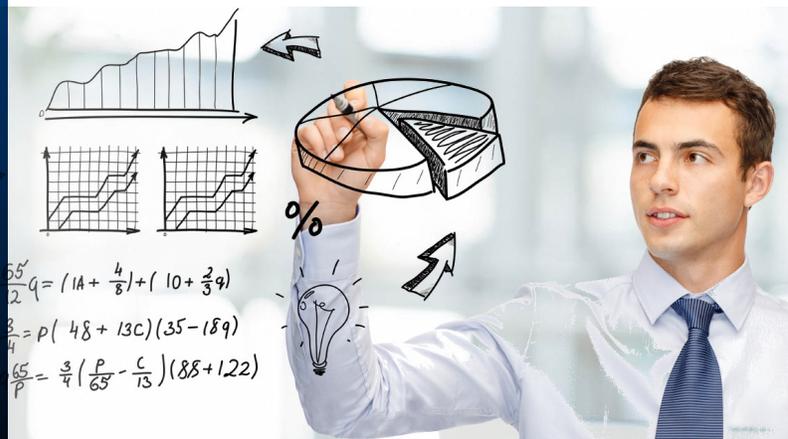


## Looking ahead

### Customs and trade trends in 2014



The beginning of the new year is always a good time to regroup and plan ahead by taking a look at some of the developments you can expect to see in the year ahead. For companies involved in importing and exporting, 2014 should be an interesting year, with a number of important ongoing developments, including the Canada-U.S. Beyond the Border Action Plan, trade agreements with Europe and continuing customs modernization efforts.

#### Beyond the Border moves forward

The Beyond the Border Action Plan was introduced with a great deal of fanfare at the end of 2011, but implementation has been slow to take off. Several initiatives are progressing, but many have missed their target implementation dates as their commencement has proven to be more complex than originally anticipated. The December 2013 Beyond the Border Report Action Plan Implementation Report stated that "several initiatives are making progress but have fallen behind the original target dates due to legal or operational issues brought to light through our collaborative implementation efforts."

Candace Sider, director, regulatory affairs for Canada at Livingston International, expects to see more movement in

2014. "They are talking about Trusted Trader Alignment for 2014, although it's difficult to know what exactly that will look like," she said, referring to plans the customs authorities in the U.S. and Canada have to align Customs-Trade Partnership Against Terrorism (C-TPAT) and Partners in Protection (PIP), their respective secure trader programs. Other programs that have been delayed but expect to see progress in the coming year include: the Single Window Initiative (SWI), which should help importers reduce their paperwork load; the full implementation of an Integrated Cargo Security Strategy; the second phase of the Cargo Pre-Inspection Pilot program; and alignment of the U.S. Importer Self-Assessment (ISA) program and Canada's Customs Self-Assessment (CSA) program.

"There are going to be lots of initiatives all arriving at the same time, and this is going to be an issue for businesses when it comes to implementation," says Sider. Importers and exporters should continue to watch for news of progress in the Beyond the Border initiatives, and be ready to adjust their plans and strategies accordingly as these initiatives reach finalization.

#### Increasing regulation and controls

Despite the fact that governments continue to talk about reducing red tape and easing impediments to business, Sider says businesses are likely to see more regulation and increased controls in the months ahead.

"This past year, customs authorities conducted a number of verification audits and found many cases of non-compliance. As a result, they've identified key sectors and commodities that they'll continue to focus on," she says, adding that she

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expects the Canada Border Services Agency (CBSA) and U.S. Customs and Border Protection (CBP) to continue their increased auditing efforts in 2014.

Sider also expects to see more action on the anti-counterfeiting and anti-bribery legislation. At the end of 2013, Canada was awaiting passage of Bill C-8, which will bring Canada's anti-counterfeiting legislation in line with that of other countries and with the Anti-Counterfeiting Trade Agreement (ACTA). If passed, the new legislation will give CBSA officers at the border new powers for the enforcement of intellectual property rights, including the ability to detain counterfeit and pirated products.

On the bribery and corruption side, 2013 saw some high profile bribery and corruption cases hit the headlines, including one in which a Vietnam shipping head was sentenced to death and others that focused on large multinational corporation JP Morgan Chase.

"It's a problem for businesses because in many ports, the goods are not moving without some form of bribery," says Sider. She expects that the tolerance for illegal and unethical behaviour will continue to decline and that the focus on reducing corrupt foreign practices is a trend that will continue well beyond 2014.

### Europe is hot

In Canada, the big news in the last quarter of 2013 was the signing of the Canada-EU Comprehensive Economic and Trade Agreement (CETA). It is expected that 2014 will see

more details revealed as the final text of the agreement is finalized and made public. Once this happens, the agreement must then be ratified by all of Canada's provinces and the 28 member states of the EU and the European Parliament.

The agreement is not likely to come into force in 2014, although once details have been made public, businesses would be wise to start analyzing the deal to determine how they can benefit. "The devil is in the details," says Sider.

As for the U.S., it's busy working out its own agreement with the EU. The Transatlantic Trade and Investment Partnership (TTIP) will create the world's largest free trade area, and we can expect to see both countries work diligently towards the finalization of an agreement, which they hope to see in 2014. A change in leadership in the EU is expected to take place in October 2014, however, which could delay the deal.

### Changes in global sourcing trends

Global trade patterns are continually evolving, and 2013 saw many changes that will manifest themselves in the coming year. Changes to the General Preferential Tariff in Canada and the expiration of the Generalized System of Preferences in the U.S. (the program has yet to be renewed) will impact importers' bottom lines, as goods brought in from a number of countries worldwide, including China, will see tariff rates increase. This will have businesses analyzing their supply chains to find the lowest cost and most stable sourcing options.

Another issue that will carry into 2014 is that of corporate social responsibility. The garment factory fire and later factory collapse in Bangladesh, one of the worst industrial accidents on record, highlighted the need for responsible global sourcing. Major multinational corporations will be looking to find international product sourcing and manufacturing partners that operate at a high standard of safety and working conditions, which may have a domino effect throughout the supply chain. Businesses need to remain flexible in 2014 to ensure they're ready, should a change in trade or supply chain partners occur.

## The U.S. and Canada are both looking to solidify new trade agreements with the European Union in 2014.

### Customs goes modern

Just as businesses are looking to become more efficient and to rein in operating costs, so too are governments. Both Canada and the U.S. continue to modernize their customs processes and to reduce costs, while still maintaining a focus on the safety and security of its citizens. "They've cut their operating costs and are continuing to look for efficiencies," says Sider.

Regulatory bodies in both Canada and the U.S. are revamping their operations and thinking outside the box, with technology playing a key role. Customs authorities may turn to outsourcing, for such functions as facilities inspections, and will partner with businesses to reduce paper and increase the electronic exchange of data.

CBSA will continue to increase the use of technology and advance electronic reporting to identify threats prior to arrival. They will also move away from transactional entries and move to simplified entries. CBP is also working on systems improvements to reduce operating costs, including enhancements to the Automated Commercial Environment (ACE). Both countries will continue to work together to streamline border processes as part of the Beyond the Border and Regulatory Cooperation Council initiatives.

## News to monitor in 2014:

- Beyond the Border
- Increasing regulations and controls
- Trade agreements with Europe
- Changes in global sourcing trends
- Ongoing customs modernization efforts



Global trade continues to challenge both businesses and governments seeking to balance economic needs against security. New tools, technologies and processes will guide the way businesses interact with each other and with regulatory agencies, and the trends we see now are only laying the groundwork. Keeping up with the latest news and regulatory changes has never been more important; even though change sometimes seems to come at a snail's pace, several of these initiatives could come to a head in 2014 – and businesses that are ready, with plans in place, will have a leg up on their competition.

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