SAP-GTS

Enabling China trade compliance transformation through technology and innovation
As globalization reshapes the China business landscape, General Trade and Processing Trade supply chains should be more than efficient. They should also be agile and resilient enough to withstand economic uncertainty, re-balancing of the Chinese economy, third-party disruptions, and natural hazards. To accomplish this, companies should establish systems and processes flexible enough to meet customer demand despite rapidly changing China business conditions.

While globalization is a core driver of enterprise growth and value, the fluctuating cost of international transportation, increased cross-border regulations and extensive filing and documentation requirements have made global trade more costly, complex and riskier than ever. With the continuous movement of goods into and out of China under different Trade Modes this brings the following challenges:

- **A complex regulatory environment**—Complex and ambiguous requirements make it challenging to understand positions on trade compliance, which can potentially compromise market reputation. With e-clearance and the “three ones” policy Customs and CIQ are increasingly asking for declarations to be filed electronically.

- **Increased scrutiny**—Import information on customs declarations face increasing scrutiny of value, tariff classification and trade preferences. The risk of inaccurate or incomplete customs declarations as well as export control documentation can lead to loss of import or export privileges, such as Processing Trade, and penalty assessments.

- **Increased exposure**—Failure to comply with China import and export requirements can lead to increased duty costs, supply chain disruptions and penalty assessments.

- **Competitive pressures**—Pressure from competition demands and the use of complex trade preference programs (e.g., ASEAN – China Free Trade Agreement) to reduce duty costs.

- **Lack of visibility**—Without visibility into China import and export activity, compliance with China regulatory requirements and ability to effectively manage trade activity across multiple trading and manufacturing subsidiaries in China can be compromised.

- **Mutual Recognition Agreements (MRA)**—China is increasingly exploring MRA where the enterprise in China is “Category AA” and the enterprise overseas is “AEO” or similarly certified. In this scenario both the shipper and the consignee can benefit from reduced intervention by Customs and CIQ in the supply-chain and accelerated customs clearance.

- **Increased complexity of inventory delivery**—Companies must avoid delays at the Chinese border to meet just-in-time inventory management and meet customer expectations in both General Trade, Processing Trade and other aftermarket return/replacement scenarios.
China Trade Management

The focus of Customs and CIQ at the border and the ambition of clients is summarized below in respect of General Trade, Processing Trade, and Trade Facilitation.

**General Trade**

What is the focus of Customs for companies operating under General Trade?

- 31% Valuation
- 42% HS Classification
- 15% Never been challenged
- 12% Origin

What Customs Supervision Codes are most relevant to your business under General Trade?

- China Compulsory Certificate (CCC) 31%
- Import Licensing 29%
- Product labeling 15%
- Not applicable 13%
- Product quality testing 13%

**Processing Trade**

If your Handbook is audited by Customs tomorrow, would it balance?

- 49% Yes
- 27% I don’t know
- 24% No

Has your company sought software solutions to digitalize data between your ERP and Customs?

- Yes, already installed 35%
- Never thought about it 34%
- No, but planning to in the future 31%

**Trade Facilitation**

E-clearance has reduced average Customs clearance times by how many working days?

- 1 working day 66%
- 2 working days 28%
- 3 working days 6%

What new Trade Facilitation measures would you like to see introduced?

- Advance Valuation Ruling 10%
- Advance Duty Payment 15%
- Single Electronic Window 18%
- Deferred Duty Payment 24%
- Advance Declaration 32%
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The proliferation of communications and data technologies is redefining business models worldwide. Companies should adapt them in order to offer services that are relevant, cost effective and compatible with their long-term goals. In today’s rapidly changing world, flexibility is paramount to making confident, insightful decisions, ensuring the right people and processes are in place and maintaining competitive edge.

Global enterprises need a coordinated approach to the China customs and trade function designed to manage risk while increasing operational efficiencies, reducing costs and achieving duty savings. Processes and controls must be sufficiently flexible to accommodate varying business needs while meeting the compliance requirements of a variety of government agencies in China and variations in local practice and process at a Port level.

**SAP Global Trade Services (GTS)**

GTS for managing trade compliance and GTM for managing the trading business supply can be integrated in cross-border trading. SAP executed a multiyear plan to localize GTS for China. The first phase was completed with SAP-GTS 10.1 SP09 wherein certain synchronization with the China specific enhancements in respect of the ERP system have taken place. Features include:

• General Trade piloted in 2013
  - Maintain declaration elements for import and export
  - Maintain master data for the export VAT refund with linkage to the HS Code
  - Maintain tariff information and supervision codes in respect of CIQ, MOFCOM
  - Upload tariff and all the related master data into GTS
  - Data obtained from service providers in XML format.

• Out-of-box interface for paperless e-filing and Broker monitoring

• Processing Trade implemented in 2014
  - Maintain database of the BoM registration for Customs Handbook
  - Maintain the import and export data management related to the bonded operation
  - Maintain the expense & fee, and domestic sales management related to bonded operation
  - Maintain the bonded transfer, outsourcing, warehousing and capital equipment management
  - Realize the Customs Handbook reconciliation management
**PwC’s SAP-GTS Solution in China**

From strategy through execution, PwC collaborates with SAP in order to help clients align their technological resources and applications with their business objectives in order to address the financial, operational, technical and regulatory challenges inherent to SAP investments. PwC trade and customs specialist in China are now helping clients to deploy SAP-GTS in China so that you can improve your trade compliance performance today.

**Taking a proactive approach to China import and export compliance**

In addition to increased automation, SAP-GTS helps standardize China import/export processes across business units and operating subsidiaries, manages customs data in a central location, and provides increased certainty surrounding interactions with various government agencies in the trade process, including Customs and CIQ. PwC in China works with organizations to address a wide range of GTS issues and can provide complete GTS implementation for both integrated SAP platforms and standalone platforms with non-SAP systems.

1. **Blueprint**
   - Project planning and scoping

2. **Design**
   - Business process design and improvement for customs processing and SPL screening

3. **Build**
   - Implement custom enhancement in order to fully integrate GTS with your systems.

4. **Test**
   - End-to-end system testing for all applicable business scenarios.

5. **Deployment**
   - Seamless “go-live” transition with minimal business impact.

**Rapid Deployment Solutions (RDS) in 8 weeks or less**

We can work off a shorter time to start, deploy, and run through best practices that can save 40% of the time and effort compared to the similar scope of a traditional project.
The PwC difference

Solutions from an experienced leader

PwC can help your organization to proactively attain China trade compliance. We can assist you to reduce the cost and risk of trading with China and achieve compliance with China customs and related regulations, increase trade activity and reduce duties and other costs by implementing SAP-GTS for General Trade and Processing Trade.

PwC’s local team brings extensive in-country regulatory knowledge when designing a China GTS implementation and integrating industry-specific business-process. We collaborate with our PwC German colleagues that have deep technical knowledge of GTS including project management and deployment experience.

Local and international collaboration

We look at process holistically and pull in experienced professionals from Germany and China in designing China trade compliance programs to work on the implementation. We draw upon resources in our global customs and trade network during the blueprinting process and tailor the solution to the actual China regulatory requirements.

PwC’s experience in global trade management and in implementing GTS makes it possible for our teams to mitigate many of the typical pitfalls experienced during a system migration (e.g., lack of resources to conduct a thorough cost-benefit analysis, managing various phases of a GTS implementation, complexity of merging GTS with legacy systems, transitioning key functions from legacy systems, and defining and testing compliance scenarios comprehensively to minimize future break-fixes). Our vast industry and system knowledge positions us to optimize and streamline the full functionality of GTS for China.

Additional trade compliance support

PwC can also assist with the design of desktop procedures, SOPs, and other documented processes and conduct the necessary training for company personnel. We can also provide audit services & control design of GTS and customs and trade compliance governance design to fully leverage GTS solutions.
For further information on SAP-GTS and how PwC can help in your China deployment please contact the following:

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