Thomson Reuters Institute

2023 Corporate Global Trade Survey Report

Expanding Roles for Trade Compliance Jobs and Technology

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Executive summary

The second year of the Thomson Reuters Institute's *Corporate Global Trade Survey Report* finds global trade professionals in circumstances similar to last year, but with a few significant differences. An environment of almost constant disruption continues to hinder global-trade efforts, and these disruptions come from familiar sources — inflation, rising costs, supply-chain shortages, international conflicts, regulatory changes, transportation troubles, and compliance challenges.

Not surprisingly, these sources of disruption and uncertainty also comprise the global trade profession's top strategic priorities over the next 12 months.

> ***An environment of almost constant disruption continues to hinder global-trade efforts.***

One important difference between this year and last year is that more companies are embracing and investing in global trade technologies that can help them navigate these turbulent times. Indeed, a significant number of companies have moved up the technology-adoption curve to the point where they can now take advantage of cloud-based, networked systems and software to gain more visibility and control over every aspect of their supply chain. Companies that have invested in these systems are better prepared for the data-intensive demands of today's import/export environment, and they have a distinct competitive advantage over companies that are behind them on the technology-adoption curve.

Still, the global trade profession continues to struggle with a persistent talent and skills gap, mainly in the areas of trade experience, technical expertise, and data analytics. Companies are still recruiting and training for new roles in the profession, to be sure, but the lack of seasoned trade professionals with the right kind of technical expertise means that companies are relying more heavily on automation and outsourcing to fill these skills gaps.

New to this year's survey is an exploration into how global trade professionals are handling increased responsibilities in the area of environmental, social, and governance (ESG) reporting. Because so many ESG criteria are connected to supply chains — such as carbon emissions, labor rights, anti-corruption, sustainable sourcing, and more — trade professionals are deeply involved in corporate ESG initiatives. Gathering data on suppliers isn't the trade department's main responsibility, but it is an important one. As ESG initiatives spread, particularly at larger companies, and the list of requested data points continues to grow, trade professionals may find themselves much closer to the epicenter of corporate leadership than they could have imagined even a few years ago.

Key Findings

As we keep tracking these and other developments in the global trade profession, the following are some of this year's key findings from the report:

- 46% of companies say they are impacted by retaliatory tariffs between the United States and China
- 28% of companies say they are affected by Russian sanctions — down from 39% in 2022
- 88% of businesses collect information for ESG purposes from their suppliers at least once a year
- The decision to collect ESG data is driven by three main factors: *i*) to comply with local laws; *ii*) to support the company's or owner's values and ethics; and *iii*) to mitigate reputational risk
- More than two-thirds of businesses take ESG considerations into account in their decision to use a supplier
- 65% of companies with more than $100 million in revenue say they are implementing technology upgrades
- 62% of survey respondents rated "supply chain security and data protection" as their top technology priority, up from 54% in 2022
- One-third of businesses say they suffer from understaffing and lack of budget
- More than half (57%) of companies surveyed outsource some aspects of global trade or supply-chain management

METHODOLOGY:

The *2023 Global Trade Report* is derived from surveys of global trade professionals from North America (the U.S., Canada, and Mexico), the European Union and United Kingdom, and Latin America, most of whom were upper-level executives, directors, and managers involved in various aspects of global trade, including operations, logistics, procurement, supply-chain management, and compliance.

Respondents answered a 15-minute online survey, and open-ended responses were encouraged for many of the questions. A total of 177 professionals took the survey; 44 respondents represented companies with less than $100 million in sales revenue, and 133 came from companies with more than $100 million in annual sales revenue.

Participating companies were required to make at least $10 million in sales, 10% of which had to come from import/export activities. The highest number of respondents came from the manufacturing sector, but the survey also included companies involved in retail trade, technology and electronics, transportation and warehousing, scientific and technical services, finance, insurance, wholesale trade, construction, utilities, and automotive. A majority (60%) of the companies represented are privately held, and 40% are publicly traded.

Global trade: challenges and trends

For several years now, global trade has experienced an almost constant state of instability and uncertainty as international conflicts drag on and supply chains continue to be disrupted.

In order to adapt to this fractured and frustrating world, global trade managers have become experts at developing contingency plans and workarounds to keep supply chains running smoothly. One positive result of so much turmoil has been greater supply-chain resiliency — which is fortunate, because global trade managers continue to grapple with the relentless forces of chaos and change.

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Heading into 2023, for example, trade optimists had some hope that Russia's war in Ukraine might somehow be resolved and at least some of the supply-chain woes caused by it — particularly in the exports of agricultural products and precious metals — might begin to ease. That hasn't happened, of course, and as the conflict grinds on, so does its impact on global supply chains. Wildly fluctuating fuel costs and availability have wreaked havoc on the manufacturing and transportation sectors, particularly in Europe, where once-stable natural gas supplies from Russia are now inconsistent at best. And shortages of everything from flour to cooking oil are still plaguing global supply chains while Ukraine, the so-called *breadbasket of the world*, continues to fight.

Meanwhile, most of the developed world is fighting stubbornly high post-pandemic inflation, while tighter monetary policies are making it more expensive for companies to borrow, driving up costs. Retaliatory tariffs between the U.S., China, and Europe are also taking their toll, and sanctions — which include import/export limitations, tax increases, trade-status denials, port closures, financial restrictions, and other punitive actions — continue to be a factor that global trade managers cannot ignore.

Climate change, too, is having an increasingly disruptive impact on global supply chains as extreme weather events become more common and severe. Hurricanes and floods damage roads and bridges and destroy crops, cutting off transportation routes and causing food-supply shortages. Violent storms disrupt air transport, and waterways critical

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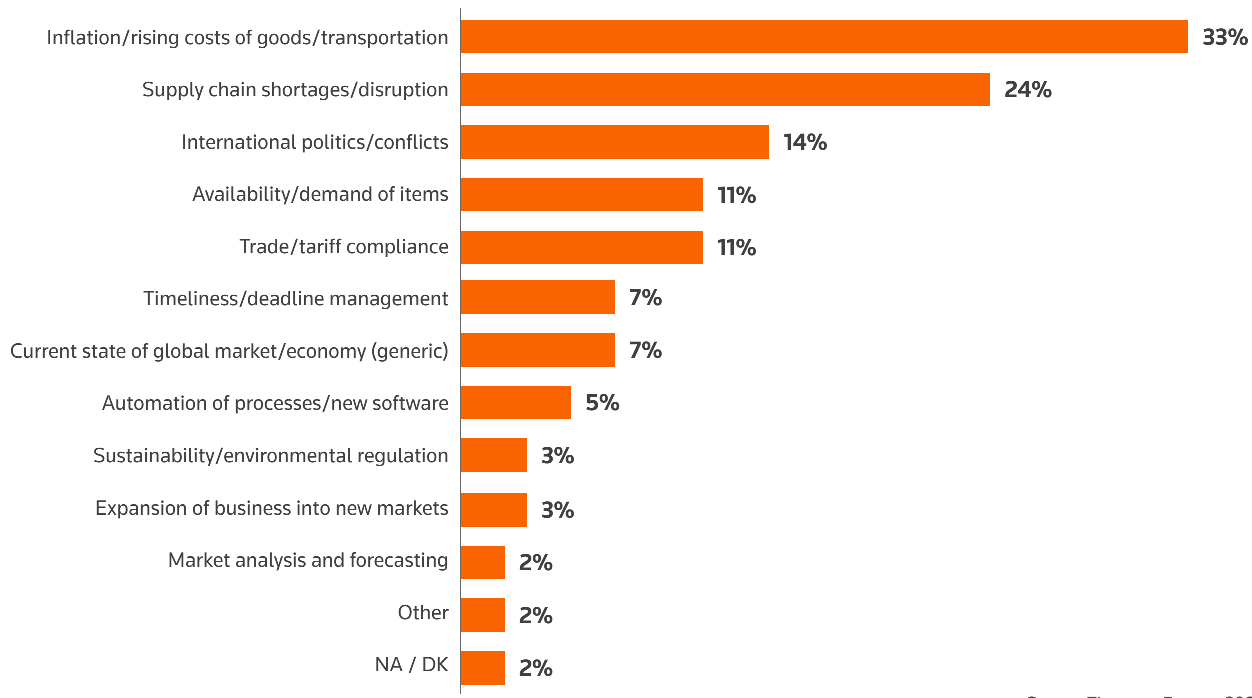
for shipping goods are vulnerable to drought. In July 2023, for example, The Panama Canal imposed weight restrictions[1] on container ships because of falling water levels at nearby lakes that feed into the canal. Lighter ships naturally meant fewer goods shipped and an inevitable ripple effect of delays and shortages downstream. Blistering heat impacts crop yields as well, and warming ocean temperatures are making it more difficult to sustain supply chains dependent on fish, shrimp, and other types of seafood.

Global trade managers must take all of these factors into account and more in order to maintain and protect their supply chains. But which issues concern them most?

Top strategic priorities for 2023-24

Strategic priorities for global trade and supply chain management



Source: Thomson Reuters 2023

In our 2023 survey, trade professionals predicted that inflation and the rising cost of goods and transportation would be their top strategic priority over the next 12 months, with about one-third of respondents citing this factor. One respondent said that "dealing with the extra cost that inflation is causing and finding new suppliers that can be as stable with their prices as we need them to be" was their top strategic priority. Another said "preventing market forces from compromising our supply chains" was their biggest strategic challenge.

1 Reuters, June 23, 2023, "Drought-hit Panama Canal further restricts maximum ship depth"

Indeed, supply-chain shortages and disruption ranked as the second-highest strategic priority, although the root causes of shortages and disruption overlap with several other categories, including international conflicts (third), availability/demand of items (fourth), and the current state of the global economy in general (seventh).

Sanctions, tariffs & regulations

Another perpetual challenge for global trade professionals is keeping up with the latest tariffs, regulatory changes, and new customs systems being implemented as governments around the world digitalize their import/export processes. Different regions are affected by different systems and regulatory changes, of course, but companies everywhere are grappling with these issues to some degree.

For example, the contentious trade relationship between the U.S. and China continues to impact trade routes around the world as companies respond to various tariffs and sanctions, sometimes by creating supply chains that circumvent China altogether.[2]

The latest salvo in this ongoing tug-of-war involves a new set of U.S. export controls[3] on advanced computer-chip hardware aimed at slowing China's advancement in developing artificial intelligence (AI). In March 2023, Japan and the Netherlands also adopted export controls on semiconductor manufacturing equipment to slow China's ability to manufacture its own semiconductor chips. In response, China blocked all corporate mergers with U.S. semiconductor companies, banned the use of Micron chips in its infrastructure sector, and instituted new export license requirements on several minerals critical to semiconductor manufacturing.

Though these measures are a targeted retaliation by China, the fact that China is willing to take such actions is a sign that it may decide to restrict exports of other key minerals sometime in the future. Indeed, even though China is one of the world's largest suppliers of rare-earth minerals, its unpredictability has automobile and electronics manufacturers the world over reconsidering China's role[4] in their supply chains.

Overall, 46% of companies that participated in this year's survey said they were impacted by retaliatory tariffs.

Overall, 46% of companies that participated in this year's survey said they were impacted by retaliatory tariffs in the U.S., China, and Europe, although up to 55% of companies in North America said they were impacted, and almost half (49%) of those were companies with more than $100 million in revenue.

2 Wall Street Journal, May 23, 2023, "U.S. Manufacturers seek China alternatives as tensions rise"
3 Reuters, Oct. 10, 2022, "U.S. aims to hobble China's chip industry with sweeping new export rules"
4 Financial Times, Dec. 26, 2022, "Car makers quietly cut ties with China in supply-chain shake-up"

UK: Customs Declaration Service

In the U.K., however, only 37% of companies said they were impacted by U.S./China tariffs. Instead, three-quarters (75%) of U.K. companies said the changes they were grappling with most were related to the U.K.'s new Customs Declarations Service (CDS).

The CDS replaced the country's previous customs system, CHIEF, last year, and as of Nov. 30, 2023, the CDS will become the only system businesses trading goods within the U.K. can use to process import/export declarations. In the long run, CDS is supposed to make trade with the U.K. easier, but in the short term it requires companies to adapt their trade systems — or invest in new technologies — to meet the CDS's more sophisticated technical requirements.

China's Export Control Law

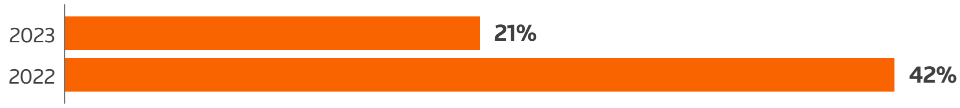
China's Export Control Law (CECL) is another regulatory hurdle that affects more than one-third (36%) of the companies in our survey. Aimed at goods and services that can be used for both civilian and military applications, including military and nuclear items and technologies, the CECL gives the Chinese government a great deal of latitude in determining which goods or services endanger its national security or interests. The law also gives Chinese customs authorities the power to prohibit, restrict, or suspend the export of controlled items, and to withhold export licenses and impose penalties on operators found in violation of the law, including companies headquartered abroad.

Indeed, the CECL is widely seen as a tool the Chinese government can use in the ongoing battle with the U.S. and Europe for supremacy in the areas of advanced communication technologies and artificial intelligence. For affected companies, compliance is crucial — and complicated. In fact, the Chinese government encourages exporters to establish a dedicated internal compliance program (ICP) similar to the ones already recommended by the U.S. and E.U. These obligations and restrictions, along with China's strict data privacy laws and residency requirements (which affect 31% of companies in our survey), are just a few of the details that make trade with China so fraught in the current geopolitical environment.

Other regulatory hurdles

Regulatory and customs systems changes impacting businesses: 2022 vs. 2023

Percentage who said the creation of ANAM was impacting their business.



Source: Thomson Reuters 2023

In other parts of the world, import value manifest rules affect more than one-third (34%) of the companies surveyed, as does the National Customs Agency of Mexico (ANAM), which enforces Mexico's value manifest rules. In 2022, however, ANAM was cited by 41% of respondents as an agency that posed significant challenges, whereas this year only 21% of respondents felt ANAM was an issue — probably because ANAM took over at the beginning of 2022, so companies have had more than a year to get accustomed to the new regime.

Mexico: Bill of Lading supplement

Another regulatory requirement that affects 29% of the companies surveyed is Mexico's Bill of Lading supplement, which requires transportation providers to submit detailed data on drivers, transport operators, owners, and other intermediaries in an ongoing effort to deter corruption and smuggling.

Technically speaking, shippers are not responsible for providing this information — agents of transport are — but shippers *are* responsible for providing shipment data and making sure that the transportation Bill of Lading accompanies the invoice. Most countries do not require such granular transportation details, but companies that fail to generate a Bill of Lading supplement for goods traveling in or through Mexico risk fines, seizures, and other penalties.

Brazil: DUIMP

In Brazil, new import processes introduced by the DUIMP, or Single Import Declaration (SDI), still impact roughly 40% of Latin American companies. The measures DUIMP introduced are intended to create a simpler, faster, more transparent import/export process, but new modules such as the Catalog of Products, a universal database of all items shipped in and out of Brazil, require companies to provide detailed descriptions and other data of all goods they ship — which means more paperwork.

Only products that are included in the catalog can be shipped, however, so keeping the catalog updated is a high priority. After all, Brazil is known for the strictness with which it enforces customs rules, often delaying or seizing shipments accompanied by inaccurate documentation, so concern about complying with the DUIMP/SDI is understandable.

Russia: Sanctions

Regulatory and customs systems changes impacting businesses: 2022 vs. 2023

Percentage who said the Russian Sanctions was impacting their business.

Source: Thomson Reuters 2023

Finally, Russian sanctions continue to impact roughly 28% of the companies responding to this year's survey, and that number is consistent regardless of region or company size. If there is a silver lining here, it's that upwards of 39% of companies reported being impacted by Russia sanctions in 2022, an indication perhaps that supply-chain managers have adapted to the reality of a prolonged Russian conflict in Ukraine and have insulated themselves against its most direct and deleterious effects.

ESG: environmental, social & governance issues

New to this year's *Global Trade Survey* report are questions about the role of ESG considerations in choosing suppliers and complying with laws restricting or prohibiting trade in goods that are not manufactured or produced according to emerging environmental, labor, and human rights standards.

Driven primarily by the E.U., the U.S., and Canada, ESG reporting and disclosure requirements have ballooned in the past few years as climate-related risks have escalated and the notion of using forced labor at any point in the supply chain has not only become illegal, but also repugnant and risky. Companies that fail to comply with ESG reporting mandates now risk alienating investors and customers, damaging the company's reputation, and limiting the markets in which the company can operate.

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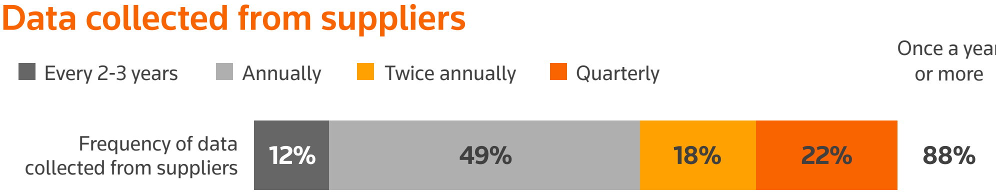
For global trade professionals, however, ESG reporting[5] can be both tricky and time-consuming. In addition to tracking performance on carbon emissions and pollution, companies are increasingly being challenged to measure metrics related to how the company manages its impact on biodiversity, the use of water and other natural resources, its treatment of workers, its progress on diversity, and dozens of other factors. Further, these measures apply to suppliers all along the supply chain, so responsible supply-chain management and scrutiny are now critical for companies dedicated to greater ESG transparency and overall compliance with emerging ESG regulations.

ESG metrics

Data collected from suppliers



Source: Thomson Reuters 2023

5 Reuters, Nov. 16, 2022, "ESG enforcement is on the rise: Are you ready?"

Most companies in our 2023 survey (88%) say they collect ESG information from their suppliers at least once a year, and more than two-thirds (68%) of businesses state that ESG considerations are an important factor when deciding to use a supplier. Just 22% say they collect supplier data on a quarterly basis.

ESG considerations are especially important for businesses with more than $100 million in annual revenue, but the most common ESG metrics — those relating to data privacy, health and safety, labor standards, and carbon emissions — are almost as important to companies below $100 million.

As for other factors, responses to our survey suggest that larger companies are also interested in a broader range of ESG metrics. In fact, business with more than $100 million in revenue are more likely than smaller businesses to collect information on business ethics, waste management, anti-corruption, employee diversity, and percentage of materials recycled or re-used.

More than half (57%) of the companies responding to this year's survey said they collect data-privacy information from their suppliers. Other ESG-related information that companies are collecting (and the percentage of companies that are collecting them) include:

- health and safety data (54%)
- data on labor practices (51%)
- information on suppliers' business ethics (48%)
- data on carbon emissions (47%)
- data on waste management practices (43%)
- human rights violations (42%)
- data on how suppliers manage the energy they consume (40%)
- anti-corruption (37%)
- employee diversity (34%)
- amount of materials recycled or re-used (27%)
- water usage (24%)

The "why" of ESG

Part of the reason trade professionals are more enmeshed in the collection of supplier data now is that the U.K. in April 2022 passed two mandatory ESG disclosure laws for companies with more than 500 employees, and in January 2023, the E.U.'s Corporate Sustainability Reporting Directive (CSRD) went into effect. Separately in January 2023, Germany passed the Supply Chain Due Diligence Act, which focuses on environmental and human rights violations. The U.S. too has long-standing rules targeting human rights violations and human trafficking, and many other countries are jumping on the ESG bandwagon for various reasons, including the fact that ESG compliance can be profitable.

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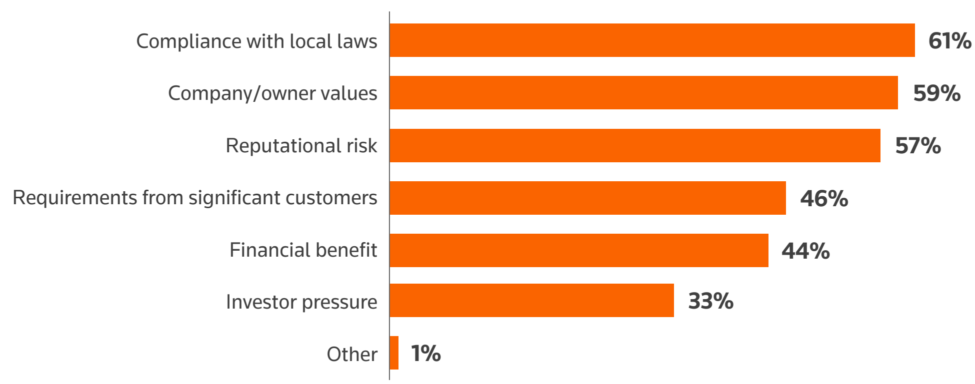
Drivers of data collection and importance of ESG

What is driving the decision to collect data from suppliers?



Source: Thomson Reuters 2023

When asked *why* they collect supplier data, the top response was "compliance with local laws," which was cited by 61% of responding companies. Adherence to the company's or owner's values and ethics came in second, at 59%; and 57% cited reputational risk as the reason they collect ESG data. Rounding out the list were requirements imposed by significant customers (46%), financial benefit (44%), and investor pressure (33%).

Interestingly, 57% of businesses in Latin America said financial benefit was a driving factor in their ESG strategy, which is almost 20 percentage points higher than other regions covered in the survey. Latin American companies were also more likely to cite compliance with local laws as a driving factor, whereas in North America the most often cited reason for ESG data collection was alignment with the company's values and ethics.

> ***Interestingly, 57% of businesses in Latin America said financial benefit was a driving factor in their ESG strategy.***

Of course, global trade managers are not solely responsible for collecting ESG data on a company's suppliers, but they do have a more direct relationship with suppliers and access to data that ESG compliance teams need; so depending on the size of the company, the burden of gathering supply-chain data can fall on relatively few people in the trade department.

How big a burden this will become remains to be seen, but the writing on the wall is clear: ESG standards are now solidly embedded in the DNA of corporate governance and will only grow as more countries move from simply making recommendations on responsible corporate governance to passing legislation that enforces it.

Global trade technology: usage is up

It gets harder every day to manage modern supply chains and import/export activity without the help of global trade technologies that can automate key aspects of the process and provide visibility throughout a product's lifecycle. Classification, import/export processing, customs documentation, transaction volumes, inventory management, regulatory compliance, cross-border filings, reconciliation, and verification — these functions and more can now be semi- or fully automated using AI-enabled software, and the data collected along the way can provide intelligence that's invaluable for shaping a business's strategy and tactics.

Further, given the increasing complexity of the international regulatory environment and the speed with which trade data must now be processed and shared, companies that have invested in modern global trade technology have a distinct competitive advantage. According to research by McKinsey and Co.,[6] AI-enabled supply-chain management has helped early adopters of trade technology reduce logistics costs by 15%, improve inventory levels by 35%, and service levels by 65%, compared to competitors that are behind them on the technology-adoption curve.

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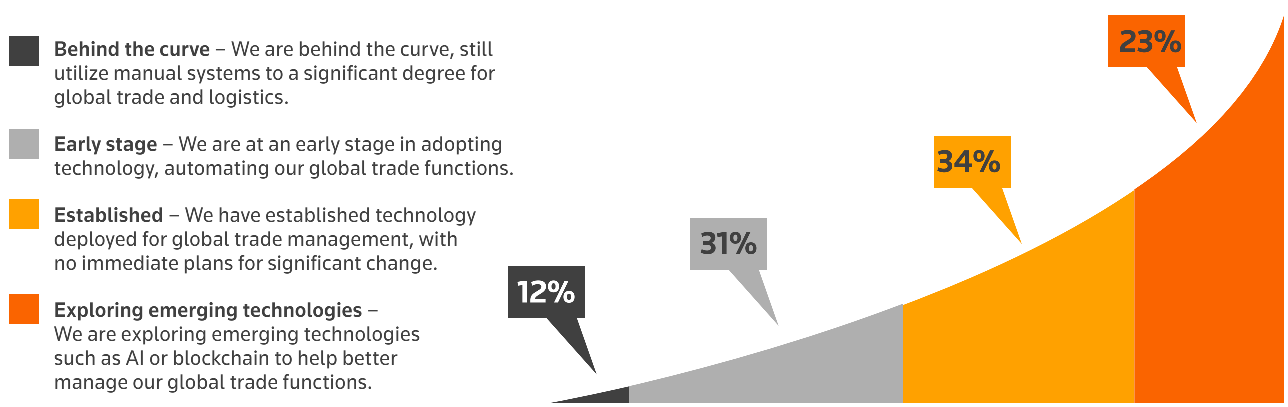
Extent to which businesses are leveraging technology for global trade management

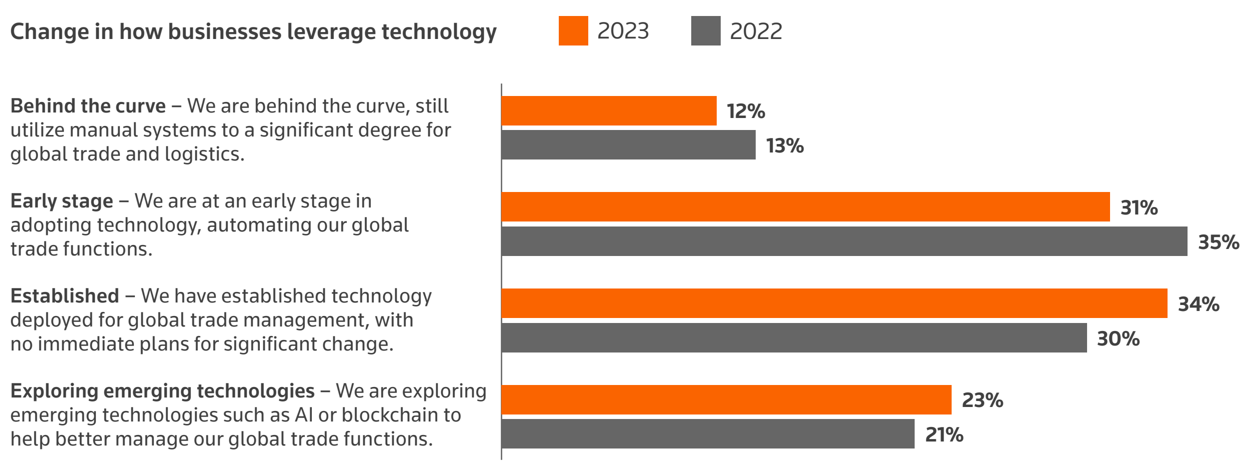


Source: Thomson Reuters 2023

6 Mckinsey, April 30, 2021, "Succeeding in the AI supply-chain revolution"

Last year's global trade study found that almost half (49%) of the businesses surveyed were either behind the technology-adoption curve or in the early stages of adopting global trade management (GTM) technology. This year's survey suggests that companies of all sizes are gradually moving up the GTM technology curve. In 2023, 43% of companies say they are either behind or in the early stages of GTM technology adoption, whereas almost three-in-five (57%) say they have either a GTM technology solution in place or are taking the next step and exploring emerging technologies such as AI and blockchain to help manage their global trade functions.

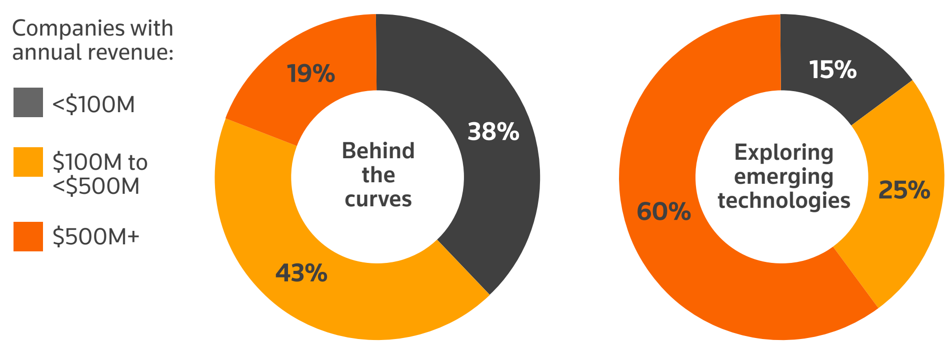
Leveraging technology for global trade management: 2022 vs. 2023



Source: Thomson Reuters 2023

The biggest advance is a 4-percentage point jump in the middle of the curve, as companies that were in the early stages of adoption last year implemented new technologies and this year reported having an established GTM system in place. There is also a loose correlation between a company's size and its level of technology adoption.

Behind the curves vs. exploring emerging technologies



Source: Thomson Reuters 2023

At the lower end of the curve, a greater proportion of companies (33%) generate less than $100 million in annual revenue, whereas only 15% of the companies at the most advanced level of technology adoption are in the below-$100 million club. Conversely, 85% of the companies at the high end of the technology curve are larger companies reporting more than $100 million in annual revenue, and that's where advanced technologies such as AI and blockchain are being explored and implemented.

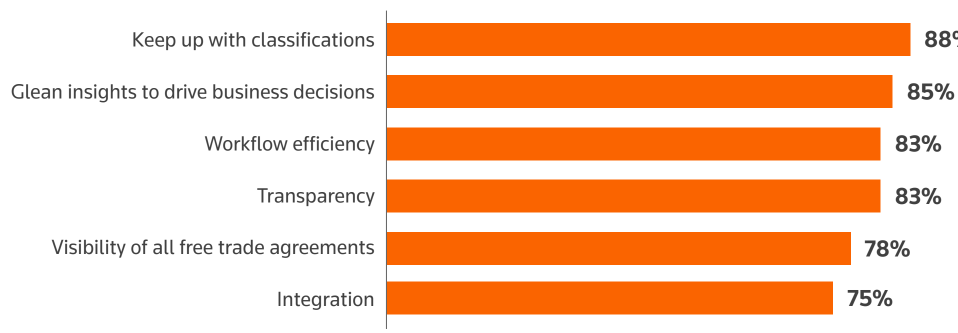
Solution satisfaction: More is better

Companies at the high end of the curve are also more likely to be satisfied with the technology solutions they already have, although not as dramatically as one might expect.

Indeed, at the lower end, satisfaction levels across a range of parameters — such as transparency, classifications, business insight, workflow efficiency, and visibility of free-trade agreements — range from 57% to 71%, whereas companies that have the most advanced systems in place report satisfaction levels ranging from 75% to 88%.

Exploring emerging technology

Satisfaction with current solutions



Source: Thomson Reuters 2023

> ***Regardless of how advanced their systems are, however, companies tend to be least satisfied with their visibility into free-trade agreements and the integration of trade systems and data across the company.***

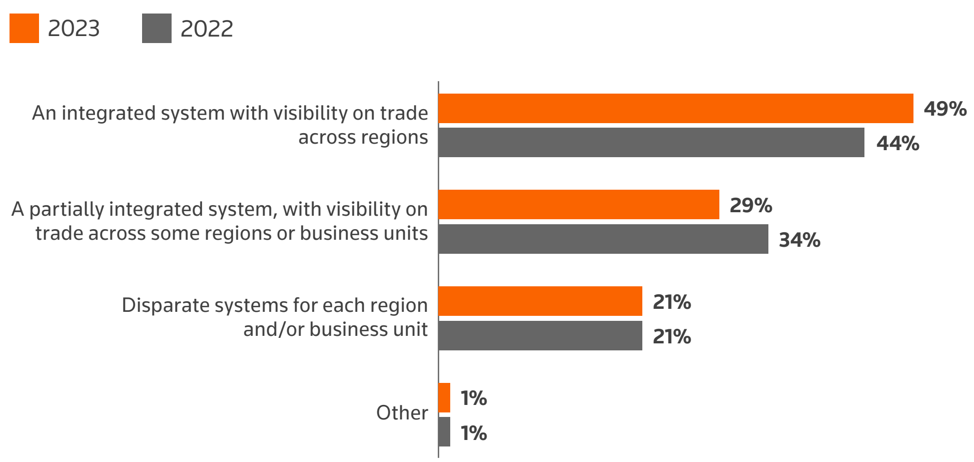
The latter portion of that satisfaction gap — integration — is understandable, because movement up the GTM technology curve typically involves enterprise-wide upgrades of enterprise resource planning (ERP) systems, additional software modules for specific tasks, and the establishment of new data-sharing pathways across departments.

The data-sharing piece is arguably the most difficult, because it involves changes in workflows and processes that take time to mature. After all, depending on how siloed a company is to begin with, transitioning to an integrated, cloud-based data system tends to require training, practice, and cooperation — all of which involves people, and people usually need at least some time to get comfortable with new ways of working.

Advances in GTM technology

Once a system is established and key trade functions are finally automated, that's when the dividends in terms of speed, efficiency, accuracy, and competitive intelligence begin to accrue.

Data environment and sources for classification 2022 vs. 2023



Source: Thomson Reuters 2023

At the moment, however, less than half (49%) of the companies surveyed already have GTM systems with integrated data environments and visibility across regions and business units in place — however, this is up from 44% last year. And as was the case in 2022, 21% of companies are still using disparate systems for each region and/or business unit; the rest (29%) are somewhere in between, working with partially integrated systems that provide some visibility across regions and business units but still being hampered by inherent technological limitations.

Satisfaction climbs as the capabilities of a GTM system increase and the disparate parts of a company's data ecosystem start working together. At the most advanced levels, in addition to automation, GTM technology can provide forecast modeling and predictive analytics, as well as

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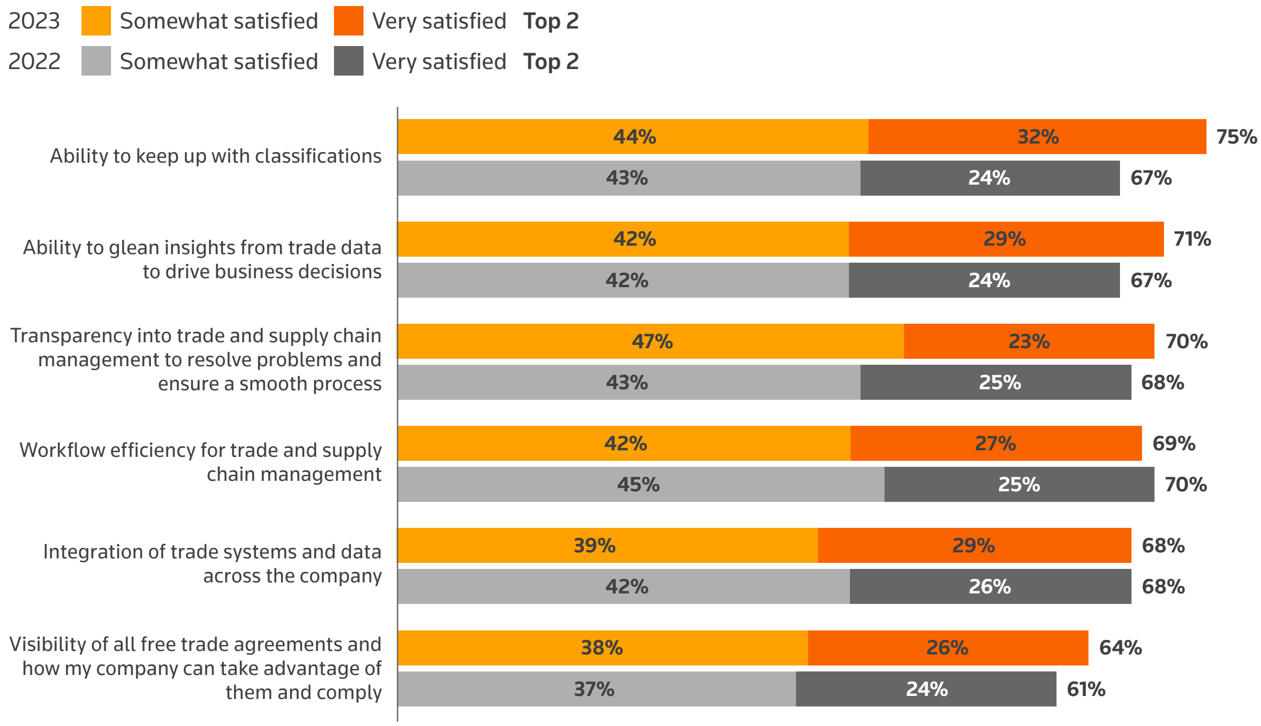
end-to-end transparency across the entire supply chain. And though it is not in widespread use yet, blockchain technology offers the promise of complete, end-to-end visibility of the entire supply chain, with real-time tracking and tracing of goods and products, as well as a single source of truth for product authentication, quality control, inventory management, and compliance. Blockchain can even be used to track the origin of raw materials to ensure that products are sustainably and ethically sourced.

In any case, corporate customers are most satisfied with their technology's ability to keep up with changing product classifications, followed by the ability to glean insights from trade data that can drive business decisions, and the many ways in which supply-chain transparency can help resolve problems and ensure smooth operations.

Satisfaction with current technology capabilities: 2022 vs. 2023



Source: Thomson Reuters 2023

Satisfaction rates for these capabilities range from 70% to 75%, which is between 2 and 8 percentage points higher than in 2022, supporting the contention that satisfaction with the systems and software that a company is using rises as the organization moves up the technology-adoption curve.

GTM investment priorities

As we have discussed, companies involved in international trade need technologies that can help them navigate the ever-changing legal and regulatory landscape for global trade; ensure supply-chain resilience, sustainability, and efficiency; keep their operations and data secure; contain costs; and ensure compliance. Unless a company wants to upgrade its systems all at once, however, technology investments must be prioritized based on a company's needs, goals, and budget.

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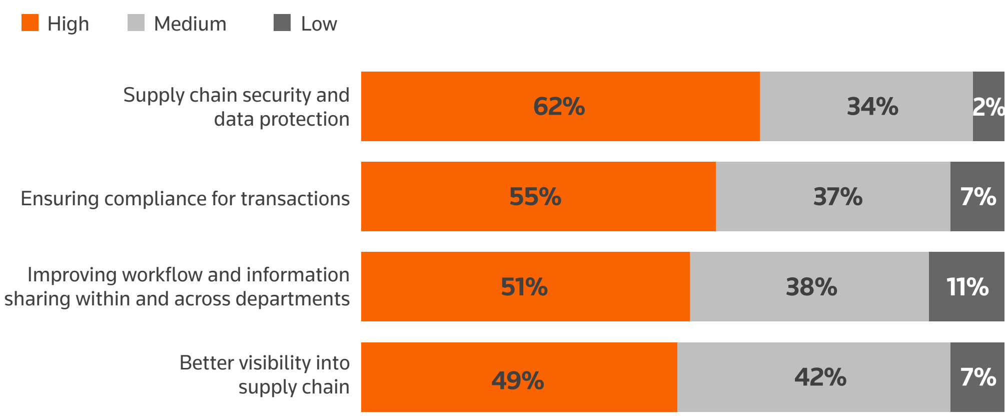
Priority areas for technology investment



Source: Thomson Reuters 2023

In 2023, 62% of our survey respondents rated *supply chain security and data protection* as their top priority, up from 54% in 2022. And a majority (55%) rated *ensuring compliance for transactions* as their second-highest priority, followed by *improving workflow and information-sharing within and across departments*, (51%), and *better visibility into the supply chain* (49%).

Other priorities mentioned, in order of importance, included:

- conducting due diligence for transactions, suppliers, and customers
- using predictive analytics to anticipate and resolve issues before they happen
- producing data insights and opportunities
- using trade-lane simulations to optimize supply-chain performance
- automating product classification using AI
- using blockchain technology in the supply chain

Percentagewise, investment priorities from 2022 to 2023 remained roughly the same, although interest in blockchain technology for supply-chain applications dropped 11 percentage points, from 32% to 21%.

In general, concern about supply-chain security and data protection was a higher priority for larger companies with more than $100 million in revenue, as was supply-chain visibility and the ability to conduct due diligence of various kinds. Smaller companies — those with less than $100 million in revenue — were more likely to prioritize better workflow and information-sharing across departments, although security and compliance were also rated as high priorities by almost half the companies responding.

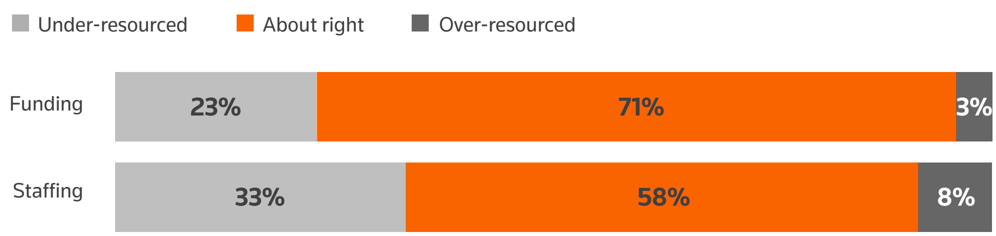
In open-ended comments, respondents offered several reasons why some priorities were more pressing than others. One respondent noted that "supply-chain security and data protection are high priorities for my company because they help mitigate risks such as theft, counterfeiting, and disruptions." Another said: "We need to ensure that we move our supplies across borders efficiently, but also according to international laws — while not losing any visibility in where [goods] are and if or why they are held up."

Talent and skills: still some gaps

Over the past several years, jobs in global trade have grown more technologically complex at a time when the world itself is more fractured, the regulatory framework for global trade is rapidly changing, supply-chain disruptions are more common, and many local and regional conflicts end up having global implications for companies, their suppliers, and customers.

Further, the increasingly data-intensive nature of global trade management has put a premium on recruiting people who have strong technical skills, whereas trade management jobs themselves also require broad knowledge of global politics and economics, a deep understanding of regional regulatory requirements and legal policies, as well as excellent project-management skills and a keen grasp of the more strategic, business-related aspects of trade management.

Resource capacity for funding and staffing



Source: Thomson Reuters 2023

Unfortunately, many companies are having difficulty finding people with such a wide range of specialized skills. Last year's study revealed that more than three-quarters of the companies surveyed were having difficulty filling key roles, forcing many to lean on outsourcing and automation to fill the gaps. This year's study focused on funding and staffing levels, and found that 33% of companies surveyed continue to be under-staffed in the area of global supply chain management, particularly at larger companies with more than $100 million in revenue.

The under-staffing problem persists even though 74% of respondents said their companies had sufficient funding. Regionally, companies in the E.U. and the U.K. were more likely to say they are under-funded and under-staffed, whereas a mere 13% of companies in Latin America say they are under-funded. Additionally, only 16% of companies with less than $100 million in revenue report being under-funded, while 26% of larger companies say they have pressing budget issues.

Filling the gaps, one way or another

Anticipated changes

	Total	Below $100M revenue	$100M to <$500M revenue	$500M plus revenue
We have plans to/are actively introducing technology/automation	59%	44%	57%	70% **D**
We have plans to/are actively introducing efficiencies	53%	46%	54%	57%
We have plans to/are actively recruiting for new roles in global trade and supply chain management	53%	34%	63% **D**	58% **D**
We have plans to/are actively relying more on third-party resource	37%	32%	50%	33%
We will be relying more heavily on existing team members (overtime/longer hours etc.)	28%	24%	20%	36%
None of the above/don't anticipate any changes	3%	8%	2%	1%
Do not know	2%	6%	0%	1%

Source: Thomson Reuters 2023

In order to address these talent needs, many companies have changed their resourcing and recruitment strategies for global trade and supply-chain management. Indeed, 59% of companies surveyed in 2023 said they are actively introducing various types of technology and automation — or at least have plans to introduce them. Almost two-thirds of companies with more than $100 million in revenue (65%) say they are either planning or implementing tech upgrades, while only 41% of smaller companies say they are introducing new technologies and automation.

Meanwhile, 53% of this year's survey respondents said they are introducing efficiencies to bridge the skills gap over the next one to two years, and an equal number say they are planning to recruit or are actively recruiting for new roles in global trade and supply-chain management.

However, 37% say they are relying more on third-party resources to meet their needs, and 28% say they will be relying more heavily on existing team members — primarily by asking them to work longer hours. Overall, companies with more than $100 million in revenue were more likely to be introducing technology and recruiting for new roles, and to encounter budget and staffing issues.

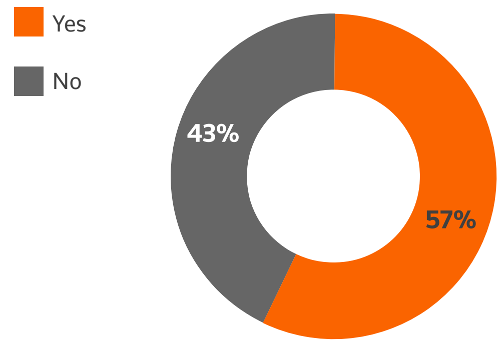
Outsourcing

For many companies, outsourcing to third-party providers is the logical (and sometimes only) solution to either filling skills gaps in their workforce or finding the most efficient way to manage trade operations.

Indeed, more than half (57%) of the companies surveyed in 2023 said they outsource some aspects of global trade and supply-chain management.

The most common function that companies say they are outsourcing is customs clearance and regulatory compliance, likely because brokers that know local rules and regulations can be invaluable at international ports. More than half (54%) of the companies surveyed use a third-party for customs clearance and compliance, particularly in North America and Latin America.

Do you outsource supply chain Y or N?



Source: Thomson Reuters 2023

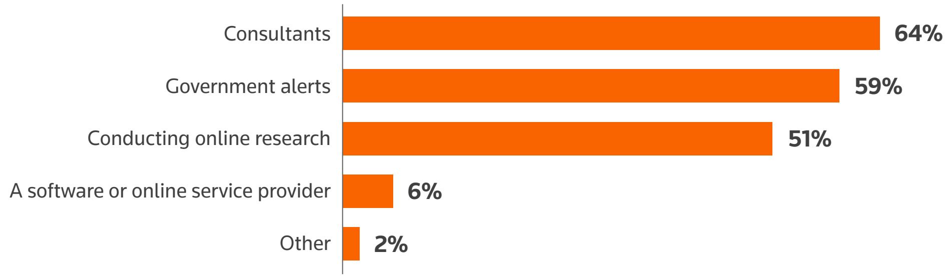
More than half (57%) of the companies surveyed in 2023 said they outsource some aspects of global trade and supply-chain management.

Other elements of global trade and supply-chain management that often get outsourced include:

- trade logistics and operations (47%)
- trade systems management or implementation (42%)
- procurement and supply-chain management (35%)
- ESG compliance throughout the supply chain (33%)
- business strategy (31%)

Interestingly, as many as half (50%) of companies from the U.K. report using an outside consultant to help with trade and supply-chain business strategy, whereas only 17% of the companies in North America do.

Sources for classification changes



Source: Thomson Reuters 2023

Also, 64% of companies say they rely on outside consultants to keep them up to date on product classification changes in international trade, while 59% rely on government alerts or their own online research (51%). Curiously, even though there are global trade management software solutions available that automatically update changes in product classification, a mere 6% of companies say they take advantage of that particular service capability — down from 21% last year.

Conclusion

This year marks the second year that the Thomson Reuters Institute has studied global trade management issues and the first year we have asked questions about environmental, social, and governance (ESG) issues as they relate to global trade professionals and their work.

Overall, many of the issues facing global trade professionals in 2023 are similar to the ones they faced in 2022. The difference is that companies have had one more year to adapt. The Russian war in Ukraine, ongoing trade tensions between the U.S. and China, retaliatory tariffs — all continue to affect supplies of energy, grain, and other commodities. Now, however, companies have had time to plan alternative sourcing strategies to minimize the impact of these challenges.

The forces that continue to vex supply-chain professionals are mainly ones that cannot be controlled, such global inflation, natural disasters (such as hurricanes, monsoons, and drought), and rising transportation costs. These factors have an impact on the bottom line more directly and are therefore more concerning to those trade professionals tasked with keeping supply-chain costs under control.

Ever-changing rules, regulations, and government trade systems represent additional challenges, but there are signs that more companies are investing in technological solutions that can help manage the increasingly intertwined relationship between companies and governments. Indeed, the results of this year's survey suggest that most companies are gradually moving up the technology-adoption curve, and that more advanced forms of GTM technology — those that use AI and blockchain — are now within reach of more companies than ever.

The trend toward more extensive ESG reporting and disclosure requirements is also affecting global trade professionals, largely because concerns about carbon emissions, materials re-cycling, and human rights violations are directly connected to the supply chain. ESG data-gathering and reporting can now be added to the long list of responsibilities shouldered by global trade managers. On a more positive note, ESG reporting itself is intimately connected with a company's values, ethics, and reputation, all of which corporate leaders are keenly interested in preserving. Consequently, ESG is another area where global trade professionals have an opportunity to demonstrate their value to the enterprise.

Finally, the talent and skills gap in global trade is still very much in evidence as companies scramble to recruit people with the rare combination of global trade expertise and technical training necessary to excel in modern global trade jobs. The inevitable result is that companies are leaning more on automation and outsourcing to fill skills gaps in their ranks and will continue doing so over the next few years

In general, international companies involved in import/export activities are in a relatively strong position to meet the multitude of global trade and supply-chain issues that will almost certainly come their way in the next year or two, but there is no rest for the weary. Possible inflation, rising costs, transportation issues, sanctions, regulatory changes, and supply-chain snafus will continue to create a disruptive environment for trade professionals the world over.

The only question is whether they will have the tools and resources they need to get the job done in the most efficient, effective, and environmentally friendly way possible.

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