



# Why is Trade Compliance Important?



La version française de cette publication est intitulée *Pourquoi l'observation commerciale est-elle importante?*.

## What is trade compliance?

Trade compliance refers to importers and exporters meeting all of the requirements governing the movement of commercial goods into and from Canada.

To be trade compliant is to ensure that the tariff classification, origin and valuation of goods are all accurately declared in accordance with legislative requirements and that the appropriate duties and taxes are paid. But this is only part of the picture. There is a clear obligation under the *Customs Act* to provide true, accurate and complete trade information, including a proper description of the goods, and to correct wrong information regardless of dutiable status. Furthermore, an essential part of trade compliance is to ensure that all import requirements are met, such as having the appropriate import permit. If not all import requirements are met, this violates the control measures that are in place to protect the economy, the environment and the health of Canadians.

## What is trade data?

International trade data is derived from the information provided by the import and export community. This data is compiled by Statistics Canada from the import and export records of the Canada Border Services Agency (CBSA). Trade data also includes Canada's export data. The quality of trade data is, therefore, directly linked to the reliability of the information provided by importers and exporters.

Trade data compiled by Statistics Canada is among the few current economic statistics that are derived directly from all import and export transactions. For this reason, analyzing trade data provides very detailed economic breakdowns that have immediate relevance for both the private and public sectors. For example, if business or government requires information about the total number and total value for duty of bicycles imported from China, this information can be extracted from databases using the tariff classification numbers associated with bicycles.

Finally, it is from the collection and analysis of trade data that important risk assessments are made that help protect the economy and the health and safety of Canadian society.

## **Why is trade data important?**

Trade data is important because it touches Canada's public and private sectors and spans several critical functions across the Government of Canada (GC) and the trade community. Trade data is an essential planning tool for both public and private organizations, domestically and internationally.

The GC's ability to monitor the health of the Canadian economy and to establish appropriate economic policies depends on the availability of quality trade data. Given that international trade represents a large percentage of Canada's gross domestic product (30 percent in 2008), it follows that the development of fiscal and monetary policy depends in part on detailed, accurate and timely trade data. The balance of trade influences Canada's interest rates as well as the value of the dollar. Trade data is also used by the GC to manage taxation and foreign exchange policies; to support tariff negotiations and reciprocal trade arrangements; to negotiate bilateral and multilateral trade agreements; and to encourage foreign investments. Finally, trade data is used by the GC to support the implementation of trade measures in respect of imports that are potentially injurious to the economic health of a particular domestic industry.

Canadian businesses — large and small enterprises alike — use trade data to measure market shares, monitor price trends and identify importing and exporting market trends along with potential market opportunities. Businesses rely on trade data to assess the effects of imports on the Canadian market, which includes identifying and addressing unfair trade practices. Trade data is also used by Canadian businesses to support and present their position on various government policies and initiatives, such as international trade arrangements, or to support a request for an investigation into trade practices that may be harmful to a particular domestic industry.

## **What are the benefits of trade compliance for Canadian business?**

Trade compliance is important for businesses because, like government, they require accurate information to develop sound business plans and to support key business decisions. Therefore, Canadian businesses have a vested interest in ensuring the quality of information that they are obligated to provide regarding the movement of commercial goods across the border.

Moreover, businesses that invest resources to support trade compliance will likely submit fewer corrections to their original accounting documents, which in turn equates to lower overhead costs. Businesses that establish good compliance records with the CBSA are less likely to have their shipments examined at the border or selected for post-release verification, or to receive administrative monetary penalties under the Administrative Monetary Penalty System (AMPS). Simply put, a good trade compliance record is related to risk — the lower the risk, the less need for intervention by the CBSA. Fewer interventions by the CBSA equates to lower business costs and to the faster movement of goods.

In addition, businesses that have a proven record of compliance and have invested in their systems, processes and employee training may be eligible to participate in the CBSA's pre-approval programs such as Customs Self Assessment (CSA) and Free and Secure Trade (FAST). Those who qualify will benefit from streamlined clearance, accounting and payment processes.

# How does the CBSA promote trade compliance?

Trade facilitation is a key element of the CBSA's role in supporting Canada's economy. As such, the CBSA invests in programs that permit expedited processing of shipments for those that comply with all of the requirements governing the movement of commercial goods into and from Canada. This investment allows the CBSA to focus on those areas or businesses where compliance issues need to be addressed.

The CBSA recognizes that providing information and services is the key to supporting compliance within the business community. Therefore, the CBSA provides access to resources such as the following:

- publications (e.g. d-memorandums, customs notices);
- outreach activities such as seminars for new importers and exporters;
- advance rulings;
- the Small and Medium-Sized Enterprise Centre on the CBSA's Web site (a source of importing products and tools, such as checklists, step-by-step guides and seminar registrations); and
- the Border Information Service (BIS) – a toll-free border information line.

The CBSA further ensures trade compliance by undertaking the following:

- examining goods and shipments at the border;
- conducting post-release verifications to confirm trade compliance and to correct errors (this includes issuing reassessments to collect additional duties); and
- issuing AMPS penalties when errors are found.

## Final thought

Businesses have a vested interest in getting trade compliance right because being compliant affects more than their bottom line. Trade compliance is a key element in maintaining a competitive Canadian business community and in supporting the health and safety of Canadian society. While the CBSA is charged with ensuring that businesses comply with trade requirements, compliance can only be achieved if there is a shared commitment between the CBSA and the business community. Everyone has an important role to play.

For more information, visit the Contact Us page on the CBSA's Web site or within Canada call the Border Information Service at **1-800-461-9999**. From outside Canada call 204-983-3500 or 506-636-5064. Long distance charges will apply. Agents are available Monday to Friday (08:00 - 16:00 local time / except holidays). TTY is also available within Canada: **1-866-335-3237**.

# Notes