating goods. Goods traded between Chile and the U.S. and between Singapore and the U.S. must satisfy a tariff shift, regional value content, or both, in order to be considered originating and obtain benefits from the agreement. However, unlike NAFTA, the U.S. agreements with Chile and Singapore are separate agreements, i.e. there is a U.S./Chile FTA and a different U.S./Singapore FTA. And yes, the rules of origination differ, not only from NAFTA but from each other as well.

Under these new agreements, importers and exporters have a whole new set of terms and rules to comprehend. NAFTA's transaction value and net cost have no part in calculating regional value content.

With the new agreements you use adjusted value, build-up method, and build-down method. And, for the chemical industry, there is a chemical-reaction override to the tariff-shift rules. Does this sound complicated? According to Ford, it sure is.

Here are a few guidelines for both importers and exporters doing business with Chile and Singapore, which will also apply to traders with Canada and Mexico.

1. Centralize your firm's preparation of certificates of origin. Make certain that everyone understands that no one in the company is authorized to complete a certification except the designated person or group.
2. The designee must be trained in the various free trade agreements and their different rules and requirements. New agreements are in various stages of negotiation with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic, Australia, Morocco, South Africa, Colombia, Peru, Ecuador, Bolivia, and Panama. Many of these agreements will have different rules of origination and varying quirks that must be understood.
3. Consider including a request on your purchase order for FTA certification from your domestic suppliers of material and components that you incorporate into your export products. Remember, if you cannot substantiate FTA origination for a material or component, it does not originate. Purchasing something from a domestic supplier does not necessarily make it originating.
4. Be pro-active in determining origination status for your products. Don't wait for your customers to ask. As a sales tool, use the fact that your products originate.
5. Maintain a file, paper or electronic, on every certification completed in the company. The file must contain not only a copy of the certificate but substantiation for completing the certificate. Customs and Border Protection auditors have five years to review certifications, and there are severe penalties for unsupported claims.
6. Never make a claim for FTA benefits on an import shipment unless you have the certification in hand. A fax with signature will suffice to file entry. The new agreements both contain the one-year time limit after entry to make your claim for duty refund.

BDP's Regulatory Compliance department in Philadelphia conducts training in NAFTA compliance and FTA. 

For further information, contact Michael Ford, BDP Vice President for Regulatory Affairs, at (610) 521-4200 or mford@bdpnet.com.

Free Trade Area of the Americas

Recently, ministers from 34 countries in the Western Hemisphere met in Miami to discuss establishing a Free Trade Area of the Americas (FTAA). The stated goal of the FTAA is to integrate the Western Hemisphere into an 800-million-person marketplace. The current and developing free trade agreements between the U.S. and Canada, Mexico, and Chile, as well as the five countries of Central America and the Dominican Republic, are seen as building blocks to the bigger picture of hemispheric trade.

BDP gateway

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Ready for anything

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functions and continual fulfillment of business obligations," Koh adds. The plan is designed to provide:

1. Almost seamless operations in the event of any major incident
2. Recovery-time targets to get operations up to defined levels
3. Better understanding between customers, resource partners and the BDP Singapore office. All parties know what and when to expect actions to be taken during a crisis.

"There's no doubt a crisis management system, which is in place before a crisis occurs, inspires credibility and confidence."


Winston Koh, Manager - BDP Singapore

Koh points out that BCM is a critical component of any company's business strategy. "By identifying the interdependency risks between customers, vendors and BDP staff, we can take steps to prevent our critical functions from being crippled due to failure of internal (loss of information technology resources) and external service providers (suppliers). With a clear

understanding of our own roles and responsibilities, the recovery time for operations will be shortened, thus reducing the final impact on our customers. Having various scenarios for our business recovery plans, our staff are trained continuously to back up other colleagues should the need arise. This also enhances the job scope of each individual as all office staff are required to be ready to take on more than their regular activities. This benefits both the company and employees.

Because BCM is an ongoing exercise—and not a one-time commitment—BDP Singapore continuously reviews and updates its plan. This includes: 1) Formation of a special task force: leaders from each team know the interdependency links in their accounts and where to focus with the weakened staff strength in times of emergency; 2) Working from home—establishing an Internet connection, mail diversion, etc., to ensure BDP staff are ready anytime; and 3) Making the IT system "Continuity ready," which means if one location is down, the task force can continue to work in another location in another part of Singapore.

To Koh, the importance of a proper BCM plan for companies will be greater as economic, political, social and globalization issues, and other factors, become increasingly intertwined. "There's

no doubt a crisis management system, which is in place before a crisis occurs, inspires credibility and confidence. We want clients to know that, in addition to the ongoing services we provide, we are also here in case of emergencies—at all times. We have an understanding with four clients that, in the event of an emergency, we are prepared to quickly step in and handle their customer service and logistics functions." 

OVERHAUL OF EU CHEMICAL RULES

In the fourth quarter of 2003, the executive body of the European Union (EU) formally proposed to overhaul chemical-safety regulations that businesses warn will handicap European competitiveness and environmental groups say are too weak. The revised plan calls for shifting to manufacturers from governments the responsibility for testing chemicals. It would also apply to companies that import into the EU. Manufacturers and importers would have to provide safety data on thousands of high-use chemicals, or conduct tests identifying hazards if no such information is available.

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