

Canadian Publication
Agreement Number
400069006



Plan Now to Attend Our Fall Series of Seminars

Farrow International Trade Consulting has successfully completed our Spring 2005 seminar series. We presented full day seminars for Importing 101, Exporting 101 and NAFTA in four cities, Windsor, Kitchener, Toronto and Edmonton.

The reviews from those attending were positive, comments such as

Nancy Loiewski – Mezzaluna Designs

“very thoroughly explained to understandable level, made it interesting with relevant examples”

Shannon McNeil – MRM Canada

“great seminar - will definitely attend future seminars”

Planning for the Fall 2005 seminar series is underway. Once dates and topics have been confirmed, they will be posted on our website at:

www.farrow.com ▲

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reporter

CUSTOMS

The Customs Reporter is a bulletin on Customs and International Trade for the clients of Russell A. Farrow Limited.

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This publication is not intended to provide legal or other professional advice. Readers are asked to contact their local RAF office for advice specific to their needs.



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International Customs Standards

The World Customs Organization (WCO) is expected to adopt The Framework of Standards to Secure and Facilitate Global Trade at the end of June 2005. The final draft was released on May 12, 2005 in Brussels and can be viewed at: <http://www.wcoomd.org/ie/En/en.html>. The Framework was developed with the intention of providing international Customs minimal standards that "do not duplicate or contradict other intergovernmental requirements."

The WCO is well placed to promote the standards as they enjoy the membership of 165 Customs administrations, which represent 98-99 percent of global trade.

Often Customs administrations serve as agents for a number of different government departments. There is a fine line to tread in terms of facilitating trade while ensuring a country's security. To that end, the Framework consists of four key fundamentals, which follow:

1. Harmonizing the advance electronic cargo information requirements on inbound, outbound and transit shipments;
2. Employing a consistent risk management approach to address security threats;
3. Performing outbound inspections of high-risk (using comparable risk targeting methodology) containers and cargo, using, when possible, non-intrusive detection equipment; and
4. Providing benefits to businesses that meet minimum supply chain security standards and best practices.

These goals are enacted through two "pillars" that of Customs-to-Customs and Customs-to-Business. The Customs-to-Customs pillar is intended to assist in the elimination of multiple reporting requirements of shipments as well as introducing controls as early as possible in the supply chain in order to detect high-risk cargo. For example, a Customs office at the receiving end may request a Customs office at the shipping end to conduct an examination of a particular load. The Framework is intended to be flexible so that it can be adjusted to a particular country's time frame. It will mean that systems for information exchange will have to be harmonized. The Customs-to-Business Pillar will introduce Authorized Economic Operators (AEO). These operators will have established internal security programs that will allow for more efficient movement of freight.

The WCO realizes that not every Customs jurisdiction will be in a position to implement the standards immediately and that they will have to be phased in. In addition, it is anticipated that in some instances assistance may be necessary in order to ensure smaller countries and traders can participate. Needless to say, worldwide consistency offers clear benefits.

Fortunately for Canada and the United States, the Framework is based in part on initiatives already in place between our countries such as the 24-hour Rule, Container Security Initiative (CSI), Customs-Trade Partnership Against Terrorism (C-TPAT) and Partners in Protection (PIP). A number of companies will be well on their way to becoming AEOs. ▲

Byrd Amendment Retaliation Begins

As of May 1, 2005 Canada is imposing a surtax of 15% on eight tariff items for goods originating in the United States in response to the Byrd Amendment (see Customs Reporter–Winter 2004).

The government made an effort to reduce the negative impact on Canadians when determining the products to be taxed. In addition, an effort was made to choose products originating from those states whose Congressional representatives support the Byrd Amendment.

The products chosen are: live swine of tariff items 0103.10.00 (purebred breeding), 0103.91.00 (other less than 50 kg) and 0103.92.00 (other 50 kg and more); live ornamental fish of tariff item 0301.10.00; other frozen fish of tariff item 0303.79.00; shelled and unshelled oysters of tariff items 0307.10.10 and 0307.10.20; and cigarettes containing tobacco of tariff item 2402.20.00.

While during consultations Canada looked at imposing a 100% surtax the 15% was chosen as it will amount to approximately \$14 million, which roughly corresponds to the reduction of Canadian exports to the U.S. caused by the Amendment.

We are not alone in initiating retaliatory measures, on May 1, 2005 the European Union also exercised it's right to impose a surtax on various products. ▲



It's Never Too Late to Introduce Compliance Programs

Clearly some of Customs' programs are intended for the big players in trade but it is still worthwhile to introduce compliant programs even if you have a small or medium sized business. You never know where your business may go and being compliant, while adding to costs, may also open other doors.

In this regard, the Bureau of Customs and Border Protection through the Importer Self-Assessment program offers some guidelines in order to start you on your way. A brochure has been developed entitled "Best Practices of Compliant Companies" and it outlines some of the procedures any business can be looking into to promote compliant behavior.

The brochure and other relevant information may be accessed at:

http://www.customs.gov/xp/cgov/import/regulatory_audit_program/importer_self_assessment/

Our consulting group can offer a variety of options to assist you with this goal.

In eastern Canada contact: Mary-Anne Hardy: mary-anne.hardy@farrow.com and for western Canada:

Michelle Gascon: michelle.gascon@farrow.com ▲



Textiles and Clothing Import Permits

As reported in the Winter 2004 issue of the Customs Reporter, import permits are no longer required for imports of clothing and textiles into Canada. Canada designated March 31, 2005 as the cut off date for ensuring that textile goods be shipped prior to January 1, 2005. As of April 1, 2005, import permits will no longer be issued for clothing and textiles including the cancellation of General Import Permit 102 for Yarn or Fabric and General Import Permit 106 for Apparel Goods and other Textile Articles.

There is one exception. Import permits will continue to be issued for clothing and textile goods that are subject to tariff preference levels for items imported under NAFTA (North American Free Trade Agreement), CCFTA (Canada-Chile Free Trade Agreement) or CCRFTA (Canada-Costa Rica Free Trade Agreement).

All other goods listed on the import control list continue to require permits e.g. certain steel products. ▲



Canada-Korea Free Trade Agreement Proposed

The Canadian government is currently looking into establishing a free trade agreement with the Republic of Korea (South Korea). This is just the latest in several ongoing negotiations that Canada is engaged in. To name a few: Canada-Singapore, Canada-Central America Four Free Trade (El Salvador, Guatemala, Honduras, Nicaragua), Canada-European union, Canada-Andean Countries (Bolivia, Colombia, Ecuador, Peru, Venezuela), Canada-Dominican Republic.

As of 2003, Canada and Korea traded over \$7 billion worth in merchandise trade, with Canada exporting \$1.94 billion and importing \$5.1 billion in goods. In addition, Canada and Korea reported \$889 million in two-way direct investment.

Korea is now considered to be the 12th largest merchandise trading nation, and exceeds Taiwan, Hong Kong and Singapore.

In addition, Canada has announced that it is also entering into negotiations with the European Union to develop a Trade and Investment Enhancement Agreement (TIEA). The European Union is Canada's second largest trading partner. ▲

Trade Sanctions

Canada is currently enforcing trade sanctions against Afghanistan, Democratic Republic of the Congo, Iraq, Liberia, Rwanda, Sierra Leone, and Sudan under the purview of the United Nations Act. In all cases, the sanctions involve to some extent arms and related materials but are not necessarily limited to that and vary in terms of how wide ranging they are.

As trade sanctions are often invoked due to international situations they are subject to change at short notice. Up to date information may be obtained at the Department of Foreign Affairs and International Trade (DFAIT) web site at:

<http://www.dfait-maeci.gc.ca>

Contravention of the United Nations Act may result in fines, seizures and/or imprisonment. ▲

Excise Tax on "Jewellery" Products to be Eliminated

The February budget announced the proposed phase out of excise tax that is currently applied to jewellery, clocks, watches, goldsmith's and silversmith's products.

Effective, February 24, 2005 the excise rate was reduced to eight per cent (8%) from ten per cent (10%). The rate will continue to be reduced by 2 per cent (2%) each March 1 until it is eliminated in 2009.

The luxury tax was introduced after the First World War, and Canada now is the only industrialized nation that continues to assess excise tax on jewellery items. In addition, Canada is the only diamond producing nation to maintain the tax. Canada is now the third largest producer of rough diamonds.



It is expected that with the elimination of the tax, Canada will strengthen its domestic manufacturing industry. The bulk of Canada's jewellery industry is comprised of small businesses having fewer than 20 employees.

The tax is considered to be discriminatory as any jewellery items over \$3.00 each and watches over \$50.00 were assessed the tax, while an expensive bottle of perfume or a designer article of clothing were not. ▲

Continuing Education Initiatives

The National Customs Brokers and Forwarders Association of America, Inc. (NCBFAA) has introduced a program similar to one introduced in Canada by the Canadian Society of Customs Brokers in 2002.

In March, the NCBFAA announced that customs broker licence holders are eligible to become Certified Customs Specialists (CCS) immediately and that the NCBFAA will establish a course in the autumn of this year to train potential designates. Once certified, as in Canada, designates will be required to obtain points towards continuing education in order to maintain their status.

The CCS designation and course will be recognized in both Canada and the United States. ▲

Anti-Dumping Update

The application of dumping/countervailing duties on certain fasteners has been narrowed to carbon and stainless steel screws. Carbon steel screws from both the People's Republic of China and Chinese Taipei and stainless steel screws from Chinese Taipei have been determined to either cause injury or threaten to cause injury to the Canadian industry. There are a number of exceptions but the following list includes screws that are subject to anti-dumping and countervailing duties:

Screw Type	Diameter (imperial / metric)	Length (imperial / metric)
Wood Screws	#4 - #24 / M3 - M10	3/8 - 8 in / 10 mm - 200 mm
Square & Hex Lag Screws	#14 - #24 / M6 - M10	3/4 - 4 in / 20mm - 100 mm
Sheet Metal/Tapping Screws	#4 - #24 / M3 - M10	3/8 - 8 in / 10 mm - 200 mm
Thread Forming Screws	#4 - #24 / M3 - M10	3/8 - 3 in / 10 mm - 75 mm
Thread Cutting Screws	#4 - #24 / M3 - M10	3/8 - 3 in / 10 mm - 75 mm
Thread Rolling Screws	#4 - #24 / M3 - M10	3/8 - 3 in / 10 mm - 75 mm
Self-drilling Tapping Screws	#4 - #24 / M3 - M10	3/8 - 3 in / 10 mm - 75 mm
Machine Screws	#4 - 3/8 in / M3 - M10	3/8 - 8 in / 10 mm - 200 mm
Flange Screws	1/4 - 5/8 in / M6 - M16	3/8 - 4 in / 10 mm - 100 mm

Only screws from the People's Republic of China are subject to both anti-dumping and countervailing duties. If supplied by a non-cooperative supplier then the anti-dumping rate is assessed at 170% and the countervailing rate at 1.25 Chinese Renminbi per kilogram. The countervailing rate averaged out to 31.53%. In simple terms, the Special Import Measures assessment is approximately 201.53% for subject goods from China and 170% on subject goods from Chinese Taipei (Taiwan). ▲



Electronic Signatures Still Not Valid on NAFTA Certificates

As reported in the Customs Reporter (Spring 2004), electronic signatures are not valid on NAFTA certificates, and attract an AMPS (Administrative Monetary Penalty System) penalty i.e. AMP C152.

In this day and age with scanned signatures a common thing, it is easy to overlook the fact that NAFTA certificates require an original signature at the point of origin.

CBSA (Canada Border Services Agency) have confirmed that electronic signatures are not acceptable for NAFTA Certificates of Origin. However, certificates that have been manually signed and subsequently scanned and stored electronically are acceptable. The original signed document must be retained for presentation upon request for six years.

For assistance with preparing NAFTA certificates, ensuring their validity and maintaining appropriate documentation, please contact our Consulting department. See page 2 for contact names. ▲

World Trade Organization Declares New Director-General

At its general council meeting on May 26th, the World Trade Organization formally declared a new Director-General who will assume office on September 1, 2005.

Pascal Lamy of France had strong support among the 148 members of the WTO. His only remaining competitor, Perez del Castillo of Uruguay, requested that his government withdraw his nomination.

Mr. Lamy comes to the position with solid credentials, as he was the former European Union Trade Commissioner. Mr. Lamy succeeds Supachai Panitchpakdi of Thailand who is the current Director-General.

The next planned WTO ministerial summit is scheduled to take place in Hong Kong in December. ▲