



Customs Procedures and Utilization of FTAs

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Target Corporation

- Major U.S. retailer
- Broad assortment of products
- Global presence, through Target Sourcing Services
- 2nd largest importer in the United States
- Extensive supplier base



FTA Utilization and Sourcing

- Less than 20 suppliers provide FTA-qualifying merchandise.
- Burden to determine if product will utilize provision of FTA resides almost completely with manufacturer.
- Risk of whether goods are compliant with FTA requirements resides almost completely with the importer.



FTA Utilization and Customs

- Customs will determine whether products are eligible for an FTA by requesting documents.
- Document requests are extremely burdensome.
 - Time consuming
 - Expensive
- Failure is extremely costly.
- Cost of documentation and risk associated with participation results in under-utilization of FTAs.



FTA Utilization

- Studies in Japan have shown that where a trading relationship exists there are two main obstacles to utilization of FTAs:
 - Cost of documentation/participation and
 - Understanding of the opportunity.
- Only the biggest companies can absorb additional cost and build expertise necessary to utilize FTA's.



FTA Utilization

- Improving the opportunity for utilization is something that policy makers must confront to make this a 21st century agreement.
- TPP must create simple and understandable rules for eligibility and reduce burden for documentation to encourage more participation.



FTA Utilization and Customs

- One solution is account-based processing and harmonization of customs procedures among all TPP countries.
- Customs authorities can partner to validate by account, not by entry.
 - Increase transparency
 - Improve predictability of determinations through a coherent set of rules
 - Objective and mutual recognition of controls