

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Overview of BTB and RCC Roundtable on Food and Consumer Products

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Trade Policy Monitoring

Export Accomplishments - Events

Market Promotion/Competition

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Report Highlights:

On Wednesday March 6th 2013, FAS Canada worked with the Embassy in Ottawa and the American Chamber of Commerce to coordinate a roundtable discussion regarding the Beyond the Border and Regulatory Cooperation Council initiatives. It was the first in a series of events title the "National Policy Roundtable Series 2013" and focused on Food and Consumer Products. The event was attended by high level representatives of both the Canadian and American governments as well as key industry players, including vice presidents of major consumer product manufacturers and industry associations. This report contains an overview of what was discussed during the meeting; including feedback from government officials and important insights into moves industry anticipates could encourage cross-border trade.

General Information:

Non-Resident Importer (NRI) Requirement

Private industry expressed serious concerns about the possibility of that the Non-resident importer status would be revoked as a result of regulatory modernization in Canada and the United States. Post has not been able to obtain data from Canadian sources, but CBP has estimated that \$12 billion of food exports from the United States to Canada could be affected. Fifty-five per cent of this trade is through non-affiliated companies, meaning that small to medium sized business on both sides of the border could be negatively affected if these measures are implemented, leaving only larger companies as “gate-keepers”. The elimination of NRI status is seen as regressive by industry, especially as it has already been acknowledged that Canada and the United States already possess similar standards and many companies on both sides have already put resources into becoming “trusted” traders.” It is also predicted to increase costs and reduce choice for consumers, especially in Canada. Additionally, the measure is seen as counter to the reality of existing supply chains and would require their reconstruction.

Though this move has seemed very likely, a representative of the Canadian government reported that they are still examining all options on mechanisms for improving controls on liability. The Canadian Government is still open to new ideas on the subject and will be looking for comments on the topic.

A desire was expressed on both the private and public sides for a better forum for discussion that would include all relevant regulators as well as industry stakeholders. It was also noted that the affect of this requirement would extend past the food industry and affect consumer products in general.

Customs Self-Assessment

An important initiative raised by an American company was the Canadian Border Services Agency’s Customs Self-Assessment program (CSA). This program frees up resources at the border by allowing pre-approved low-risk importers, carriers and drivers to receive approval for shipments before they leave the loading dock and complete inspections at the receiver, allowing a truck to cross with one barcode each for the driver, carrier and exporter provided the receiver is also CSA approved. The company estimated that on 5,000 shipments last year, they saved \$250,000. The system also cuts down on driver hours by eliminating their wait at the border, making more shipments per day possible. As this company’s product is food, there was some resistance from the Canadian Food Inspection Agency (CFIA) at first they wanted to know when each shipment crossed, but a compromise was reach in which the company would fax the paperwork to CFIA within 24 hours of each shipment. In total, the company has 14,000 trucks cross the border each year and it was pointed out that auditing four plants would be much easier than auditing each individual shipment. Industry is hoping that this program can be extended to more companies and the United States develops a similar program. CSA provides consistency and predictability for companies engaged in cross-border trade, which are key to their operations.

Single Window Submissions

A topic raised repeatedly by members of industry was single window submissions that would allow for the simplification of paperwork. An update was provided on an existing project between Health Canada and the USDA, but an industry representative also pointed out the need for better integration between CBP and the EPA. Currently, the two systems are not linked which causes delays, especially in the notice of arrivals for pesticides. Existing requirements on both sides of the border also have different timelines for submissions, which complicates processes.

Mutual Reliance

It was pointed out that Canada and the United States already possess similar desired outcomes and aversion to risk, so mutual recognition of each other’s standards and trust in each other’s data could be applied in many areas to better leverage scarce resources. The highest risks for each country are most often found from a third country, therefore this would allow for more inspections. Some of the areas identified for increased communication include:

- Sanitary and Phytosanitary issues – both sides import from many of the same countries, so requirements could be better coordinated here
- Joint audits of their countries
- Standard setting, product reviews and approval – not a move to one system, but a greater reliance on each other's evaluations
- Harmonization of classification of labels (i.e. workplace hazardous chemicals) – important to integrated supply chains but without harmonization, existing proposed regulations on both sides will not be helpful
- Transportation of dangerous goods – aligning allowable means of containment, including what is allowed through special permits
- Common definition and management plan for nanotechnology
- Allowing containers received from third countries to be broken down with some product staying in the United States and some going on to Canada (or vice versa) – this would greatly reduce industry's storage costs
- Better harmonization would allow ports to be better utilized – if there is a problem or delay at one, a shipment could easily be redirected to another
- Identical duty rates would help stabilize prices across the border

Going Forward

Industry was informed that over the next year, the intent of regulators is to continue to engage stakeholders. The Canadian Government expects to release a framework this spring before writing specific language.

The need for transparency was also repeatedly highlighted. Especially in the food sector, RCC is seen as deregulation and is being positioned as a loss of sovereignty. Acknowledging that there are legitimate business reasons for harmonization while providing assurance that interest in providing a safe product has not diminished will be important. Actions such as speaking openly about when and how information is shared were identified as an important part of maintaining trust in a harmonized system.

Concern was also expressed about states and provinces setting their own standards for certain products, eliminating the benefits of harmonization. Regulators confirmed their commitment to maintaining RCC issues at a Federal level. One way they do this is by keeping these jurisdictions informed of developments along the way. Industry requested that government continues to speak about how safe and secure each system is, as this gives industry more to work within its outreach efforts.

An immediate benefit for governments identified was an increased efficiency in the cost of doing business, as little investment would be required and more money would be generated with the same resources. Industry would receive cost savings on cross border commerce and obtain the consistency and predictability they need to maintain integrated, and sometimes Just-in-time, supply chains running. Industry would be better able to respond to changes in the market, such as a move to online retailing. All of these in turn would provide consumers with better choice and prices.