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The Gap Inc and Levi Strauss routinely post the results of manufacturer and vendor reviews on the Internet, which are then referenced by other apparel brands that share the same supplier base.
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Laying the foundation for TPP compliance

In addition to using a framework from the World Customs Organization, businesses can leverage emerging technology and embed themselves in collaborative networks. BY ALEX CAPRI

THE Trans-Pacific Partnership (TPP) will be formally signed in Auckland, New Zealand on Feb 4, creating the world's biggest free-trade area, bringing together 12 Pacific Rim countries including the United States, Japan, Australia and Singapore.

The TPP aims to reduce trade barriers in these countries, lowering tariffs on goods and ultimately enabling better market access to the free trade area.

The agreement offers significant potential for Singapore. TPP partners account for almost S$300 billion, or 30 per cent of Singapore's total goods trade, according to the Singapore government.

At over 1,000 pages long, however, the TPP is possibly the most complicated free trade agreement (FTA) in decades. Its sheer complexity will require a new approach to global trade management.

The TPP arrives at a time when other forces have been significantly transforming the international trade landscape. These include:

- digital technologies, including "big data" and collaborative networks;
- changing corporate values, which have been heavily influenced by civil society;
- a lack of adequate "trade-facilitation" capacities at many customs agencies; and
- a growing number of non-tariff measures (and barriers) around the world.

Social responsibility and good governance have been cited as the bedrock of the TPP. Indeed, the partnership's most vocal proponents cite good governance as a unique selling point when comparing it to other FTAs currently being negotiated or already in existence. If one assumes that customs regimes throughout the trade block will introduce measures to enforce higher TPP labour and environmental standards, for example, corporate leadership will also need to raise the bar in its trade compliance efforts.

There already exist strong precedents for "socially responsible trade compliance plans". In the apparel industry, for example, companies share best practices and gap-analysis templates, questionnaires, scorecards and key performance indicators (KPIs) for the vetting of suppliers and manufacturers – all with an emphasis on good governance.

The Gap Inc and Levi Strauss – both billion-dollar clothing retailers (as well as many other global brands) – routinely post the results of manufacturer and vendor reviews on the Internet, which are then referenced by other apparel brands that share the same supplier base.

The naming and shaming of "underperformers" on issues such as labour standards and environmental practices serves as a strong deterrent to potential violators and drives a culture of compliance across the industry.

A successful trade compliance programme under the TPP, therefore, should follow the example set by the above. Good governance execution plans must, by definition, be well-connected to virtual networks and on-line communities.

Digital technologies and data management capabilities allow businesses to gain end-to-end transparency in global value chains, all the way down to the most granular level. This is good news for the TPP trade compliance officer.

For example, L'Oreal, the world's largest cosmetics company, analyses datastreams across its value chain to track the CO2 and H2O footprints of individual products – from the initial input of raw materials, through the fabrication, transportation and distribution processes. The company then uses the data to drive its sustainability and good governance efforts.

This big data revolution will have a positive impact on TPP customs compliance. TPP compliance teams will be able to glean previously "invisible" data from the value chain and proactively extract information from data streams that can be reconciled with FTA rules of origin, such as regional value content tracing.

TRADE FACILITATION

If the TPP lives up to its promises of driving good governance, this will require the sharing and screening of unprecedented amounts of data between customs agencies and third parties. Key stakeholders will include manufacturers, exporters and importers, logistics companies, trade associations and NGOs. Data aggregators and IT facilitators are also critical to the process.

Given the lack of resources for trade facilitation plaguing customs regimes throughout the TPP block, businesses will need to take the lead in driving progress in this area. Make no mistake, this cannot be a government-driven, top-down initiative.

If collaborative networks fail to drive positive changes around trade facilitation, the TPP could produce yet another wave of vaguely defined, haphazardly enforced non-tariff measures and trade barriers.

Effective TPP trade facilitation must exploit low-cost, free flowing and transparent data that is shared between key stakeholders. Importers, exporters, and their agents must be able to report unreasonable cargo delays, non-tariff barriers, and publish general comments on stakeholder "social media" platforms – in real time. Governments must adopt smart "omni-channel" type interface portals to make the import/export process standardised, transparent and efficient.

There is a framework in place that could serve as a building block for a corporate TPP compliance programme.

Administered by the World Customs Organization, the Authorized Economic Operator (AEO) has established custom guidelines on integrated supply chain management.

Its purpose is to ensure that entire supply chains are secure, safe and fully monitored. Manufacturers, exporters, shippers, warehouse operators, intermediaries, consolidators, transportation companies (even port facilities) and importers are screened and vetted against an extensive list of requirements.

To pass the AEO qualification test, businesses must adopt best practices around supply chain security management, which includes adequate electronic data interface systems between external parties. This includes transmitting key data to customs long before cargo arrives in port, which allows customs agencies to "pre-clear" the cargo.

Additional time and resources can then be allocated towards effective enforcement of non-tariff measures (for example, identifying and stopping importations obtained through illegal logging or fishing practices), and working with stakeholders to eliminate non-tariff barriers.

Building upon the AEO model would serve the TPP member states and their organisations well. Trade compliance professionals would also be wise to leverage emerging technology trends and embed themselves in emerging collaborative networks.

All these actions will lead to effective trade compliance under the TPP, and lay the foundation for a well-rounded global trade management programme, in any company.

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