



## Companies dealing with automation challenge

Interview with Juan Pizano, Partner, Tax & Legal, Deloitte Mexico

### 01. What challenges do companies face when automating the import / export process and trade compliance ?

We are experiencing an automation technology revolution, and trade and customs activities cannot afford to lag behind.

Despite Brexit, the possible renegotiation of NAFTA and other developments affecting global trade, the liberalization of global trade is accelerating. Globally, there are more than 400 free trade agreements

(FTAs) in effect, three times as many as there were in 2004. Increasingly complex supply chains and more zealous and interconnected customs authorities around the globe make the automation of trade and customs activities an imperative for companies.

Companies today are facing a similar dilemma to the one they faced in the 1980s when deciding whether to implement an ERP system—whether or not to invest in technology to automate an activity that currently is being performed manually. Automation is key to having

quick access to the data necessary to properly manage and plan for customs duties, screen transactions, report international trade data efficiently and comply with local rules, etc. I would say companies definitely should automate—and soon .

### 02. How are companies dealing with the customs automation challenge?

Many companies in the LATAM region are still trying to decide whether they need to automate . This dilemma arises from the fact that documenting customs and

trade-related activities have always been done manually, mainly using complex spreadsheets. However, I would say that this is not a reason to avoid automation—instead, it's the main reason for starting to work out how to begin the process.

Also, small and medium-sized companies tend to believe that automation is the preserve of multinationals or larger companies, a perception that is inaccurate. In fact, the larger the operation, the harder it is to automate; if companies begin this process while they are still growing, compliance, traceability and strategic planning through technology will not be problematic once the company is fully developed.

However, it may be difficult to obtain funding for these projects if the pressure comes from the bottom. Upper management needs to understand that automation is critical—it not just financial investment that is required but also the substantial involvement of senior management to ensure that the right technology is selected and to map out a successful implementation path.

### **3. Are customs authorities involved in this automation process?**

The customs authorities in Latin America began to automate more than a decade ago. Five years ago, the Mexican customs authorities launched the Single Window for Foreign Trade (VUCEM), a technology platform to automate and digitalize the customs clearance and all related procedures, such as those for granting import permits and licenses.

But it is not only customs procedures that are being automated. In the not too distant future, the tax and customs authorities will begin conducting what they call “electronic audits,” which are intended to be paperless reviews based on data already obtained by the authorities from a variety of sources: customs, income tax and the taxpayer’s registry, among others.

The objective is clear, tax revenues need to go up and the customs authorities have realized that using technology makes the audit process more rigorous, gives it a sharper focus, makes it more effective—and cheaper.

### **4. Which trade and customs activities can be automated?**

The entire customs process can be automated. Import and export activities, of course, but also the trade programs (such as IMMEX compliance in Mexico) and tariff classifications. A special area of focus should be the management of FTAs. Eligibility qualification for FTA purposes is one of those processes that historically has been done manually.

This represents not only a compliance risk, but also a risk that duty optimization opportunities may be overlooked and lost. With the changing environment, with ever more complex supply chain arrangements and more active customs authorities, FTA management should be at the top of a company's automation priorities.

Automating this activity will include not only choosing the best software, but also taking the opportunity for a major review of the origin eligibility process.

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