



Via: Email: CBSA.OCT/CECO.ASFC@cbsa-asfc.gc.ca

July 26, 2023

Canada Border Services Agency (CBSA)

ATTN: Valerie Dinis, Acting Director Commercial and Trade Policy Division Traveler, Commercial, and Trade Policy Directorate Strategic Policy Branch

Re:  Canada Gazette, Part I, Volume 157, Number 21: Regulations Amending the Valuation for Duty (VFD) Regulations

Dear Ms. Dina:

The American Association of Exporters and Importers (AAEI) is pleased to provide comments regarding the Canada Border Services Agency (CBSA) consultation on the proposed regulations amending the valuation for duty regulations.

For over 100 years, AAEI has served as a prominent national voice for the United States' international trade community. AAEI proudly represents a diverse range of industry sectors within the international trade landscape, comprising manufacturers, importers, exporters, wholesalers, retailers, and various service providers such as customs brokers, freight forwarders, trade advisors, insurers, security providers, transportation interests, and ports. Many of these entities are small businesses seeking opportunities to export to foreign markets. AAEI's primary focus lies in promoting fair and open trade policies, advocating for companies involved in international trade, and addressing essential issues like supply chain security, export controls, non-tariff barriers, import safety, and Customs and Border Protection matters. As the premier U.S. international trade organization, AAEI is recognized for its expertise in the day-to-day facilitation of trade, including the administration and compliance with import and export laws of the United States, making it an indispensable resource for those directly involved in and impacted by developments in international trade.

General Comments

Firstly, AAEI supports the comments of AAEI's Canadian sister organization the Canadian Association of Importers and Exporters (IE Canada). The United States and Canada enjoy the world's largest and most comprehensive trading relationship that supports millions of jobs in each country and constitutes a US \$1.7 trillion bilateral trade and investment relationship. Canada is traditionally the top U.S. export market, accounting for 17.5% of all U.S. goods exports in 2021. In 2021, Canada became the top trading partner of the United States. Canada and the United States trade over US\$2 billion in goods and services daily.

AAEI members acknowledge CBSA's rationale to "protect Canadian importers' ability to compete on a level playing field with non-resident importers (NRI)." However, we have substantial concerns about the proposed "last sale rule" and its potential impact on Canadian resident importers.

After extensive review with our members and colleagues across Canada and abroad, we find the proposed changes flawed, raising uncertainties and potentially harming Canadian supply chains and inflation for consumers. Moreover, these changes may impact international companies with assets in Canada, affecting Canada's global trade competitiveness. As such, we recommend that the Government of Canada (GOC) not enact CBSA's proposed changes.

The proposed regulations are inconsistent with Canada's obligations under Article 1 of the Agreement on implementing Article VII of the General Agreement on Tariffs and Trade 1994 (WTO Customs Valuation Agreement). The proposed regulatory text targets traditional domestic sales transactions and may substantially increase the VFD and taxes for Canadian resident importers. The approach appears to be aimed at domestic transactions, which could be detrimental to cross-border trade.

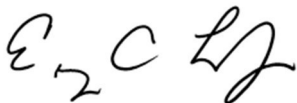
Furthermore, we are concerned about how CBSA will enforce these provisions, as importers may find compliance challenging, rendering enforcement difficult.

Recommendations

1. We strongly urge the Government of Canada (GOC) not to proceed with the proposed regulatory changes as stated in Gazette 1.
2. We recommend establishing an interagency committee, including private sector members, to conduct a comprehensive review of the proposal and its potential impacts on Canada. A collaborative approach is essential for making well-informed decisions.
3. We also recommend conducting an internal review of the proposal, including its supporting documentation, to ensure that it aligns with current global agreements on valuation and compliance.

Please advise if you have any questions or require any clarification of our comments.

Sincerely,



Eugene C. Laney
President & CEO