

Annual Report for the Year 2016

Annual Report to Parliament on the Administration of the *Export and Import Permits Act*



Table of Contents

INTRODUCTION	1
PURPOSE OF THE <i>EXPORT AND IMPORT PERMITS ACT</i>	1
IMPORT CONTROLS.....	2
EXPORT CONTROLS.....	2
REPORT	3
KEY DEVELOPMENTS IN 2016.....	3
A) <i>Import Controls Policy</i>	3
B) <i>Export Controls Policy</i>	3
IMPORT CONTROLS.....	5
A) <i>Import Controls: Textiles and Clothing</i>	5
B) <i>Import Controls: Agriculture and Dairy Products</i>	6
C) <i>Import Controls: Steel</i>	12
D) <i>Import Controls: Weapons, Munitions and Chemicals</i>	13
E) <i>Import Controls: International Import Certificates and Delivery Verification Certificates</i>	13
EXPORT CONTROLS.....	15
A) <i>Export Controls: Military, Strategic and Dual-use Items</i>	17
B) <i>Export Controls: Area Control List</i>	19
C) <i>Export Controls: Automatic Firearms Country Control List</i>	20
D) <i>Export Controls: Softwood Lumber</i>	20
E) <i>Export Controls: Logs</i>	21
F) <i>Export Controls: Agri-food Products to the United States</i>	22
G) <i>Export Controls: Textiles and Clothing</i>	23
H) <i>Export Controls: General Export Permits</i>	24
OFFENCES UNDER THE <i>EXPORT AND IMPORT PERMITS ACT</i>	26
PERFORMANCE STANDARDS.....	27
GLOSSARY	29

List of Figures

Figure 1: Number of Import Permits Issued for Controlled Goods in 2016.....	5
Figure 2: Number of Import Permits Issued for Weapons, Munitions and Chemicals in 2016.....	13
Figure 3: Number of Export Permits Issued for Controlled Goods in 2016	16

List of Tables

Table 1: <i>Textiles and Clothing: Tariff Preference Levels and Utilization on Imports to Canada in 2016</i>	6
Table 2: <i>Poultry and Eggs: Tariff Rate Quotas and Supplemental Imports in 2016</i>	8
Table 3: <i>Dairy Imports in 2016</i>	10
Table 4: <i>Other Agricultural Product Imports in 2016</i>	12
Table 5: <i>Export Control List Group and Permit Status Summary for 2016</i>	18
Table 6: <i>Strategic Export Permits for Top 12 Destinations for 2016</i>	19
Table 7: <i>Softwood Lumber Exports to the United States for 2016</i>	21
Table 8: <i>Logs Exports for 2016</i>	22
Table 9: <i>Agri-food Exports to the United States in 2016</i>	23
Table 10: <i>Textiles and Clothing: Tariff Preference Levels and Utilization on Export from Canada in 2016</i>	24

INTRODUCTION

The attached Annual Report to Parliament on the administration of the *Export and Import Permits Act* (EIPA) for the year 2016 is submitted pursuant to Section 27 of the Act, Chapter E-19 of the 1985 Revised Statutes of Canada, as amended, which provides:

"As soon as practicable after December 31 of each year the Minister shall prepare and lay before Parliament a report of the operations under this Act for that year."

On June 30, 2016, the Minister of Foreign Affairs and the Minister of International Trade announced that the Global Affairs Canada reporting related to military exports would be updated to increase transparency and strengthen Canadian export controls. This Annual Report includes relevant improvements and references to the Report on the Exports of Military Goods which has more detail regarding certain types of military exports.

PURPOSE OF THE *EXPORT AND IMPORT PERMITS ACT*

The authority to control the import and export of goods and technologies is derived from the EIPA. It finds its origin in the *War Measures Act* and was first introduced as an Act of Parliament in 1947 and subsequently amended on a number of occasions. The EIPA was last amended by Bill C-20 (*An Act to implement the Free Trade Agreement between Canada and the Republic of Honduras*). That Bill received Royal Assent on June 19, 2014. It amended the EIPA to add the definition Canada-Honduras Free Trade Agreement (CHFTA), and to enable the implementation of obligations in Schedules to the CHFTA.

The EIPA provides that the Governor in Council may establish lists known as the *Import Control List (ICL)*, the *Export Control List (ECL)*, the *Area Control List (ACL)*, and the *Automatic Firearms Country Control List (AFCCCL)*. For each one of these lists, the EIPA sets out criteria that govern the inclusion of goods, technologies or countries on the respective lists and provides that the Governor in Council may revoke, amend, vary or re-establish any of the lists. Control over the flow of goods and technology contained on these lists or to the specified destinations is affected through the issuance of import or export permits.

The EIPA delegates to the Minister of Foreign Affairs the authority to grant or deny applications for these permits and thus confers broad powers to control the flow of the goods and technology contained in these lists.

While the overall authority for the EIPA is that of the Minister of Foreign Affairs, to ensure the efficient functioning of the administration of the EIPA, the Minister of Foreign Affairs and the Minister of International Trade traditionally divide responsibility for the EIPA. This is in accordance with the *Department of Foreign Affairs, Trade and Development Act*, whereby the Minister of International Trade may assist with Minister of Foreign Affairs in carrying out responsibilities that are related to international trade.

Through an exchange of letters, the Minister of Foreign Affairs has asked the Minister of International Trade to take responsibility for import and export controls implemented for economic and trade-related reasons. These include import controls on agricultural products (including supply-managed products like poultry, eggs and dairy), along with sugar containing products, textiles and clothing, and steel for monitoring purposes.

The Minister of Foreign Affairs retains decision-making authority for controls over military, dual-use and strategic goods and technology, while first seeking the views and recommendations of the Minister of

International Trade for certain sensitive applications. Export controls for these items are intended to safeguard Canada's foreign and defence policy interests, while not hampering legitimate trade.

The operations carried out under the EIPA include:

- Trade Controls implemented for economic reasons, which are an important element of Canada's free trade agenda: ensuring that Canadians and Canadian businesses are able to benefit from an open global trading regime, while also supporting vulnerable Canadian industries and important Canadian policies, such as supply management.
- Export Controls over dual-use, military and strategic goods, which are designed to ensure that our exports are consistent with Canadian foreign and defence policies. Canada's export controls are not intended to hamper legitimate trade but seek to balance the economic and commercial interests of Canadian business with the national interest of Canada.

The information contained in this report is organized under the following headings:

IMPORT CONTROLS

- A) Textiles and clothing
- B) Agriculture and dairy
- C) Steel
- D) Weapons, munitions and chemicals

EXPORT CONTROLS

- A) Strategic, dual-use, military and atomic energy goods, materials and technology as well as items controlled for non-proliferation purposes
- B) Any goods or technology to countries listed on the *Area Control List*
- C) Miscellaneous goods and technology, where applicable, including logs, softwood lumber, cedar bolts and blocks, peanut butter, sugar, sugar-containing products and products of United States origin
- D) Textiles and clothing

REPORT

KEY DEVELOPMENTS IN 2016

A) Import Controls Policy

Domestic Market Shortage Policy for Cream

Beginning in late 2015, the domestic dairy market began to experience a shortage of butterfat, which had a negative impact on Canada's further processing sector. Supplemental import authorizations were approved under the EIPA to help alleviate the shortage; however, the situation persisted. To assist in addressing the impacts of the ongoing butterfat shortage for dairy processors, Global Affairs Canada worked closely with Agriculture and Agri-Food Canada and the Canadian Dairy Commission to develop and implement a pilot domestic market shortage policy for supplemental imports of cream for manufacturing. Dairy industry stakeholders were consulted as a part of this process. The policy came into effect on August 30, 2016 and is described in Notice to Importers No. 882. The policy established transparent, verifiable criteria to assess and process requests for supplemental imports of cream to ensure that the issuance of supplemental import authorizations would not have a negative long-term impact on supply management in the dairy sector.

For more information, see Notice to Importers No. 882: www.international.gc.ca/controls-controles/prod/agri/dairy-laitiers/notices-avis/882.aspx?lang=eng

Peanut Butter Policy

After consultations with industry stakeholders, Global Affairs Canada established a new allocation policy for the export of peanut butter to the United States which was published on September 30, 2016 in Notice to Exporters No. 199. Beginning in the 2017 allocation year, allocations have been based on the total volume of peanut butter exported by the allocation holder in the previous quota year, less any quantities deducted in accordance with a new return penalty. Changes were made to both the return and penalty provisions of the allocation methodology and any quantities unallocated at the beginning of the quota year will be put towards the new entrants' pool. Finally, any quota unallocated or returned during the quota year will be made available throughout the year on a first-come, first-served basis to eligible allocation holders that have utilized a minimum of 80 per cent of their initial allocation and to eligible new entrants. The revisions to the policy are meant to encourage full utilization of the available quota.

For more information, see Notice to Exporters No. 199: www.international.gc.ca/controls-controles/prod/agri/peanut-arachides/notices-avis/199.aspx?lang=eng

B) Export Controls Policy

Iran

On February 5, 2016, the Minister of Foreign Affairs and the Minister of International Trade announced changes to Canada's economic sanctions against Iran. Canada will continue to maintain tight controls on exports to Iran of goods and technologies that are considered sensitive from a national and international security perspective. Applications for export permits for all items listed on the ECL pursuant to the EIPA will be considered on a case-by-case basis. Applications will normally be denied for permits to export to Iran any goods or technologies that are considered the most sensitive from a national and international security

perspective (including nuclear goods and technologies, as well as those goods and technologies that could assist the development of Iran's ballistic missiles program).

For more information, see Notice to Exporters No. 196: www.international.gc.ca/controls-controles/systems-systemes/excol-ceed/notices-avis/196.aspx?lang=eng

Belarus

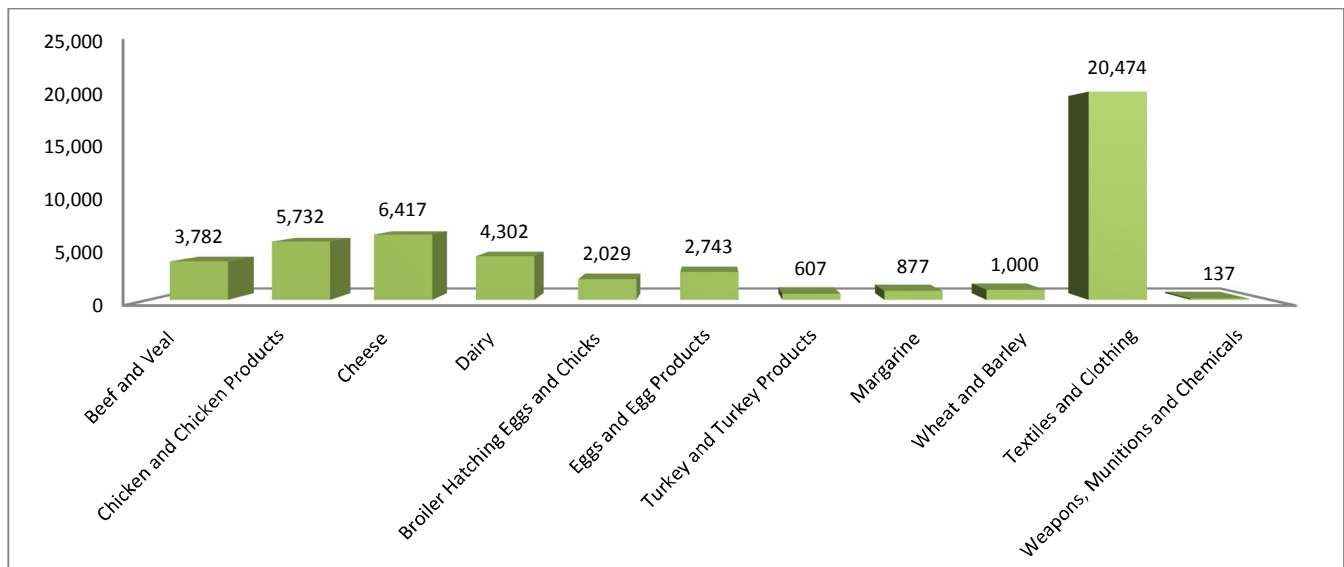
In response to positive development in Belarus, Global Affairs Canada has initiated the regulatory process to remove Belarus from the ACL, thereby lifting sanctions that have been in place since December 14, 2006. This is consistent with actions taken by the United States and the European Union since October 2015. It also reflects Canada's acknowledgment that the Government of Belarus has made progress in key areas in recent months, including the release of political prisoners and conducting a presidential election in October 2015, which demonstrated greater adherence to international norms and was not marked by the levels of violence and intimidation seen in past elections. Canada also recognizes the constructive role played by Belarus in facilitating negotiations toward a ceasefire and peace agreement in Ukraine—the Minsk agreements—in September 2014 and February 2015. While the regulatory process to remove Belarus from the ACL is ongoing, Global Affairs Canada will continue to issue permits for the export to Belarus of any goods and technology not specifically listed in the ECL. For those goods and technologies that are listed on the ECL, applications for export permits will be reviewed on a case-by-case basis.

For more information, see Notice to Exporters No.197: www.international.gc.ca/controls-controles/systems-systemes/excol-ceed/notices-avis/197.aspx?lang=eng

IMPORT CONTROLS

In 2016, Global Affairs Canada issued 48,100 permits for the import of controlled goods, as indicated in Figure 1. 5,051 applications for permits were rejected and 3,025 were later cancelled. The vast majority of permit cancellations were generated by the need to amend permit details, such as quantity, import date or supplier information. A small number of permits were cancelled to address company non-compliance with legislative, regulatory or policy requirements or criteria.

Figure 1
Number of Import Permits Issued for Controlled Goods in 2016



A) Import Controls: Textiles and Clothing

Textile and clothing imports are controlled as a result of various free trade agreements, including the North American Free Trade Agreement (NAFTA), and the agreements with Chile, Costa Rica and Honduras. The agreements provide for preferential access for non-originating products through the use of Tariff Preference Levels (TPLs).

All TPLs for imports are made available on a first-come, first-served basis. Once the specified annual quantity under a free trade agreement has been fully utilized, non-originating apparel, textiles and made-up goods will be subject to the Most Favoured Nation tariff rate for the remainder of that TPL year. Canadian importers require a shipment-specific import permit for all TPL imports into Canada under the negotiated quantity. TPL-eligible shipments entering Canada under a shipment-specific import permit can normally do so at the rate equivalent to the originating rate.

There were no changes to the administration of existing agreements in 2016.

TPL imports and utilization for 2016 are noted in Table 1.

Table 1**Textiles and Clothing: Tariff Preference Levels and Utilization on Imports to Canada in 2016**

Square metre equivalents (sme) or Kilograms (Kg)	United States		Mexico		Chile		Costa Rica		Honduras	
	Access Level	Utilization	Access Level	Utilization	Access Level	Utilization	Access level	Utilization	Access Level	Utilization
Wool Apparel (sme)	919,740	446,693	250,000	108,404	112,616	0	N/A	N/A	N/A	N/A
Cotton or Man-made Fibre Apparel (sme)	9,000,000	8,999,630	6,000,000	1,103,643	2,252,324	0	N/A	N/A	N/A	N/A
Cotton or Man-made Fibre Fabrics and Made-up Goods (sme)	2,000,000	259	7,000,000	0	1,000,000	0	1,000,000	0	N/A	N/A
Cotton or Man-made Fibre Spun Yarns (sme)	1,000,000	463,783	1,000,000	0	500,000	0	150,000	0	N/A	N/A
Wool Fabrics and Made-up Goods (kg)	N/A	N/A	N/A	N/A	250,000	0	250,000	0	N/A	N/A
Fabric and Made-up Goods (kg)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,000,000	0
Apparel (sme)	N/A	N/A	N/A	N/A	N/A	N/A	1,379,570	0	4,000,000	348,750

B) Import Controls: Agriculture and Dairy Products

Canada is a signatory to the World Trade Organization (WTO) Agreement on Agriculture concluded in December 1993. This Agreement obliged Canada to convert its existing quantitative agricultural import controls to a system of tariff rate quotas (TRQs), which came into effect in 1995.

Under TRQs, imports are subject to low within-access commitment rates of duty up to a predetermined limit (i.e., until the import access quantity has been reached), while imports over this limit are subject to higher over-access commitment rates of duty. For most products, the privilege of importing at the within-access commitment rates of duty is allocated to firms through the issuance of import allocations (or "quota-shares"). Those with quota-shares normally receive, upon application, specific import permits giving access to the within-access commitment rates of duty as long as they meet the terms and conditions of permit issuance. These conditions are normally described in Allocation Method Orders and in Notices to Importers. Imports in excess of access levels are permitted under General Import Permit No. 100 - Eligible Agricultural Goods, which allows unrestricted imports at the higher rate of duty. Canada continues to respect its access level commitments under the NAFTA, and where both WTO and NAFTA commitments exist, Canada applies the higher of the two levels for the product in question.

Under the EIPA, the Minister may, at his discretion, authorize imports of products subject to TRQs apart from the import access quantity, particularly if the Minister determines that the importation of these

products is required to meet Canadian market needs. Supplemental import permits are normally issued for the following specific purposes:

- to address domestic market shortages;
- to assist Canadian manufacturers to compete with similar imported products that can enter Canada duty free or at a low rate of duty as a result of the NAFTA (the Import-to-Compete Program);
- to assist Canadian manufacturers to compete in foreign markets (the Import for Re-Export Program (IREP));
- to facilitate test marketing in the Canadian market of new products that are, for example, unique or are produced with unique processes and require a substantial capital investment for their production; or
- to address extraordinary or unusual circumstances.

The policy governing supplemental import permits for each commodity can be found at www.eics-scei.gc.ca, with any updates published under a Notice to Importers.

All TRQs are based on Customs Tariff item numbers. When the TRQs came into effect in 1995, the ICL was amended to replace named products (e.g. turkey and turkey products) with tariff item numbers. For ease of understanding, the older product descriptions continue to be used in this report.

1) Poultry Products

Effective January 1, 1995, Canada's chicken, turkey, broiler hatching eggs and chicks, shell egg and egg product quantitative restrictions were converted to TRQs and were maintained on the ICL in order to support supply management of poultry under the *Farm Products Marketing Act* and to support action taken under the *WTO Agreement Implementation Act*.

Chicken was placed on the ICL on October 22, 1979. Pursuant to the NAFTA, the import access level is set annually at 7.5 per cent of domestic production for that year or the WTO level of 39,900,000 kilograms, expressed in eviscerated equivalent (EE) weight, whichever is higher.

Turkey and turkey products were placed on the ICL on May 8, 1974. Pursuant to the NAFTA, the access level is 3.5% of the current year's domestic production quota or the WTO level of 5,588,000 kilograms (EE), whichever is higher.

Broiler hatching eggs and chicks for chicken production were placed on the ICL on May 8, 1989. Pursuant to the NAFTA, the combined import access level for broiler hatching eggs and chicks is 21.1 per cent of the estimated domestic production of broiler hatching eggs for the calendar year to which the TRQ applies. The combined annual import access level is divided into separate levels of 17.4 per cent for broiler hatching eggs and 3.7 per cent for egg-equivalent chicks.

Eggs and egg products were placed on the ICL on May 9, 1974. Pursuant to the NAFTA, the import access level for eggs and egg products is set at a total of 2.988 per cent of the previous year's domestic production and in accordance with the following breakdown: 1.647 per cent for shell eggs; 0.714 per cent for liquid, frozen or further-processed egg products; and 0.627 per cent for egg powder.

In 1996, an allocation for eggs for breaking purposes was introduced. This resulted from a WTO commitment to increase the import access quantity to a level greater than the NAFTA access level at the time. The WTO

level (21,370,000 dozen eggs in 2016) continues to be higher than Canada's NAFTA access level. The eggs for breaking purposes allocation is equal to the difference between the WTO and NAFTA commitment levels.

There were no changes made regarding the administration of these controls for 2016. Details are summarized in Table 2.

Table 2
Poultry and Eggs: Tariff Rate Quotas and Supplemental Imports in 2016

Tariff Rate Quotas				Supplemental Imports			
Description	Unit of Measure	Access Level	Within-Access Imports	IREP	Import to Compete	Market Shortage	Other
Chicken and Chicken Products (EE)	EE Kilograms	83,312,025	82,774,235	13,778,369	3,565,421	0	0
Turkey and Turkey Products (EE)	EE Kilograms	5,709,432	5,503,661	24,022	0	0	0
Broiler Hatching Eggs and Chicks	Egg Equivalent	155,115,697	153,747,499	0	0	3,041,280	
Eggs and Egg Products	Egg Equivalent	21,370,000	20,739,373	2,553,184	0	33,879,331	0
Shell Eggs	Dozens	10,539,475	10,539,427			14,211,693	
Shell Eggs for Breaking	Dozens	2,249,205	2,068,527	1,198,620	0	18,380,568	0
Egg Powder	Kilograms	605,857	595,113	2,401	0	79,919	0
Liquid, frozen or further processed egg products (kg)	Kilograms	2,627,190	2,409,407	1,354,163	0	740,065	0

Import permits are required for importing inedible egg products into Canada, for monitoring purposes only. Permits were issued for 2,409,639 kilograms of this type of product in 2016.

2) Dairy Products

Quantitative restrictions in 12 categories of dairy products were converted to TRQs in support of supply management under the *Canadian Dairy Commission Act* and action taken under the *WTO Agreement Implementation Act*. These products are:

- i) butter, dairy spreads, and oils and fats derived from milk (implemented on August 1, 1995);
- ii) cheese of all types other than imitation cheese (implemented on January 1, 1995);
- iii) buttermilk powder (implemented on January 1, 1995);
- iv) fluid milk (implemented on January 1, 1995)¹;
- v) dry whey (implemented on August 1, 1995);
- vi) concentrated/condensed milk/cream (implemented on January 1, 1995);
- vii) cream (implemented on August 1, 1995);

¹ The fluid milk access level represents estimated annual cross-border purchases by Canadian consumers. The goods are imported under General Import Permit No. 1 - Dairy Products for Personal Use. On January 26, 2000 General Import Permit No. 1 was amended. The \$20 limit in value for each importation of fluid milk for personal use was removed.

- viii)** products consisting of natural milk constituents (implemented on January 1, 1995);
- ix)** food preparations under tariff item 1901.90.33 (implemented on January 1, 1995);
- x)** ice cream and ice cream novelties and yoghurt (implemented on January 1, 1995);
- xi)** dairy products, and other food preparations containing dairy, not subject to TRQs, including skimmed and whole milk powder, cream powder, other milk powder, other cream powder, buttermilk (other than powdered buttermilk), curdled milk and cream, kephir and other fermented or acidified milk and cream, animal feed, non-alcoholic beverages containing milk, and chocolate ice cream mix and ice milk mix (implemented on January 1, 1995); and
- xii)** milk protein substances with a milk protein content of 85 per cent or more by weight, calculated on the dry matter, that do not originate in the United States, Mexico, Chile, Costa Rica or Israel (implemented on September 8, 2008).

There were no changes made regarding the administration of these controls for 2016. TRQ import levels for 2016 are noted in Table 3.

Table 3
Dairy Imports in 2016

Tariff Rate Quotas				Supplemental Imports			
Kilograms (Kg) except where otherwise indicated with Tonnes (t)	Description/tariff item number	Access Level	Within-Access Imports	IREP	Import to Compete	Market Shortage	Other
Butter, dairy spreads, and oils and fats derived from milk (Aug. 1 - Jul. 31)	(TRQ allocated to Canadian Dairy Commission with 2,000,000 reserved for NZ)	3,274,000	3,269,250	9,818,628	0	0	8,368,871
Cheese of all types other than imitation cheese	(66% allocated to European Union)	20,411,866	20,327,889	2,813,446	0	0	1,849,998
Powdered buttermilk	(reserved for imports from NZ)	908,000	364,100	73,568	0	0	19,947
Buttermilk (other than powdered buttermilk), curdled milk and cream, kephir and other fermented or acidified milk and cream	0403.90.91.10 0403.90.91.90	0	0	2,721	0	0	52,564
Fluid milk		64,500 (t)	0	14,067,645	0	0	967
Dry whey (Aug. 1 - Jul. 31)		3,198,000	430,127	1,849,447	0	0	4,725
Concentrated/condensed milk/cream	(reserved for imports from Australia)	11,700	0	1,143,720	0	0	9
Cream (Aug. 1 - Jul. 31)	(sterilized, minimum 23% butterfat and sold in cans with volume less than 200 milliliters)	394,000	393,749	738,365	0	0	132,649
Products consisting of natural milk constituents		4,345,000	3,551,393	570,908	0	0	360
Food preparations	1901.90.33	70,000	70,000	24,268	0	0	0
	1901.20.11	0	0	0	0	0	0
	1901.90.21	0	0	0	0	0	0
	1901.90.31	0	0	0	0	0	0
	1901.90.51	0	0	0	0	0	0
	1901.90.53	0	0	122,704	0	0	0
	2106.90.31	0	0	0	0	0	0
	2106.90.93	0	0	917,860	0	0	231,030
Ice cream and ice cream novelties and yoghurt	Ice Cream	484,000	354,205	0	0	0	3,517
	Yoghurt	332,000	190,297	127,540	0	0	269,569

(Table continued on next page)

Table 3
Dairy Imports in 2016 (continued)

Tariff Rate Quotas				Supplemental Imports			
Kilograms (Kg) except where otherwise indicated with Tonnes (t)	Description/tariff item number	Access Level	Within-Access Imports	IREP	to Compete	Market Shortage	Other
Dairy products, other than food preparations, not subject to tariff rate quotas, including, skimmed and whole milk powder, cream powder, other milk powder, other cream powder, animal feed, non-alcoholic beverages containing milk, and chocolate ice cream mix and ice milk mix	Skimmed Milk Powder	0	0	2,603,053	0	0	26,647
	Whole Milk Powder	0	0	1,698,112	0	0	36,196
	Other Chocolate Ice Cream Mix and Ice Milk Mix	0	0	0	0	0	0
	Non-alcoholic Beverages containing Milk	0	0	0	0	0	0
	Complete Feeds and Feed Supplements containing 50% or more Milk Solids	0	0	0	0	0	0
	Cream Powder	0	0	193,552	0	0	0
Milk protein substances with a milk protein content of 85% or more by weight, calculated on the dry matter, that do not originate in the United States, Mexico, Chile, Costa Rica, or Israel (Apr. 1 - Mar. 31)		10,000,000	3,863,855	5,600	0	0	0

3) Other Agricultural Products

Other agriculture products subject to controls are: margarine; wheat, barley and their products; and beef and veal.

The TRQ for margarine was introduced on January 1, 1995.

The restrictions imposed on imports of wheat, barley and their products under the *Canadian Wheat Board Act* were converted to TRQs on August 1, 1995. These TRQs are administered by Global Affairs Canada and Canada Border Services Agency on a first-come, first-served basis using an August-July year. Importers may cite General Import Permit No. 20 - Wheat and Wheat Products, Barley and Barley Products to import goods at the lower rate of duty. Once the access levels are filled, importers must cite General Import Permit No. 100 - Eligible Agricultural Goods on customs entry documents to import goods at the higher rate of duty.

Administrative measures are established to ensure full usage of quota, which sometimes results in imports at the within-access rate over the TRQ limit.

The restrictions on imports of non-NAFTA beef and veal established under the *Meat Import Act* were converted to a TRQ on January 1, 1995. The TRQ applies to all imports of fresh, chilled and frozen beef and veal imported from non-NAFTA countries (except Chile).

There were no changes made regarding the administration of these controls for 2016. TRQ import levels for 2016 are noted in Table 4.

Table 4
Other Agricultural Product Imports in 2016

Tariff Rate Quotas				Supplemental Imports			
Kilograms (Kg) except where otherwise indicated with Tonnes (t)	Description/tariff item number	Access Level	Within-Access Imports	IREP	Import to Compete	Market Shortage	Other
Margarine		7,558,000	3,515,876	0	0	0	0
Wheat, Barley and their Products	Wheat	226,883 (t)	100,243 (t)				
	Wheat Products	123,557 (t)	201,351 (t)	0	0	0	0
	Barley	399,000 (t)	184,590 (t)				
	Barley products	19,131 (t)	40,409 (t)	0	0		12,041 (t)
Beef and Veal (non-NAFTA except Chile)	Imports from Australia	35,000 (t)	59,286(t)	N/A	N/A	0	N/A
	Imports from New Zealand	29,600 (t)					
	Imports from all countries certified by the CFIA	11, 809 (t)					

C) Import Controls: Steel

Carbon steel products (semi-finished steel, plate, sheet and strip steel, wire rods, wire and wire products, railway-type products, bars, structural shapes and units, and pipes and tubes) were initially placed on the ICL, effective September 1, 1986, following a report by the Canadian Import Tribunal recommending the collection of information on goods of this type entering Canada. Speciality steel products (stainless flat-rolled products, stainless steel bars, wire and wire products, alloy tool steel, mould steel and high speed steel) were added to the ICL, effective June 1, 1987, pursuant to an amendment to the EIPA providing for import monitoring of steel products under certain conditions. The current mandate for the steel monitoring program extends until October 30, 2017.

The purpose of placing carbon and speciality steel on the ICL is to provide more timely and precise steel import data. There are no quantitative restrictions and the requirement for shipment-specific import permits was removed in 2012.

Each year the Minister of Foreign Affairs also tables a report to Parliament with a statistical summary of any information collected during that year related to the steel. The report is required to be tabled within the first 15 sitting days of Parliament. The 2016 report was tabled on February 17, 2017.

D) Import Controls: Weapons, Munitions and Chemicals

Pursuant to items 70 to 73 and 91 of the ICL, an import permit is required to import into Canada all small- and large-calibre weapons, ammunition, bombs, pyrotechnics, tanks and self-propelled guns. As well, all components and parts specifically designed for these items also require import permits. Firearms classified as non-restricted or restricted in legal classification and destined to sporting or recreational use, and their parts, are exempted from an import permit.

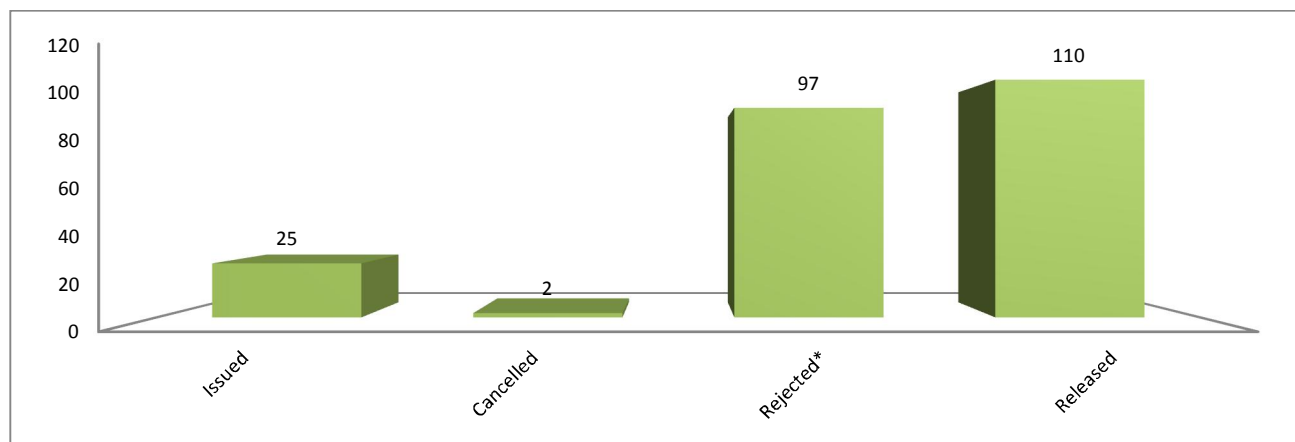
Manufacturers and businesses licensed by the Provincial Chief Firearms Officers may import prohibited weapons, prohibited firearms and prohibited devices under strictly controlled conditions.

Pursuant to item 74 of the ICL, an import permit is required to import certain toxic chemicals, precursors and mixtures.

As a result of the introduction in late 2013 and early 2014 of 18 Broad-Based Import Permit Letters issued to low-risk, high-volume commercial importers of firearms and related goods, the number of import permits for these items processed annually was reduced by approximately 96 per cent.

Figure 2

Number of Import Permits Issued for Weapons, Munitions and Chemicals in 2016



*import permits issues for weapons, munitions and chemicals are usually rejected due to a lack of appropriate information.

E) Import Controls: International Import Certificates and Delivery Verification Certificates

The issuance of international import certificates and delivery verification certificates is provided for under section 9 of the EIPA and under the *Import Certificate Regulations* (C.R.C., c. 603). International import certificates enable an importer to describe goods in detail and to certify that he/she will not assist in their disposal or diversion during transit. Such assurances may be required by the country of export before permitting the shipment of certain goods, most notably munitions and strategic goods. An international import certificate is not an import permit and does not entitle the holder to import the goods described on

the certificate into Canada. Delivery verification certificates may be issued following arrival of the goods in Canada to enable an exporter of goods to Canada to comply with requirements of the exporting country.

In 2016, Global Affairs Canada issued 1,910 international import certificates (a steep decline since 2011, due to the implementation of International Import Certificate Letters to trusted high-volume importers as an administrative streamlining measure) and 399 delivery verification certificates.

EXPORT CONTROLS

Section 3 of the EIPA provides that the Governor in Council may establish a list of goods and technology, to be called an ECL, including therein any article the export of which the Governor in Council deems it necessary to control for purposes specified in the EIPA.

The ECL comprises seven groups, as follows:

- Group 1: Dual Use List
- Group 2: Munitions List
- Group 3: Nuclear Non-proliferation List
- Group 4: Nuclear-Related Dual Use List
- Group 5: Miscellaneous Goods and Technology
- Group 6: Missile Technology Control Regime List
- Group 7: Chemical and Biological Weapons Non-Proliferation List

Groups 1 and 2 encompass Canada's multilateral strategic commitments under the Wassenaar Arrangement and control, respectively, dual-use and military goods and technology. The Wassenaar Arrangement was established in order to contribute to regional and international security and stability, by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies, thus preventing destabilising accumulations. The aim is also to prevent the acquisition of these items by terrorists. The 2016 Military Exports Report (<http://www.international.gc.ca/controls-controles/report-rapports/mil-2016.aspx?lang=eng>) contains extensive detail and break down of information on Group 2 exports.

Groups 3, 4, 6 and 7 represent Canada's multilateral commitments under the various non-proliferation regimes (the Nuclear Suppliers Group, the Australia Group, and the Missile Technology Control Regime) designed to control the proliferation of weapons of mass destruction (chemical, biological and nuclear weapons) as well as their delivery systems.

Group 5 comprises various strategic and non-strategic goods and technologies that are controlled for other purposes, as provided in the EIPA. This category includes, *inter alia*, forest products (logs, softwood lumber) and agricultural products (peanut butter, sugar and sugar-containing products).

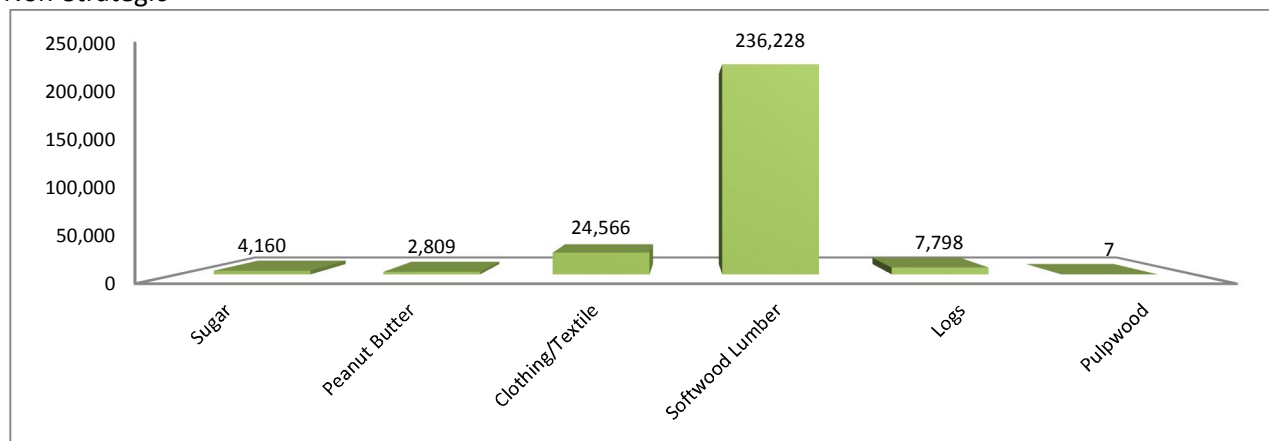
Group 5 also includes controls on the export of United States origin goods and technology not otherwise controlled on the ECL and controls over the export of other goods and technology not controlled elsewhere. Group 5 also contains a catch-all provision to control the export of goods or technology that may be destined for use in an activity or facility involved in weapons of mass destruction.

In addition, in accordance with the authority in the EIPA to implement an intergovernmental agreement, textile and clothing exports to countries with relevant free trade agreements (United States, Mexico, Chile, Costa Rica and Honduras) are regulated under the EIPA. Section 9.1 of the EIPA also authorizes the Minister of Foreign Affairs to issue export certificates of eligibility.

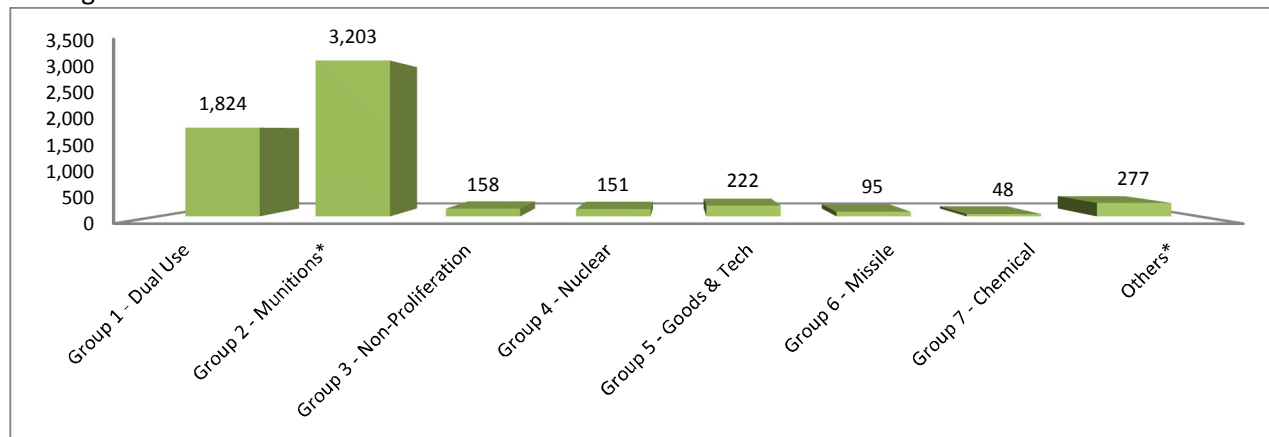
In 2016, Global Affairs Canada issued 275,568 permits for non-strategic exports (softwood lumber, logs, clothing and textiles, and agricultural products) while 4,226 applications were rejected and 11,192 cancelled. (Note that the term “denied” is not used for non-strategic exports.) 5,978 permits were issued for military, dual-use and strategic goods, while 348 applications were returned without action, 522 were withdrawn and 7 were denied.

Figure 3
Number of Export Permits Issued for Controlled Goods in 2016

Non-Strategic



Strategic



*Further details on Group 2 exports can be found in the 2016 Military Exports Report (<http://www.international.gc.ca/controls-controles/report-rapports/mil-2016.aspx?lang=eng>)

*This category captures exports of humanitarian goods to ACL countries not captured elsewhere on the ECL.

A) Export Controls: Military, Strategic and Dual-use Items

The EIPA authorizes the Minister of Foreign Affairs to issue to any resident of Canada a permit to export items included on the ECL or to a country included on the ACL, subject to certain terms and conditions.

An export permit describes, among other things, the quantity, description and nature of the items to be exported, as well as the final destination country and final consignee. Unless otherwise stated, an export permit may authorize multiple shipments, up to the expiry of the permit and as long as the cumulative total of the quantity or value of items exported does not exceed the quantity or value stated on the permit. An export permit constitutes a legally-binding authorization to export controlled goods or technology as described.

The principal objective of export controls is to ensure that exports of certain goods and technology are consistent with Canada's foreign and defence policies. Among other policy goals, export controls seek to ensure that exports from Canada:

- do not cause harm to Canada and its allies;
- do not undermine national or international security;
- do not contribute to national or regional conflicts or instability;
- do not contribute to the development of nuclear, biological or chemical weapons of mass destruction, or of their delivery systems;
- are not used to commit human rights violations; and
- are consistent with existing economic sanctions' provisions.

Canada's export controls are not intended to hamper legitimate trade but seek to balance the economic and commercial interests of Canadian business with the national interest of Canada.

In addition to compliance with the EIPA, exporters of goods and technology that are subject to export controls have a responsibility to conduct due diligence verifications of actual and potential foreign customers and to provide all relevant information in an export permit application. The Government of Canada's reviews of permit applications to export goods and technology seek to ensure that exports from Canada will not be diverted to illegitimate end-uses or end-users that would be contrary to the policy goals stated above or that could lead to considerable embarrassment or liability for the exporter. In other words, this review can be seen as another step in the exporter's due diligence process.

With respect to military goods and technology, Canadian export control policy has, for many years, been restrictive. Under present policy guidelines set out by Cabinet in 1986, Canada closely controls the export of military items to:

- countries which pose a threat to Canada and its allies;
- countries involved in or under imminent threat of hostilities;
- countries under United Nations Security Council sanctions; or
- countries whose governments have a persistent record of serious violations of the human rights of their citizens, unless it can be demonstrated that there is no reasonable risk that the goods might be used against the civilian population.

The ECL was last amended on December 5, 2014. The amendment served to add controls, clarify controls and remove controls over specific items as agreed upon in the various multilateral export control regimes up to the end of 2013. A complete list of the new and amended controls was published online at www.international.gc.ca/controls-controles/about-a_propos/expor/ecl-lmtec-nov-2014.aspx?lang=eng.

The next amendment to the ECL is forthcoming and will bring the ECL in line with commitments taken up to December 2015. The proposed amendment will add items to the ECL that are of importance to national and international security and thereby meet Canada's commitment to control exports of these goods and technology. The amendment will also remove items that have become less sensitive over time and thereby lift unnecessary regulatory burdens on exporters. Lastly, the amendment will also clarify the control criteria of some items. This will help exporters to better understand if their products are subject to controls and ensure that items and definitions are interpreted consistently by Canadian and foreign government officials. As such, this amendment to the ECL will meet Canada's international security commitments, while also reducing a regulatory burden on certain Canadian exporters.

Table 5
Export Control List Group and Permit Status Summary for 2016*

	Submitted	Returned without action	Withdrawn	Cancelled	Issued	Denied
Group 1	1,949	64	45	16	1,824	0
Group 2*	3,546	143	77	117	3,203	6
Group 3	166	4	1	3	158	0
Group 4	154	3	0	0	151	0
Group 5	283	12	46	2	222	1
Group 6	99	2	2	0	95	0
Group 7	53	1	3	1	48	0
Others	748	119	348	5	277	0
Totals	6,999	348	522	144	5,978	7

* There may be discrepancies with previously-published data because if a permit is amended in a subsequent year from when it was issued, it is deleted from the count in the original year, and added to the count for the current year. This results in difficulties precisely replicating historical numbers at different points in time.

* Further detailed information on Group 2 exports is available in the 2016 Military Exports Report (<http://www.international.gc.ca/controls-controles/report-rapports/mil-2016.aspx?lang=eng>).

Definitions:

Withdrawn - Permit applications may be withdrawn either at the request of the exporter (e.g., if the permit is no longer required because the commercial deal falls through or if the company becomes aware of commercial, political or other types of risk that may affect their application, and decides not to pursue the commercial opportunity), or by Global Affairs Canada (e.g., if the goods or technology proposed for export are not controlled, or if a General Export Permit applies).

Returned without action – A permit application is returned without action by Global Affairs Canada if it is administratively incomplete, or if there is inconsistent information. A company that wishes to pursue the export would then be required to submit a new permit application.

Denied – means a permit that was denied by the Minister of Foreign Affairs, either directly or further to policy direction received by officials. An export permit application may be denied by the Minister of Foreign Affairs. This is unusual, occurring in fewer than 1% of cases annually, and is generally for reasons of Canada's foreign and defence policy, as provided in the criteria for controlling the export of military, dual use and strategic goods outlined above.

Cancelled – An export permit that has been issued may be cancelled for administrative reasons (e.g., at the request of applicant as the permit is no longer required, or due to an error on the permit requiring replacement by a new permit), or by direction of the Minister of Foreign Affairs. An export permit that has been cancelled is no longer valid for the export of goods or technology.

Issued – means a permit approved and issued.

Table 6
Top 12 Destinations for Strategic Export Permits Issued in 2016

	Destination	% of Permits Issued
1	United Kingdom	11.4%
2	Germany	7.3%
3	France	5.9%
4	China	4.6%
5	South Africa	4.5%
6	Israel	4.5%
7	Australia	4.0%
8	United States	3.5%*
9	Japan	3.3%
10	South Korea	3.1%
11	India	2.4%
12	Netherlands	2.2%

*Export permits are only required for a small number of items controlled for strategic purposes on the ECL when exported to the United States. This chart reflects the top 12 destinations by number of permits issued this year for all military, dual-use and strategic items on the ECL. The 2016 Military Exports Report has a similar table but is a listing of Canada's top destinations for military items (group 2 only) by value outside of the United States for permits utilized in 2016.

B) Export Controls: Area Control List

Section 4 of the Act provides for the control of "any goods or technology to any country included in an *Area Control List*". Currently there are two countries on the ACL: Belarus and the Democratic People's Republic of Korea (North Korea). In 2016, 283 permits were issued for Belarus and 6 for North Korea, falling within the Government of Canada's general humanitarian policy, which was established to allow the approval of export permits to countries on the ACL, if the export in question has a humanitarian basis.

In response to positive development in Belarus, Global Affairs Canada has initiated the regulatory process to remove Belarus from the ACL, thereby lifting sanctions that have been in place since December 14, 2006. This is consistent with actions taken by the United States and the European Union since October 2015. It also reflects Canada's acknowledgment that the Government of Belarus has made progress in key areas in recent months, including the release of political prisoners and conducting a presidential election in October 2015, which demonstrated greater adherence to international norms and was not marked by the levels of violence and intimidation seen in past elections. Canada also recognizes the constructive role played by Belarus in facilitating negotiations toward a ceasefire and peace agreement in Ukraine—the Minsk agreements—in September 2014 and February 2015. While the regulatory process to remove Belarus from the ACL is ongoing, Global Affairs Canada will continue to issue permits for the export to Belarus of any goods and technology not specifically listed in the ECL. For those goods and technologies that are listed on the ECL, applications for export permits will be reviewed on a case-by-case basis.

For more information, see Notice to Exporters No.197: www.international.gc.ca/controls-controles/systems-systemes/excol-ceed/notices-avis/197.aspx?lang=eng

C) Export Controls: Automatic Firearms Country Control List

The Act provides for the establishment of an AFCCL. Export permit applications for automatic firearms and certain other prohibited firearms, weapons and devices are only considered to countries on the AFCCL.

The countries listed on the AFCCL in 2016 were: Albania, Australia, Belgium, Botswana, Bulgaria, Chile, Colombia, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Israel, Kuwait, Italy, Latvia, Lithuania, Luxembourg, Netherlands, New Zealand, Norway, Peru, Poland, Portugal, Romania, Saudi Arabia, Slovakia, Slovenia, Spain, Sweden, The Republic of Korea (South Korea), Turkey, United Kingdom and United States.

D) Export Controls: Softwood Lumber

Effective April 1, 2001, Global Affairs Canada introduced a national softwood lumber monitoring program. The objective of this monitoring program was to collect data respecting softwood lumber exports to the United States for all Canadian provinces and territories. This monitoring program was replaced on October 12, 2006 with the introduction of the *Canada-United States of America Softwood Lumber Agreement*, continuing the requirement for permits for exports to the United States.

The Agreement created a stable, predictable bilateral trade environment for Canadian producers. It revoked United States' countervailing and anti-dumping duty orders, returned to Canadian exporters over \$5 billion in duties collected by the United States between 2002 and 2006, and safeguarded the provinces' ability to manage their forest resources. While the agreement expired on October 12, 2015, Global Affairs Canada continued to require export permits for shipments to the United States with the implementation of a new monitoring program effective October 13, 2015.

For 2016, exports of softwood lumber, based on definitions specific to the Agreement, totalled 15 billion board feet, as indicated in Table 7.

Table 7
Softwood Lumber Exports to the United States for 2016

Month	Foot Board Measure (FBM)	Number of Issued Permits
January	1,089,177,201	17,084
February	1,171,686,767	18,393
March	1,345,900,737	20,835
April	1,211,323,395	19,278
May	1,296,415,976	20,444
June	1,342,394,456	21,256
July	1,220,537,244	19,002
August	1,340,841,491	21,085
September	1,341,509,364	21,383
October	1,237,797,716	19,467
November	1,287,138,394	19,617
December	1,160,095,022	17,749
Total	15,044,817,763	235,593

E) Export Controls: Logs

Logs are included on the ECL in order to ensure an adequate supply and distribution of logs within Canada. Export permits from all provinces and territories other than British Columbia are issued automatically upon the correct completion of an export permit application. In British Columbia, exports of logs originating from either federally-regulated or provincially-regulated lands are also subject to a system of surplus tests. Global Affairs Canada administers the surplus test for logs originating from federal lands in British Columbia. The current policies are set forth in Notice to Exporters No. 102 available at www.international.gc.ca/controls-contrôles/systems-systèmes/excol-ceed/notices-avis/102.aspx?lang=eng.

In 2016, Global Affairs Canada issued 8,195 permits for 8.4 million cubic metres (m³) of logs. The value indicated for those logs for the same period was approximately \$1.18 billion. Details are provided in Table 8.

Table 8
Logs Exports for 2016*

Month	Volume (m3)	Number of Issued Permits
January	597,515	642
February	625,035	536
March	608,365	716
April	1,073,045	491
May	570,667	644
June	781,736	691
July	681,002	584
August	515,371	624
September	891,636	913
October	755,467	870
November	733,462	823
December	608,646	661
Total	8,441,947	8,195

* These values represent authorized export volumes per month. Since permits are often valid for at least several months, and sometimes years, these do not equate to amounts actually exported. Not all amounts permitted are exported. Volumes are not final until all permits are expired.

* Volumes that were not submitted in cubic metres have been converted to cubic metres using the following conversion rates: Board Feet (0.0024), Cords (3.62).

F) Export Controls: Agri-food Products to the United States

As part of its implementation of WTO commitments, the United States established TRQs for imports of peanut butter, certain sugar-containing products and refined sugar. Within these TRQs, Canada receives a country-specific quota allocation. The United States Government administers these TRQs on a first-come, first-served basis. In order to help ensure the orderly export of these programs against Canada's country-specific quotas, Canada placed these products on the ECL. Accordingly, in order to comply with the EIPA and to benefit from the in-quota United States' tariff rate, Canadian exports of peanut butter, certain sugar-containing products and refined sugar to the United States require an export permit issued by Global Affairs Canada. There are no quantitative restrictions for Canadian exports of these products to destinations outside of the United States.

Peanut butter was placed on the ECL on January 1, 1995.

Sugar-containing products were placed on the ECL on February 1, 1995. The global TRQ of the United States' sugar-containing products is 64,709,000 kilograms and applies to imports of certain sugar-containing products falling under Chapters 17, 18, 19 and 21 of its Harmonized Tariff Schedule. The quota year for sugar containing products is from October 1 to September 30. In September 1997, Canada and the United States exchanged letters of understanding, under which Canada obtained a country-specific reserve within the United States' sugar-containing products TRQ of 59,250,000 kilograms. The understanding also provides that only goods that are "product of Canada" may benefit from Canada's country-specific reserve.

Refined sugar was placed on the ECL on October 1, 1995. The quota year for refined sugar is from October 1 to September 30. In September 1997, Canada and the United States exchanged letters of understanding, under which Canada obtained a 10,300,000 kilogram (or 10.3 tonnes) country-specific quota. The understanding also provides that only goods that are "product of Canada" may benefit from Canada's country-specific reserve. Exports of agri-food products in 2016 are summarized in Table 9.

Table 9
Agri-food Exports to the United States in 2016

Kilograms (Kg)	Quota	Utilization	Permits Issued
Peanut Butter	14,500,000	14,347,526	3,058
Sugar-containing Products	59,250,000	58,529,544	3,725
Refined Sugar *raw equivalent	10,300,000	10,299,105	435

G) Export Controls: Textiles and Clothing

Textile and clothing exports are controlled as a result of various free trade agreements, including NAFTA, and the agreements with Chile, Costa Rica and Honduras. The agreements provide for preferential access for non-originating products through the use of Tariff Preference Levels (TPLs).

As of July 5, 2010, all TPLs for export to the United States, except for yarn, are allocated on a historical-use basis to the extent of utilization by exporters and on a first-come, first-served basis for those amounts not allocated directly to exporters. The TPL for yarn for exports to the United States and all TPL exports to Mexico, Chile, Costa Rica and Honduras are made available to exporters on a first-come, first-served basis.

As provided for in the NAFTA, the annual growth rates for the TPL volumes for Canadian goods entering the United States were eliminated at the end of 1999. No growth rates were provided for trade with Mexico.

TPL exports to the United States and Mexico must be accompanied by a certificate of eligibility. Other TPL exports do not require a certificate of eligibility. There were no changes to the administration of the existing agreements.

In 2016, Global Affairs Canada issued 24,566 certificates; 1,636 applications were rejected and 2,075 were cancelled. The vast majority of permit cancellations are generated by the need to amend permit details, such as quantity or export date. A small number of permits are cancelled to address non-compliance with legislative, regulatory or policy requirements or criteria. TPL export levels and utilization for textiles and clothing during 2016 are summarized in Table 10.

Table 10
Textiles and Clothing: Tariff Preference Levels and Utilization on Exports from Canada in 2016

Square metre equivalents (unless otherwise indicated)	United States		Mexico		Chile		Costa Rica		Honduras	
	Access Level	Utilization	Access Level	Utilization	Access Level	Utilization	Access level	Utilization	Access Level	Utilization
Wool Apparel	5,325,413	2,569,234	250,000	11	112,616	N/A	N/A	N/A	N/A	N/A
Cotton or Man-made Fibre Apparel	88,326,463	17,300,929	6,000,000	289,912	2,252,324	N/A	N/A	N/A	N/A	N/A
Cotton or Man-made Fibre Fabrics and Made-up Goods	71,765,252	67,493,906	7,000,000	0	1,000,000	N/A	1,000,000	N/A	N/A	N/A
Cotton or Man-made Fibre Spun Yarns	11,813,664	4,270,141	1,000,000	1,804	500,000	N/A	150,000	N/A	N/A	N/A
Wool Fabrics and Made-up Goods (kg)	N/A	N/A	N/A	N/A	250,000	N/A	250,000	N/A	N/A	N/A
Apparel	N/A	N/A	N/A	N/A	N/A	N/A	1,379,570	N/A	4,000,000	N/A
Fabric and Made-Up Goods	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,000,000	N/A

H) Export Controls: General Export Permits

The Act provides for the issuance of general permits authorizing the export of certain designated goods or technology to all destinations or to specified destinations. General Export Permits (GEPs) are intended to facilitate exports by enabling exporters to export selected goods without applying for individual permits.

The following GEPs were in effect during 2016.

- GEP EX. 1: Goods with a value of less than \$100, household articles, personal effects, business equipment required for temporary use outside Canada and personal automobiles
- GEP EX. 3: Consumable Stores Supplied to Vessels and Aircraft
- GEP EX. 5: Forest Products
- GEP EX. 10: Export of Sugar Permit
- GEP EX. 12: United States-Origin Goods
- GEP EX. 18: Personal Computers
- GEP EX. 29: Eligible Industrial Goods

- GEP EX. 30: Certain Industrial Goods to Eligible Countries and Territories
- GEP EX. 31: Peanut Butter
- GEP EX. 37: Chemicals and Precursors to the United States
- GEP EX. 38: Chemical Weapons Convention Toxic Chemical and Precursor Mixtures
- GEP EX. 41: Dual-Use Goods and Technology to Certain Destinations
- GEP EX. 43: Nuclear Goods and Technology to Certain Destinations
- GEP EX. 44: Nuclear-Related Dual-Use Goods and Technologies to Certain Destinations
- GEP EX. 45: Cryptography for the Development or Production of a Product
- GEP EX. 46: Cryptography for Use by Certain Consignees.

OFFENCES UNDER THE *EXPORT AND IMPORT PERMITS ACT*

Penalties are listed in subsection 19(1) of the EIPA as follows:

Every person who contravenes any provision of this EIPA or the regulations is guilty of:

(a) an offence punishable on summary conviction and liable to a fine not exceeding \$25,000 or to imprisonment for a term not exceeding 12 months, or to both; or

(b) an indictable offence and liable to a fine in an amount that is in the discretion of the court or to imprisonment for a term not exceeding ten years, or to both.

A prosecution under section 19(1)(a) may be instituted at any time within but not later than three years after the time when the subject-matter of the complaint arose.

Section 25 of the EIPA delegates responsibility for the enforcement of the EIPA to all officers as defined in the *Customs Act* (subsection 2(1)). Global Affairs Canada entrusts the enforcement of the EIPA to the Canada Border Services Agency (CBSA), and to the Royal Canadian Mounted Police (RCMP).

Export control enforcement continued to be a key element in Canada's export control system in 2016.

Global Affairs Canada works closely with enforcement agencies, in particular the CBSA and the RCMP, which are responsible for enforcing the provisions of the EIPA. On receipt of information relating to an unauthorized export of controlled goods or technology, Global Affairs Canada may, depending on the circumstances of the case, refer the matter to the RCMP or CBSA for investigation and decision as to whether to proceed with administrative penalties or criminal charges. Global Affairs Canada also routinely provides, formally and informally, assistance, expert advice, and investigative support to CBSA, RCMP and other investigative agencies. In 2016, Global Affairs Canada responded to 20 formal requests for investigation support.

Alleged violations may come to the attention of Global Affairs Canada directly (e.g., a Canadian exporter may bring a suspected violation to the attention of Global Affairs Canada) or indirectly, as the result of an investigation. Potential violations may also be identified in the course of CBSA operations at border control locations and major ports of entry and exit. When CBSA detains a shipment (whether on import or export), they may refer the detention to Global Affairs Canada for a control status assessment of the detained goods, CBSA may detain a shipment, referring to the appropriate department, including Global Affairs Canada, to verify that legislative and regulatory requirements controlling exports (e.g. export controls under the EIPA; sanctions; licenses from the Canadian Nuclear Safety Commission for nuclear-related items) have been met. In 2016, the CBSA referred 232 export detentions to Global Affairs Canada

Global Affairs Canada recognizes that, on occasion, responsible exporters inadvertently fail to comply with the EIPA. Exporters finding themselves in such a situation are encouraged to disclose any incidents of non-compliance to Global Affairs Canada as soon as possible. Global Affairs Canada looks favourably upon disclosures if, after considering the information provided, it is satisfied that the exporter has fully cooperated and that no further action is warranted. Depending on the gravity or overall circumstances of a case, Global Affairs Canada may nonetheless refer disclosures to CBSA or RCMP for further review. In 2016, Global Affairs Canada received 32 voluntary disclosures from Canadian exporters.

The Minister of Foreign Affairs has the authority to designate inspectors, who for any purpose related to the administration or enforcement of the EIPA may inspect, audit or examine the records of any person who has applied for an authorization under the EIPA. Such activities are conducted to ensure compliance with the EIPA and its associated regulations.

Global Affairs Canada has verification teams deployed to four major metropolitan areas: Ottawa, Montreal, Toronto and Vancouver. Between 100 and 140 verification exercises are conducted annually.

PERFORMANCE STANDARDS

Global Affairs Canada is committed to providing clients with prompt and reliable service based on Canadian export and import controls law, regulation and policy.

Our aims are: to foster an orderly processing of controlled imports into and exports from Canada; implement our commitments under international agreements; and ensure that the administration of trade controls under the authority of the EIPA is carried out smoothly and without undue hindrance to Canadian exporters, importers and consumers.

To fulfill this policy, and under the authority of the EIPA, Global Affairs Canada is responsible for issuing permits for importing controlled goods into Canada that are included in the ICL, and for exporting goods included in the ECL or for exporting goods to destinations included in the ACL.

In order to fulfill our responsibilities under the EIPA, Global Affairs Canada has established service standards.

- The target for processing import and export permit applications for non-strategic goods within the Export Import Controls System (EICS) is within four business hours of receipt.
- The target for processing of log permit applications for log exports is within three working days.
- The target for processing permit applications to export controlled strategic goods or technology within the Export Controls On-line System (EXCOL) is within 10 working days; should consultations be required, the period is within 40 days.

In 2016, over 359,337 permit applications were processed within EICS and EXCOL, and approximately 96.6 per cent of those permit applications were processed within the allotted service periods.

NOTES ON DATA

For the data concerning 'permits issued', 'applications returned without action' and 'applications withdrawn', the data for a given year reflects the date the decision was rendered.

For the data concerning 'denials', the data for a given year corresponds with the date an application was received.

The goods or technology described in a permit application may be controlled under more than one group of the ECL. In such cases, a permit is reported under the first ECL item under which it is controlled. This approach avoids double-counting at the cost of some inevitable under-counting of permits against other ECL groups.

The data concerning 'permits issued' in this report may differ from that previously published in the Annual Report to Parliament on the Administration of the EIPA.

This is due to the following factors:

- Data management in the Global Affairs EXCOL system results in differences in search results when reports are run at different points in time.
- The single most significant cause of this is permit amendments. When a permit is amended, the system creates a new permit that supersedes the old one, and records it as having been issued in the year of amendment, removing the previous entry. Permits are amended frequently for a variety of business reasons (e.g. changing dates of export, quantities and values).
- This apparent discrepancy is magnified by companies whose EXCOL registration data changes during the year. When this happens, all permits that are still in Issued (i.e. 'valid') status in EXCOL for the company in question are automatically regenerated with the new corporate tombstone data. A single corporate move or merger can result in hundreds of permits being regenerated with a new year of issue.

GLOSSARY

ACL	<i>Area Control List</i>
AFCCCL	Automatic Firearms Country Control List
CDC	Canadian Dairy Commission
CHFTA	Canada-Honduras Free Trade Agreement
ECL	<i>Export Control List</i>
EE	Eviscerated Equivalent
EICS	Export and Import Controls System
EIPA	<i>Export and Import Permits Act</i>
EXCOL	Export Controls System On-line
FBM	Foot Board Measure
GEP	General Export Permit
ICL	Import Control List
IREP	Import for Re-export Program
MFN	Most Favoured Nation
NAFTA	North America Free Trade Agreement
NZ	New Zealand
SME	Square Metre Equivalent
TRQs	Tariff Rate Quotas
WTO	World Trade Organization