

tradeweek

Your Resource for Global Trade | May 31, 2008 | Vol. 119, No. 10

CBP Warms to Bi-National Pledge on Supply Chain Security



By Dannielle Blumenthal, U.S. Customs and Border Protection

A historic moment in the evolving trade relationship between the U.S. and Canada takes place in June as Customs and Border Protection (CBP) and Canada Border Services Agency (CBSA) formally ink a mutual recognition agreement between the Partners in Protection (PIP) program and the CBP Customs-Trade Partnership Against Terrorism (C-TPAT) initiative.

From the CBP perspective (and likely the Canadian one as well!), this is a particularly exciting and significant development as Canada is not only the U.S.'s neighbour, but also its largest trading partner. And in addition to streamlining the flow of commerce, the agreement contributes to the development of an international standard **CBP and Canada, cont'd on pg. 2**

Bill C-52: Implications for Importers

Import product safety will be the featured topic at the next Customs and Legislation Committee meeting on Thursday, June 12, 2008, immediately before the association's annual general meeting. Mark Veitch, Compliance

Specialist, Consumer Product Safety, Health Canada, and Joseph Brick, National Practice Leader, Trade and Customs, KPMG, will discuss Bill C-52, the Canada Consumer Product Safety Act and the implications for importers. **Bill C-52, cont'd on pg. 2**

Great Lakes Collaboration Vital

It's more important than ever that the U.S. and Canada work together on economic issues and that the environmental preservation of the Great Lakes ecosystem be at the top of our joint environmental agenda. This is the message from the Hon. Jim Doyle, Governor of Wisconsin and Chair of the Council of Great Lakes Governors, who recently addressed shared challenges that Canada and the U.S. face as stewards of the region's economy and environment. He was in Toronto May 23 to give the 2008 C. Warren Goldring Annual Public Lecture on Canada-U.S. Relations, presented by the Canada Institute of the Woodrow Wilson International Center for Scholars and the Canada Institute on North American Issues.

The eight states and two provinces that form the Great Lakes region represent the essence of the collaborative economic model that drives the Canadian and U.S. global competitive advantage. This region includes the busiest U.S. and Canadian land border crossings. Trade originating within these states and two adjoining provinces of Ontario and Quebec represented 53% of total Canada-U.S. trade in 2007. Governor Doyle stated that the shared values, particularly a strong work

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for cargo security. Ultimately, the vision is that every country in the world joins together to secure the global supply chain, employing proven "best practices" that prevent infiltration by terrorists. By pushing the borders outward, and recognizing that our national security is ultimately dependent on that of every other country, the agency hopes to avert potential disaster before it reaches anybody's shores.

On a more grounded level, one of the objectives of mutual recognition is to establish a situation whereby all participants in an international trade transaction are approved by a customs-business partnership program as observing specified standards in the secure handling of goods and relevant information.

The PIP/C-TPAT agreement comes after much preparation, including a comprehensive side-by-side comparison of the security requirements of the two programs, and a series of joint validation visits in

Canada. These activities were designed to ensure that the two programs aligned in both basic principles and basic practices.

Other international mutual agreements are in the works as well. CBP signed one with the New Zealand Customs Service last June and is currently pursuing others with Australia, Japan, Jordan, Singapore, and the European Union. The agency has also provided industry partnership training under the Capacity Building program to Brazil, Ghana, and Kenya. C-TPAT is engaged in a joint validation pilot program with China to assess the feasibility of using third party entities to gather validation information.

CBP and CBSA have always worked together closely, and have collaborated on a number of border security initiatives. As global trade and travel evolve, CBP foresees that this relationship will continue well into the future.

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Carol Osmond, I.E.Canada's Vice President, Policy, and members have already met with Health Canada officials to review the proposed legislation and to discuss concerns.

I.E.Canada is also working with other associations to identify issues and discuss strategy as the bill advances through Parliament. Bill C-52 has already passed second reading and been referred to the Standing Committee on Health with hearings expected to begin on June 12, 2008. I.E.Canada has requested to appear before the committee on behalf of importers.

Under Bill C-52 importers are prohibited from importing, advertising or selling any "consumer product" that is a "danger to human and health or safety." A consumer product is any product obtained by an individual for non-commercial purposes. Bill C-52 applies to all

consumer products except those, such as food, drugs and cosmetics, that are governed by other legislation as identified in a schedule to the bill.

The bill would give broad new powers to the government, including the power to order mandatory recalls, and would strengthen the enforcement powers of inspectors. It would also establish tough new criminal penalties and an Administrative Monetary Penalty System (AMPS) for civil violations. New obligations will be imposed on importers including requirements to maintain documents for product traceability purposes and to report and implement safety measures in the event of a safety "incident".

For an overview of Bill C-52, please refer to the April 30, 2008 issue of Tradeweek

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Mary Anderson, President, I.E.Canada, with the Hon. Jim Doyle, Chair of the Council of Great Lakes Governors. Mary directed the Council's Canadian Office from 1991 to 2001.

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ethic and a devotion to education, especially scientific research and applied technology, will help provide a solution to global warming and sustain our world-class economies.

In response to concerns over the tightening of northern border rules, Governor Doyle said it's disconcerting to see this happen to "the most benign border in the world." There have been joint petitions by governors to the U.S. federal government on this issue, stressing the need to examine the long-term effects and to avoid restrictions on the flow of goods and services, he added.

Protecting waters

The Great Lakes include the largest fresh water resource in the world. Governor Doyle highlighted the priorities to collaborate with Canada and to ensure the sustainability of the Great Lakes region through green initiatives. Because of threats like global warming and outdated water treatment plants in cities surrounding the Great Lakes, "it's important to build a new paradigm where states and provinces work together to solve problems and continue to take the initiative to protect the Great Lakes," he said.

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Shipping and Trade Horizons



Leo Ryan

Shipping and Trade Horizons, a Tradeweek column, is produced by Leo Ryan. The column addresses Canadian industry issues and trade developments of interest to our members.

CN's Chicago Imbroglia

Sometimes we can underestimate how complex a well-reasoned project will turn out to be. In one particular case, Canada's biggest railway, CN, has been confronted with several important challenges to its plans to acquire a shortline railway in Chicago. And one of these challenges has come from no less a figure than Barack Obama, the Illinois senator and likely Democratic nominee for the November general election. So far, CN has been struggling to get the upper hand in a tough public relations battle.

Recently, Mr. Obama publicly sided with suburban Chicago residents against CN's proposed \$300 million acquisition of the Elgin Joliet & Eastern Railroad (EJ&E) to avoid the gridlock of the city's downtown core and eliminate costly delays for shippers. Outlining his position in a letter to Karen Darch, Mayor of Barrington and one of the members of the Barrington Communities Against CN Rail Congestion lobby group, Mr. Obama said, "I am opposed to the merger as currently proposed and will work with affected communities to make certain

that their views are considered as part of the Surface Transportation Board (STB) process." While he does not have the power to halt the transaction, his stance can only encourage the opponents of the merger and add momentum to their protests.

Industry responds

The affair has prompted not only a pointed response from Hunter Harrison, Chief Executive of the Montreal-based continental railway, but has stirred apprehension at the newly-launched container port of Prince Rupert in northern British Columbia. Chicago, needless to recall, is the major intermodal hub in the strategic midwest for CN rail shipments to and from Montreal, Vancouver, Halifax and New Orleans.

Local communities in the Chicago suburbs have cited estimates that CN could boost traffic in parts of the 300-km EJ&E route from under 10 freight trains daily to nearly 30 trains. Mr. Obama affirmed that CN's plans to move dramatically more freight could "postpone indefinitely the completion of important public transportation improvements that the Chicago metropolitan region desperately needs."

But in a rebuttal, Mr. Harrison said he was "hard-pressed" to understand the senator's stance, urging him "not to advocate the views of the relative few who are resisting change." The CN chief executive argued that the proposed acquisition will ease some of the rail congestion plaguing the Chicago region and facilitate regional commerce in addition to, on balance, improving the local environment. CN has offered to invest \$40 million in special mitigation efforts and \$100 million in infrastructure upgrades on the EJ&E network.

In Prince Rupert, Don Krusel, President and CEO of the Prince Rupert Port Authority, has acknowledged

that the success of the port resides, at least in part, on CN's completing the deal. "It would certainly add tremendous weight to our gateway." With shipping lines reducing services on the Pacific, Prince Rupert's container throughput has fallen below expectations.

Studying impact

The deal is undergoing an environmental assessment by the STB which late last year put some serious brakes on what looked in September like a fast-tracked transaction. This procedure could drag on until 2009. Earlier this month, CN urged the STB to have its final decision issued by December 2008, arguing that further delays could jeopardize the deal.

Meanwhile, CN has gained in principle some heavyweight support in the controversy from leading U.S. carriers. In filings to the STB, Norfolk Southern and Union Pacific did not comment on the acquisition plan itself, but stressed that the need for rail capacity improvements were especially acute in the Chicago area.

Far-reaching

As Larry Kaufman, a prominent U.S. railway industry analyst, aptly observed, "The resolution of this conflict will have ramifications far beyond the outer suburbs of the Windy City. Depending on how the STB handles the Environmental Impact Statement and the accompanying application for approval of the purchase, it may send a loud signal to other railroads considering investing huge sums in expanded and new capacity."

leo.ryan@bellnet.ca

Briber Beware

By Joanne Paquette, Senior Legal Counsel, and Toby Herscovitch, Senior Advisor, Corporate Communications, Export Development Canada.

With Canadian criminal law and the international community tightening the reins on corruption, businesses around the world can expect more fair play in the global business arena of the future. That's good news for Canadian exporters.

Canada and its international counterparts in the Organization for Economic Cooperation and Development (OECD) recently celebrated the 10th anniversary of the OECD Anti-Bribery Convention, which was ratified by Canada in December 1997 and came into force in February 1999. Since then, OECD member countries have strengthened their anti-bribery legislation, helping level the playing field for international business. In Canada, bribing foreign public officials in order to obtain or retain an advantage in the course of business may result in imprisonment for up to five years and/or fines.

Through the OECD, export credit agencies like EDC also committed to take stronger concerted action to deter and detect bribery in the transactions they are asked to support and have agreed to: require anti-bribery declarations from customers; undertake enhanced due diligence when the member has reason to believe that bribery may be involved in a prospective transaction; and inform law enforcement authorities and refuse to provide support where there is credible evidence of bribery in a transaction as well as, in cases where bribery has been proven after support has been extended, take appropriate action such as deny a claim or require refund of sums provided. In addition, the export credit agencies will inform their customers of the legal consequences of bribery and encourage them to develop manage-

ment control systems to combat it.

With similar tough new measures in many parts of the world, the idea that it may be acceptable to pay off local public authorities in some countries to win business is quickly being discredited. Overall, the international attitude towards bribery has moved from acceptance and tolerance to abhorrence and prohibition.

Six questions to help you avoid bribery in foreign transactions

1. Does your company have an anti-corruption policy?

Developing such a policy would help minimize the risk of corruption.

2. Are relevant parties informed about your anti-corruption policy?

Educate and train your employees and agents regularly about your policy and the appropriate actions to take if they encounter requests for bribes. Ensure they acknowledge this policy in writing and refer troublesome situations to your head office for direction.

3. How well do you know your agent, partner or customers?

Verify credentials of your agents and partners and monitor their efforts on your behalf. This can be done by contacting local business associations and consulting your local counsel.

4. Does the jurisdiction in which you operate present a high corruption risk?

Consider consulting the Transparency International's Index (www.transparency.org), a well-known indicator of corruption perceptions around the world, and the Canadian Embassy in the relevant country.

5. Do the amounts paid make sense?

Look for any unexplained payments that do not add up. They may be

indications of irregularity.

6. Have you clearly said "no"? Failure to say "no to bribery" clearly and definitively to your agents, customers and partners could lead to the misunderstanding that your company might consider providing loans, rewards, or benefits of other kinds to a foreign official to obtain an advantage in the course of business. Make sure relevant parties are aware of your zero tolerance policy.

For more information, visit www.edc.ca/english/docs/csr_anticorruption_e.pdf

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"The waters remain vulnerable."

Governor Doyle cited the recent signing of the Great Lakes Compact to update the region's water management regime as a good example of cooperation. (One of its tenets is to harmonize standards for the receipt of ships from outside the basin.) Recognizing that there is always tension between economic development and environmental protection, he nevertheless believes that the Compact has struck the right balance and will stand up over time.

"The Great Lakes are a tremendous source of economic activity," he said, emphasizing that there's no reason why we cannot manage vibrant commercial activity while preserving the ecosystem.

Benchmark Study to Focus on Working Capital

Members of I.E.Canada have the opportunity to participate in a new research study on working capital optimization (WCO) being undertaken by Aberdeen Group, a U.S.-based industry research firm. The results, which will be made available free to participating companies, will help corporations benchmark performance and learn about the supply chain, inventory and finance strategies that best-in-class companies are adopting to improve their working capital.

Aberdeen's 2007 benchmark report on WCO that surveyed 400 corporations showed that WCO was a high priority for 65% because of the pressure to improve financial metrics and a shortage of working capital to finance operations and business expansions. This is not only driving companies to reconsider their financial and inventory strategies but also to look into implementing technology platforms that will help mitigate the impact of inventory, enable better access to funding, and ensure a more proactive use of AR/AP balances.

Supply chain management strategies, especially inventory decisions, have a strong impact on the net working capital of a company, and vice versa – AR- or AP-focused strategies may impact supplier relationships and other aspects of the supply chain. The 2007 report showed that leading companies are reforming their supply chain finance and inventory management practices and adopting relevant technologies to achieve the next wave of improvements in working capital, while at the same time attempting to optimize their end-to-end financial supply chain management.

The June 2008 follow-up study will further investigate trends in this area and provide recommendations based on best-in-class approaches to WCO in the context of broader financial supply chain management.

Click on www.aberdeen.com/survey/wco2008a/ to take the survey now. And stay tuned for the results in a future issue.

Grants Available

As part of its continuing efforts to foster professional development and trade, I.E.Canada has sponsored four FITT (Forum for International Trade Training) Professional Development Grants. Business professionals who want to develop or upgrade their skills are encouraged to apply.

Four grants, worth \$250 each, will be awarded – two to applicants who have never enrolled in a FITTskills course and two to applicants who have successfully completed one or more FITTskills course(s).

The FITTskills program consists of eight courses that can be taken as a series or individually. Topics include: Global Entrepreneurship, International Marketing, International Trade Finance, International Trade Logistics, International Market Entry and Distribution, International Trade Research, Legal Aspects of International Trade, and International Trade Management.

Applications will be judged by a selection panel comprising I.E.Canada and FITT representatives. Application deadline: June 30, 2008. For information on how to apply, check www.iecanada.com/ietoday/apr_08/docs/28_04_08_FITT_Grant_Application.pdf

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and an article by Joseph Brick available at www.iecanada.com/article/Joseph_Brick.pdf.

Some of the issues that have been raised with respect to the bill include:

- The definition of “danger to human health or safety” does not appear to adequately exclude products that are inherently dangerous (eg. knife) even during or as a result of normal and foreseeable use but that are not defective or unreasonably dangerous.
- The broad scope of the definition of safety “incident,” which as currently worded, for example, would include a serious injury to an individual not only in Canada but anywhere in the world.
- The short timeframe to report an incident: within two days of becoming aware of the incident, with an additional five days to provide a written report. The obligation to provide the written report falls on the manufacturer, except where the manufacturer carries on business outside Canada, in which case it is the importer's obligation.
- Confidentiality of business information provided to the government.
- Removal of the defences of due diligence and mistake of fact from consideration respecting AMPS violations.
- The lack of an appeal mechanism for AMPS violations other than judicial review to the Federal Court.

The upcoming C & L meeting will also include an update on on-going consultations with the Canada Border Services Agency and election of the new executive. If you are not a member of the C & L Committee, but are interested in import product safety, you are welcome to attend the meeting. Members of the C & L are also encouraged to invite others within their organizations with responsibility for this area. For more information on the meeting, please email jason@iecanada.com.

Canadian Association of
Importers and Exporters

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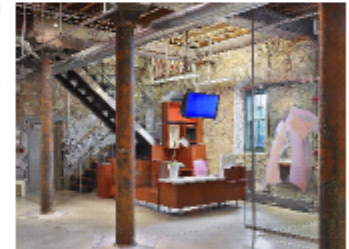
77th Annual General Meeting and Reception June 12, 2008 Toronto's Historic Distillery District 55 Mill Street, Toronto, ON

Celebrate the Future of Trade in the Historical Elegance of the Past



I.E.Canada will host this year's Annual General Meeting (AGM) and reception on June 12th in the vibrant and creative atmosphere of Toronto's Historic Distillery District.

Participants will then tour through 13 acres of Victorian era industrial architecture, the largest in North America. For 2008, the future of trade will be celebrated in the heart of old town Toronto with a grand evening reception at the Deaf Cultural Centre, 55 Mill Street.



About the Distillery District:

Toronto's unique Distillery Historic District - the former Gooderham and Worts Distillery- Canada's finest collection of Victorian era industrial architecture; forty four historic buildings set among thirteen brick lined street acres. The Distillery is a National Heritage Site.



The Distillery Walking Tour

Did you know the Distillery District was once home to the largest distillery in the British Empire? Imagine yourself immersed where Toronto's tallest building once stood, where the infamous Al Capone was spotted, and where many Hollywood films were shot. You'll learn about the exciting history behind the Distillery District as well as its significance to Toronto's past and present.

9:30 am	Canadian Meat Importers and Exporters Committee (CMIEC) Meeting
3:00-5:30 pm	Customs and Legislation Committee Meeting
5:30 pm	Annual General Meeting
6:00 pm	Distillery District Historical Tour
6:30-9:00 pm	Reception

Canadian Association of Importers and Exporters Inc.
Association canadienne des importateurs et exportateurs inc.

Editor: Susan Baka
Assistant: Maggie Weaver

160 Eglinton Avenue East, Suite 300
Toronto, Ontario M4P 3B5
Telephone 416 595-5333
Fax 416 595-8226
www.iecanada.com

Tradeweek is published twice each month for and on behalf of the Canadian Association of Importers and Exporters Inc. / Association canadienne des importateurs et exportateurs inc. It is circulated by first class mail to members only. Reproduction of any of the contents of *Tradeweek* is encouraged provided that appropriate source credit is given.