

# The meaning of free trade

With global trade regulations getting increasingly complex, automated compliance systems are proving indispensable

International trade used to be so simple. Importers ordered stuff, exporters loaded it on ships, sent off a bill FOB (free on board) and got paid. Everyone was happy.

But the last decade has seen an explosion of regulation to control everything from international terrorism, drug trafficking and money laundering to the import of genetically modified broccoli.

Any company involved in international trade now faces a torrent of legislation that must be complied with or risk substantial fines. And every country has its own unique legal minefield.

“Exporting has become more challenging, especially post-9/11,” says Nathan Pieri, senior vice-president for marketing and product management at Management Dynamics, a provider of global trade management solutions.

“Many companies are unsure or even unaware of recent changes that directly affect who and where they can trade.”



Exporting is becoming more challenging

Most importers and exporters are well acquainted with the bureaucracy of customs, Pieri believes. “However, these companies have a very real knowledge gap in trade compliance and risk,” he says.

The vast quantity of information required to ensure that imports go smoothly from raising a compliant purchase order to paying the correct duty is known as ‘trade content’ and it is increasingly being supplied as software and online.

Assembling and updating a comprehensive database of international trade content is a huge undertaking. Management Dynamics has a network of more than 120 professionals including their own staff, who trawl through more than 300 trade resources in 122 countries

covering about 99 per cent of the world’s trade. Material is translated from more than 25 languages and assembled into a clear and comprehensive encyclopaedia of global trade regulation.

“With all the information on screen, you can tell at a glance if you need special licences, inspections and trade agreements,” Pieri explains. “Exporters can be sure they are not exporting to sanctioned parties – you are not selling to bad guys.”

But computer-based trade content systems are not just legal libraries – as part of a trade management suite they are also powerful automation systems that can generate all the documentation required and calculate the exact amount of duty payable.

“The software has a planning component that helps to establish optimal trade strategies, identifying the best places to source goods to minimise tax,” Pieri says. “The execution component integrates with ERP (Enterprise Resource Planning) software to ensure you issue a compliant purchase order and that it gets through customs, and the analysis component generates data to help understand trade flows and how suppliers are performing.”

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The need to automate compliance procedures has never been greater. Both the US and UK governments have put exports at the heart of plans for economic recovery, but the level of regulation and control is unlikely to reduce.

Corporations on both sides of the Atlantic are seeking to expand by acquiring overseas subsidiaries, creating cross-border trading systems inside their own structure which must still be compliant.

“If companies are not compliant with international trade regulations they may lose the privilege to import and export their products,” Pieri believes.

**For more info or to download a white paper on Building an Export Compliance Program, please visit:**  
[www.managementdynamics.com/freetrade](http://www.managementdynamics.com/freetrade)