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To Ease the Squeeze of New Tariffs, Focus on Compliance

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A year after tariffs on more than 1,300 Chinese goods (https://www.nytimes.com/2018/04/03/us/politics/white-house-chinese-imports-tariffs.html) first sent importers reeling, the news supply chain managers everywhere have been dreading is finally here.

Last week's tariff increase from 10 percent to 25 percent, which went into effect May 10, gave organizations less than a week to plan for the ensuing shockwaves.

Although the future of many supply chains remains murky in light of this news, one thing is clear: the importance of a strong customs compliance program. By combining the right technology, people and processes, importers can help to minimize financial and operational impacts as they navigate a new reality for global trade.

The U.S. bombshell announcement (https://www.wsj.com/articles/u-s-files-paperwork-to-raise-china-tariffs-on-friday-11557323595) comes after months of negotiations, including recent talks in China (http://time.com/5581019/us-china-trade-negotiations-tariffs/) after which President Trump hinted the two sides were nearing a deal. As news of the latest move from Washington sends tremors through the economy, supply-chain managers are taking stock and assessing the tremendous impact to their bottom lines.

While shippers and downstream suppliers have largely absorbed the 10-percent tariff hike, an increase to 25 percent would have huge financial implications, while also likely requiring customers to share the economic burden. And beyond the U.S.-Chinese trade battle, news of $11bn in potential tariffs on European Union products is just the latest in a string of brewing trade tensions around the globe.

After breaking import records last year (https://nrf.com/media-center/press-releases/retail-imports-rising-again-summer-approaches) as they stockpiled inventory to beat impending tariffs, many businesses have delayed replenishment to avoid a potential tariff hike when goods reach land. Now, tariff increases are coming as businesses face diminishing inventory levels and strong consumer spending. The Global Port Tracker forecast a 6.9-percent year-over-year increase in April imports (https://nrf.com/media-center/press-releases/retail-imports-rising-again-summer-approaches), with May expected to climb 2 percent from the previous year. This latest news will make cost efficiency more critical than ever, as the 2019 peak shipping season approaches.

No matter what the future holds for global trade, putting the right strategies in place now can help importers streamline operations, avoid regulatory fines and penalties, and reduce spending while still meeting customer expectations. Here's where to start.

Establish a single source of truth.
With 13 percent of shippers still relying exclusively on Excel for supply-chain management, tracking the movement of goods from purchase to final destination remains a challenge for even the largest companies. Consolidating all supply-chain data into a centralized, automated platform can help improve customs compliance and efficiency. With details on every shipment at their fingertips, businesses can pull reports to confirm that classifications are correct, examine current sourcing and vendors, and identify cost savings opportunities through mode or carrier adjustments.

Get compliance you can count on.
Whether your business has a full in-house brokerage team or relies on external support, the current environment is a timely reminder of the importance of compliance. An experienced broker can help you stay on top of regulations, minimize the risk of errors and penalties, and ease the strain on internal resources. Key steps to take include double-checking all

harmonized tariff classifications, so you're not paying tariffs unnecessarily or putting yourself at risk for fines for missing duties. In addition, establish a thorough auditing system to avoid errors and fines while reducing the time spent on paperwork and post-summary corrections.

Consider sourcing alternatives.
As tariffs take a bite out of budgets, a growing number of businesses (https://www.bloomberg.com/news/articles/2018-10-23/companies-say-they-re-ready-to-move-supply-chains-from-china) say they're looking to move production out of China. A centralized platform makes it easier to vet vendor performance and overall costs, so you can weigh the pros and cons of shifting your sourcing. In addition, an experienced supply-chain partner can help you optimize routes and modes to accommodate a move to a neighboring country like Vietnam, Malaysia or India. Some suppliers are also helping to mitigate tariff costs by acting as the importer of record and paying duties for businesses — something to keep in mind as you evaluate your own vendor mix.

Stay informed.
In this rapidly evolving trade environment, businesses need to stay on top of regulatory updates to avoid landing in legal hot water and optimize operations. A partner with its finger on the pulse of the industry can help ensure compliance, aid in lobbying efforts and make sure you're not paying more than your fair share. For example, when one tire manufacturer received a U.S. Customs and Border Protection notice that its goods were subject to anti-dumping duties, the company worked with its provider to prove that the tariff didn't apply in its case, saving the manufacturer from significant expense.

For importers steeling themselves for the latest turn in the tariff saga, preparing now can help them stay competitive later. Businesses that invest in a technology-enabled, compliant supply chain will be better positioned to handle whatever comes next.

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