

TRADE WITH NORTHERN NEIGHBOR DEPENDS UPON CUSTOMS AUTOMATION

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The United States and Canada share the world's longest undefended border and \$400 billion dollars worth of bilateral trade annually. As Doug Waddell of the Embassy of Canada stated at the recent CANAM BTA Conference, "The way we have managed the border we share over the last century has reflected the special relationship and friendship that is the model of good neighbours." The relationship between Canada and the US is strong. Cross border trade is booming and there are relatively few trade disputes. Trade between the US and Canada is smooth compared to trade between other countries, especially the US border with Mexico. However, continued free trade with our northern neighbor depends, in large part, on developing an efficient system for the clearance of goods over our borders.

The volume of shipments resulting from the growth of cross-border trade has become a great challenge to the US and Canadian Customs agencies. Our two countries need to come to some agreement on how to prevent costly delays at the border. The US and Canada have agreed to the concept of sharing customs offices on each side of the border in order to make clearance procedures more efficient. Four new facilities are under construction along our border whereby Customs officials can work together to speed the process of clearing goods. The US has passed legislation to put a system together in which US and Canadian Customs officials would actually share posts, but a similar Canadian law is still to be passed. There are a number of outstanding issues to be clarified, especially when it comes to enforcement. However, before any new system can be put into place, the US Customs Service must create an improved system for the clearance of goods.

Customs clearance on our northern border is slow due to the current Automated Commercial System (ACS). ACS is experiencing more brownouts, shutdowns, and slow-downs as Customs struggles to keep it operational. There are other operational problems, too. Often times US Customs booths are closed, even at key crossings, which slows down the movement of goods. The monetary and resource costs associated with delays caused by systems failures are unimaginable to the trade community. The cost of maintaining ACS is estimated to exceed \$28 million this year. With only \$8 million appropriated in FY 1999, Customs is left to patch ACS as problems occur. The cost of creating contingency plans in case ACS slows down or crashes is unknown. For FY 2000, appropriations for ACS were increased to \$67 million, which should allow for continued operations. Funding for a newer, better system is in doubt.

Continued trade with Canada is essential to the health of the US economy. How can the US economy continue to grow when the clearance of goods is hampered by an inefficient system? The US Customs Service and members of the US trading community have called for the development of the Automated Commercial Environment (ACE).

In order to develop and implement ACE, Customs requires \$1.2 billion over the next 4 years. The lack of monetary resources for automated government systems will bring international trade to a screeching halt. No one knows what the effects of a total ACS crash will have on trade, but one can surmise that the results will be detrimental to all international transactions especially to cross-border transactions with Canada.

A better system of shipment inspection must also be put into place in order to facilitate cross-border trade. Canadian customs is looking into developing a customs self-assessment regime for low-risk, high-volume importers of goods from the US. Exporters can file monthly reports with the Canadian government for all transactions. This would enable Canadian customs inspectors to concentrate their efforts on preventing the shipment of illegal goods, drugs and other security threats. This new system will enable commerce to move more effectively and will enable honest business people to conduct their business more efficiently. The US Customs Service should look into developing a similar system.

Herb Dhaliwal, the Canadian Minister for National Revenue stated, "Our friendly border is both a symbol and a feature of prosperity." Canada's newly passed legislation to create a new Customs agency (Canada Customs and Revenue Agency) promises to make trade more efficient and to facilitate the movement of goods across our borders, including making it easier for tourists to cross the border. The US must look to the Canadian example to make the movement of goods more efficient. In addition, the US Customs Service and the trade community ask that the Administration and Congress grant the funds to the US Customs Service to build this better system. Without an improved automated clearance program and a more efficient system for the clearance of goods at the border, \$400 billion worth of trade with our largest single trading partner is threatened and would be detrimental for our own economy.