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for the future  
controversy landscape  
today?

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## Free trade agreements provide opportunities for global businesses — but may increase controversy risk

In today's global economy, businesses continually seek to enhance efficiency, reduce costs and maintain a competitive edge. Free trade agreements (FTAs) are foundational to achieving these goals. FTAs reduce international trade barriers and facilitate the unrestricted flow of goods and services.

Understanding FTAs and using them effectively is essential for international commerce. As supply chains shift in response to global disruptive events, businesses must keep abreast of FTA rules to qualify for these benefits. Failure to do so can increase the risk of unexpected duty costs, penalties for noncompliance and protracted disputes.

Identifying FTA opportunities and complying with the rules is not always easy, given the volume and complexity of FTAs around the world. For example, Latin American countries are involved in more than 100 FTAs, ranging from bilateral agreements between individual countries to more comprehensive multilateral agreements involving multiple nations. Qualifying conditions, such as rules of origin, vary between agreements, and the necessary documentation may be hard to obtain from third-party suppliers. Active management of the FTA process is crucial to harness their economic benefits and to avoid potential controversy with customs administrations.

Key actions include:

- Use data analytics to identify FTA opportunities.
- Develop relationships with overseas suppliers.
- Rigorously review origin to ensure products qualify for preferential rates.
- Review the use of Harmonized Tariff Schedule (HTS) codes.
- Strengthen internal compliance and documentation processes.
- Engage with teams across the organization (such as sourcing, logistics, compliance and finance departments) to identify opportunities and improve compliance.
- Stay informed and continuously adapt to changes in the FTA landscape, including new agreements, and changes to tax and customs regulations.

To read more about FTAs, read TradeWatch magazine from Ernst & Young LLP:

[https://www.ey.com/en\\_gl/global-trade?linkId=207238419](https://www.ey.com/en_gl/global-trade?linkId=207238419)

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