

## Foreign Trade

### Outstanding Features:

- ☐ Manage import and export processes more efficiently.
- ☐ Make your export processing more effective with automatic export license management based on an accurate representation of export regulations.
- ☐ Simplify government reporting with automatic procedures for declarations.
- ☐ Use SAP's EDI toolset and ALE capabilities to create a range of powerful Foreign Trade capabilities for your R\3 system.
- ☐ Manage tariff preference processing more easily.

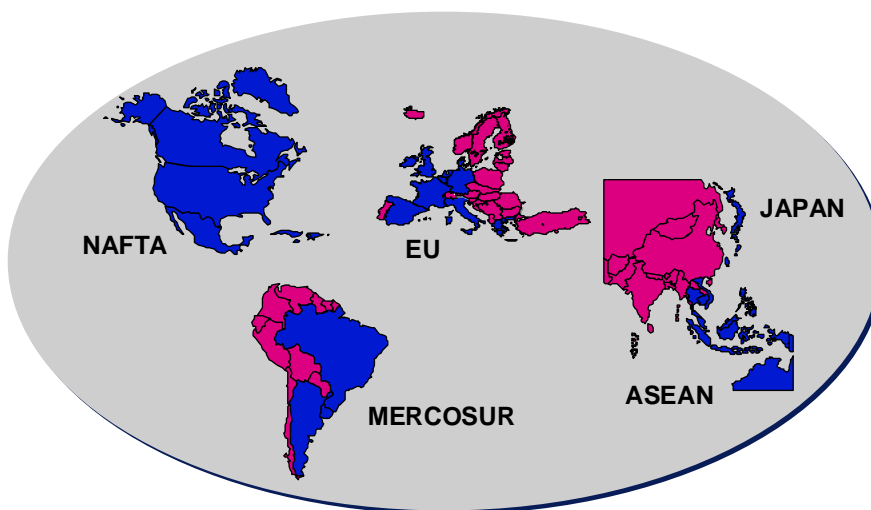


Fig. 8-1: Trade Areas

The globalization of business processes is a trend that is becoming more and more important for companies. International efforts today seek to open markets and free the process of international business. More than ever before, you have to deal with a worldwide market in all areas, for purchasing, production and sales. Successful companies must effectively compete not locally or even nationally, but worldwide. Organizations that function well across international boundaries benefit from a considerable competitive advantage.

Competing effectively in international markets today requires working closely with continually changing foreign trade regulations and tariffs.

### International Markets

From raw materials to finished goods, inventory, and financial accounting, trade regulations affect your entire supply chain.

**Trade Areas** You can assign countries with which you do business to a specific trade area. This automatically applies the appropriate controls to your foreign trade processing with organizations in these countries. Trade areas in R/3 include:

- ☐ ASEAN (Association of South East Asian Nations)
- ☐ EFTA (European Free Trade Area)
- ☐ EU (European Union)
- ☐ Japan
- ☐ NAFTA (North American Free Trade Area)
- ☐ MERCOSUR (Mercado Comun del Sur)

**Foreign Trade and R/3** Foreign trade processing in R/3 adheres to trade laws and regulations, enabling you to efficiently fulfill their requirements. The multi-country international background of the R/3 System has always required this system to function well in worldwide trade. Your foreign trade systems must operate not only within the growing body of strict regulations governing exports and foreign trade, but must also cope with emerging trade areas. R/3's flexibility ensures not only that it will provide high-quality foreign trade processing today, but that it will continue to grow and evolve to meet the foreign trade requirements of tomorrow.

**Data Flow and Automation** SD Foreign Trade processing is fully integrated with MM purchase order processing and SD sales order processing, which guarantees the flow of import data in purchasing processing and export data in sales processing.

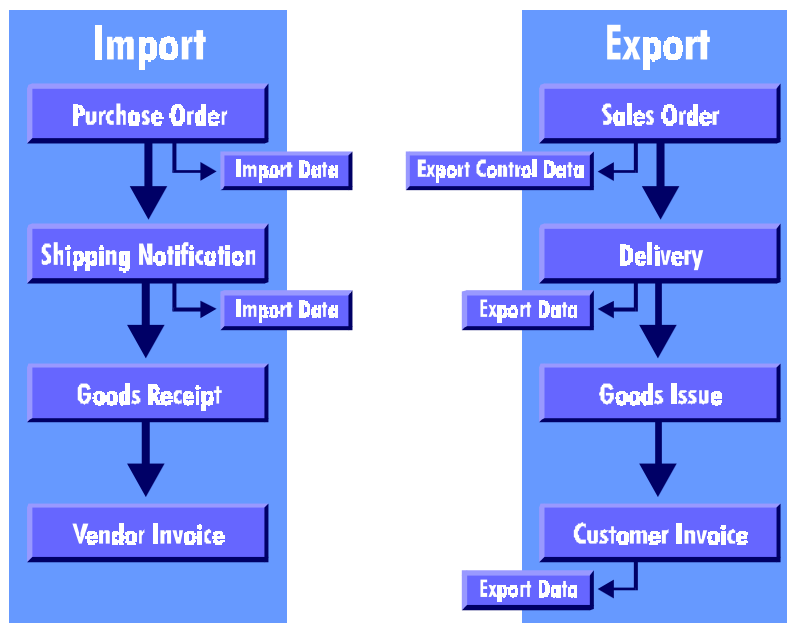


Fig. 8-2: Management of Import and Export

Procedures for foreign trade processing, such as export control and management of licenses and government reporting can be carried out automatically. The system performs these processes automatically by accessing foreign trade data. This data is stored in the material and customer master records, in customizing tables, or entered online in the respective sales or purchasing documents. This minimizes your effort and costs, reduces errors and helps you carry out your international business in an efficient and convenient way.

## Automated Export Control

Every nation takes steps to control its foreign trade, to limit the drain of natural resources and raw materials, for reasons of national security or as a result of international agreements. Taking into account these national and international laws and regulations that control the export of goods and services, SAP created a flexible instrument within the R/3 System to determine and apply your specific export control requirements.

The purpose of export control is to determine whether or not it is possible to accept a particular export order. R/3 export control also determines whether licenses are needed and, if so, whether you hold a license of the appropriate type or still need to apply for one. The R/3 System determines automatically whether you may export:

- ☐ to a particular country

- ☐ to a particular customer
- ☐ specific products
- ☐ at a specific point in time

### Legal Regulations

This determination is based on applicable national and international legal regulations. The laws governing export of goods in the respective countries are covered by SD's Foreign Trade processing. These include EAA and EAR for the US, AWG and AWV for the EU, as well as regulations for Japan. Restrictions such as US re-export regulations are also taken into account for goods which are imported from the US or which include components produced in the US.

Because of the importance of keeping current with legal regulations, SD's Foreign Trade module is structured flexibly. This allows you to keep your system up-to date. The open nature of the entire structure makes it possible to take into account new markets and add new regulations in a fast and convenient way.

The system in particular checks whether

- ☐ the country to which goods are exported is under a general embargo
- ☐ the customer is on a boycott list, such as the TDO (Table of Denial Orders), SDN (Specially designated nationals), or DHRP (Diversion High Risk Profile) list
- ☐ licenses are required and, if so, of what type and whether you already hold them

Depending on the specific case, the export may be prohibited, possible only with a particular license, or possible without a license.

If a the system determines that an export license is required for a particular item and you hold an appropriate license that covers that business, it is automatically assigned to that item.

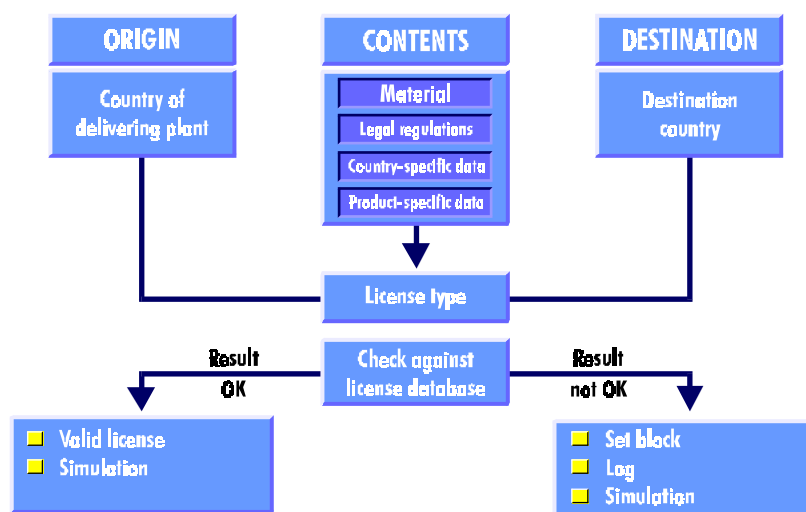


Fig. 8-3: Automated Export Control

## Government Reporting Declarations

As an integral part of foreign trade processing, all shipments of goods must be recorded and declared to the authorities. The main goal of the authorities is to record and evaluate all goods deliveries within and outside of an economic zone. To achieve this goal the authorities try to use a standard declaration procedure.

Within the European Union, an almost uniform procedure for statistical declarations to the authorities exists for all the member states of the EU. Other regions of the world are also developing or expanding their statistical declaration procedure. In 1995 an automatic procedure known as the Automated Export Reporting Procedure (AERP) was introduced in the United States for US enterprises. In Japan, a similar type of statistical declaration is available for Japanese enterprises.

Dealing with these often complex statistical declarations can be a great burden for large as well as small companies. R/3 Foreign Trade can make this process a lot easier for you.

The system collects all the data required for the declarations automatically. Goods receipts form the basis for import declarations, while customer billing documents form the basis for export declarations. The declarations are created in two steps. First, all relevant billing or purchasing documents are selected according to selection criteria you can define. The results can be stored in a sequential file. Then the declaration is created based on the data in the selected documents. Both data selection and creation of the declaration can be done in background processing. You can automatically issue export declarations to authorities in electronic or paper form.

### Automatic process

R/3's Foreign Trade processing supports both import and export declarations to authorities for European Union (EU) and North American Free Trade Agreement (NAFTA) countries, for Japan and for Switzerland. Supported government reporting includes:

- ☐ European Union:
  - INTRASTAT
  - EXTRASTAT
  - KOBRA
- ☐ Japan
  - MITI
  - Import declaration
- ☐ North American Free Trade Agreement (NAFTA):
  - Shipper's Export Declaration (SED)
  - Automated Export Reporting Procedure (AERP)
  - Harbor Maintenance Fee (HMF)
- ☐ Switzerland:
  - V.A.R.

As other trade groups and individual nations develop uniform procedures for government reporting, these will be added to R/3's foreign trade capabilities.

## Links to Other Systems

A standardized EDI (Electronic Data Interchange) interface facilitates information flow from R/3 to other systems, a particular advantage in speeding foreign trade processing. Proven capabilities in output control, application link enabling (ALE) and EDI, whose standard structures allow easy expansion, work together to provide you with advanced communications options, including

- ☐ generating important foreign trade documents such as T1, T2, CO and EUR1/EUR2 using SAP's EDI toolset
- ☐ linking easily and effectively to a wide range of systems other than R/3 running on anything from mainframe computers to laptop PCs.

- sending EDI messages to a translator using standard tools

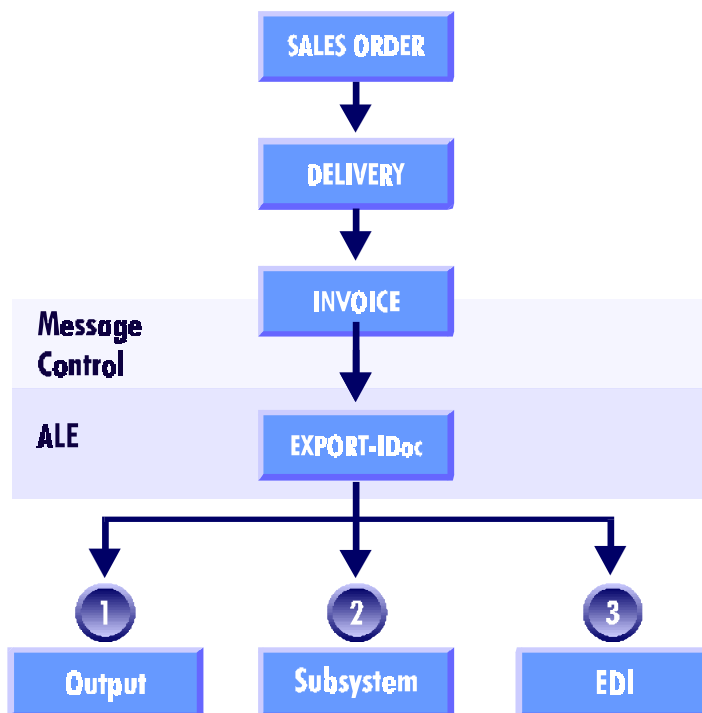


Fig. 8-2: Communication Options in the Foreign Trade Data Interface

See the communications chapter for further information about EDI and other communications capabilities with R/3.

## Preference Agreements

Preference agreements are trade agreements, such as that of “most favored nation status,” that allow nations to grant one another more favorable customs duties than are offered to trading partners in other nations. R/3’s foreign trade module helps you manage the shipment of products that are eligible for customs tariff preferences. In the case of finished goods, you can track the origin of component parts. You can assign a tariff classification to all relevant materials based on bills of material.

Within the European Union, for example, all legal regulations currently used for preference processing are available in the SD Foreign Trade module through the preference determination function. The structure of this module makes it easy to incorporate new regulations as they arise, and to add preference agreement regulations for other regions as they become applicable.

**Preference Determination**

Preference determination checks the proof of origin for in-house produced goods. Using a bill of material, the system evaluates all the components used in an in-house produced product according to the origin to determine whether they are originating or non-originating goods. Existing preference agreements between individual customs areas and the preference rules defined for these areas are used to determine a price which the product to be exported must reach during sales order processing if it is to be considered by the customs authorities as authorized for preference. Preference determination can be performed both individually or collectively.

Preference determination results are stored in condition records used during pricing by R/3 SD.

This automatic calculation process allows you to share preference benefits with your customers, which increases your competitiveness in an international market.

