

# tradeweek

Your Resource for Global Trade | October 31, 2006 | Vol. 117, No. 20

## Jestin on Global Repositioning



Dr. Warren Jestin, senior vice-president and chief economist, Scotiabank

Dr. Warren Jestin, senior vice-president and chief economist, Scotiabank, discussed global repositioning and the implications for Canada at the association's annual conference on October 23, 2006.

While the overall performance of the global economy is still quite

solid, Dr. Jestin remarked that the economic landscape is shifting. He compared slower rates of economic growth in mature markets (U.S., Canada, the Eurozone and Japan) with faster growth in the new leaders (Brazil, Mexico, India and China).

Dr. Jestin noted that the financial centre of gravity is shifting, and volatility is greater as a result. In this context, he made reference to China's economic might and its growing presence in the global economy. China's economy will continue to grow by more than 8 per cent annually, he predicted. China has massive trade surpluses because of its huge asset positions and net savings; the savings rate in China is 40-50 per cent.

He also outlined trends in global trade flows. Intra-regional trade flows in Europe and Asia are particularly strong (\$2,973 and \$1,201 billion US respectively).

Dr. Jestin pointed out that developing economies are moving into

**Repositioning, cont'd on pg. 4**

### Our 75th Annual Conference

Our annual conference was a great success once again this year! We would like to thank our delegates, speakers, moderators, sponsors, trade show exhibitors, board members and staff for their contribution to our 75th annual conference.

Watch for additional coverage of this event in our conference wrap-up brochure.

If you weren't able to attend our annual conference, you may purchase delegate binders. Please contact Jason at (416) 595-5333 ext. 37.

### The 2007 Tariff

On day three of I.E.Canada's annual conference, delegates learned from Glenn Cickello, director, Sandler & Travis Trade Advisory Services (STTAS), Ottawa, and Eric Flom, STTAS, Detroit, that substantial changes are planned. Approximately, 5,000 of 19,000 tariff items will be modified in January 2007; in fact, 2000 tariff items will be added and 3,200 will be deleted. Glenn Cickello pointed out that there are some 144 pages of amendments to the Customs Tariff now available to the public.

The 2007 Customs Tariff encompasses these amendments designed to bring into effect changes to the text of the internationally recognized Harmonized System (HS), which forms the basis for Canada's Tariff. The amendments were necessary as a result of "technological progress," "change in trading patterns" and text clarification.

Glenn told delegates that the Canada Border Services Agency (CBSA) had issued Customs Notice CN657 on October 23. The customs notice informs traders that they may find that the classification numbers shown on Advance Rulings for Tariff Classification and National Customs Rulings (NCRs) issued to them in the past are no longer valid. To determine whether

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## BCCC Update

Carol Osmond, I.E.Canada's senior policy advisor, wrote the following article.

The Border Commercial Consultative Committee (BCCC) met in Toronto, October 11-12, 2006. The following are highlights from the meeting.

### Security and Prosperity Partnership (SPP)

The SPP Report to Leaders was released in September 2006. The report is available at [www.spp.gov/2006\\_report\\_to\\_leaders/index.asp?dName=2006\\_report\\_to\\_leaders](http://www.spp.gov/2006_report_to_leaders/index.asp?dName=2006_report_to_leaders).

Two additional initiatives have been added to the five existing border-related priorities identified by the Canada Border Services Agency (CBSA) and U.S. Customs and Border Protection (CBP): Integrated Trusted Traveler Enrollment Program and Document Integrity.

### World Customs Organization (WCO)

As the new vice chair for the Americas and Caribbean region of the WCO, CBSA now serves as a member of the High Level Strategic Group on the Framework of Standards to Secure and Facilitate Global Trade. In the coming months, CBSA will give a presentation to members of the BCCC on the status of the Framework of Standards, including issues such as the definition of Authorized Economic Operator (AEO), mutual recognition of AEO status and so on. CBSA will also accept submissions from the Canadian trade community with respect to these issues. Information on the Framework of Standards, including the AEO Guidelines approved by the WCO Council in June 2006, is available on the WCO Web site at: [www.wcoomd.org/ie/En/en.html](http://www.wcoomd.org/ie/En/en.html).

### Partners in Protection (PIP)

The enforcement branch of CBSA has completed a program evaluation of PIP and is working on a

document outlining proposed changes to the program to make it compatible with C-TPAT and compliant with the WCO Framework of Standards. This document will be used to consult with the trade community.

### eManifest

CBSA is moving forward with Phase III of the Advance Commercial Information (ACI) initiative, which will cover the highway and rail modes, as well as importer admissibility data for all modes. CBSA is preparing a deployment plan and will establish an eManifest External Stakeholder Partnership Network (eSPN) to consult with the trade community. For more information on eManifest, please refer to the article entitled "CBSA Update on Commercial Projects" on page 5.

### Advance Trade Data Initiative (ATDI)

The CBSA will be partnering with importers to pilot an Advance Trade Data Initiative (ATDI) from December 2006 to May 2007. The ATDI is similar to a U.S. initiative that is now in its second year of development. ATDI involves obtaining more information at the earliest possible point in the supply chain, such as information used by business to order, control and receive goods, so that Customs is better able to focus on high-risk shipments. The scope of the initiative is restricted to the marine mode.

### Special Services Regulations

CBSA commenced a regulatory review of the *Special Services (Customs) Regulations* in May 2006. The purpose of this regulatory review, which is being conducted concurrently with a Core Services Review, is to provide an appropriate legislative, regulatory and policy framework for applying cost-recovery fees to all non-core services; and to develop an appropriate cost-recovery formula based on actual costs incurred by CBSA and capable

of being adjusted annually for inflation. CBSA will conduct external consultations with respect to the new regulations, including seeking feedback and suggestions for service standards, through the BCCC.

### AMPS Review

CBSA officials responsible for the AMPS Review will issue their recommendations to modify the AMPS regime in advance of the next meeting of the AMPS Subcommittee expected in December 2006 or January 2007 to give the trade community an opportunity to comment on the recommendations. The final report with an action plan must be prepared by March 31, 2007.

### Other Government Departments (OGDs)

CBSA organized a meeting with senior management of various OGDs, as well as the Privy Council Office, on September 22, 2006 to outline the OGD Single Window initiative and to request their collaboration. All participants apparently expressed support for the initiative. Going forward a director general level steering committee will be formed as well as a number of working groups. In the coming months, CBSA will be working with the OGDs to identify OGD information requirements for inclusion in the WCO International Data Sets, define the best interface model(s) for OGD programs, and, through the BCCC OGD Subcommittee, consult with the trade community on these data elements and the models, and develop an implementation strategy.

### EDI Subcommittee

CBSA is currently analyzing the options for increasing the use of electronic reporting, currently at 80 per cent, and preparing a consultation document for circulation before the next meeting of the EDI Subcommittee anticipated in November 2006. While CBSA officials acknowledged

## Shipping and Trade Horizons



Leo Ryan

*Shipping and Trade Horizons, a Tradeweek column, is produced by Leo Ryan. The column addresses Canadian industry issues and trade developments of interest to our members.*

### Seaway Gathers Momentum

It won't be the best year in its history, but almost certainly 2006 will usher in the best results for the St. Lawrence Seaway since the late 1990s. For shippers, the waterway offers access to the industrial heartlands of Canada and the United States. And in the past few years, it has conducted an ambitious campaign to lure business away from surface transportation and capacity-stretched ports especially on the west coast of North America that have been flooded by imports from Asia.

Statistics to the end of September showed traffic up 10.5 per cent on the North American waterway - considerably beyond expectations. This trend should prevail in the months up to the traditional winter closing.

By the time the 2006 season ends in late December, final cargo volume is expected to run close to 48 million tonnes.

"For us, it's largely a story of steel in and grain out," says Paul Pathy, vice-president and general manager of Federal Marine Terminals, part of the Montreal-based Fednav group, which is the leading ocean-going user of the Seaway. "2006 is shaping up as one of the best years ever for steel imports, mainly from Europe and Brazil," he adds.

When the waterway opened for commercial navigation in late March, Seaway officials had forecast a 4 per cent cargo increase this year, thanks notably to an anticipated rebound in steel imports from Europe and elsewhere.

In 2005, Seaway volume had declined slightly to 43.3 million tonnes. Cumulative statistics to the end of September show total cargo at 31.9 million tonnes versus the year-earlier 28.5 million tonnes.

"What is significant is that the strong increase is across the board," said a spokesman for the St. Lawrence Seaway Management Corporation.

The bigger gains concern grain, iron ore and general cargo, while the number of ship transits has also climbed substantially (from 2,955 to 3,151 transits) compared with a year ago.

Steel slabs and other steel products from Europe and South America shipped to U.S. and Canadian mills on the Great Lakes pushed up the general cargo total to end September to over 3.3 million tonnes - representing a 1.3 million tonne increase from a year earlier.

"We are also seeing a good balance in return cargoes as well as continued progress in new cargo under an incentive program," the Seaway spokesman said.

Richard Corfe, president of the St. Lawrence Seaway Management

Corporation, is especially pleased at the rate of growth of new cargoes attracted to the system by an incentive program and over the number of shippers beginning to look for the 'marine advantage.'

As part of its ongoing Hwy H2O program, the Seaway entity has created a new incentive toll system that has enjoyed excellent results. An estimated 400,000 tonnes of new cargo has been captured so far this year.

Nevertheless, the fact remains that the Seaway is still currently operating at about 60 per cent capacity. Its existing locks and channels could readily accommodate virtually double today's volume.

In this regard, Seaway officials have been working hard for two years to attract long-lost container service into the Great Lakes. One scenario would have feeder vessels bring in boxes from the large ocean vessels calling at such ports as Halifax and Montreal. It's a challenging affair, rendered still more complicated by the nine-month Seaway season. Boosters of a container revival hope a concrete development will materialize before the end of this year. A file to watch closely.

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#### 2007 Tariff, cont'd from pg. 1

the classification numbers remain valid they will need to review the 2007 Customs Tariff.

Traders are instructed to contact the CBSA office that issued the ruling if the number is no longer in effect. CBSA officials will then review and replace their ruling with one with classification numbers valid for 2007.

The Tariff is currently available on

**2007 Tariff, cont'd on pg. 4**

## BCCC Update, cont'd from pg. 2

that CBSA will have to address some of the impediments to electronic reporting, such as OGD requirements, they made it clear that in the future CBSA will not be in the business of keying in data and that the trade community will have to take the necessary steps to adapt.

### Western Hemisphere Travel Initiative (WHTI)

While the U.S. Congress recently extended the deadline for implementation of WHTI at land border crossings until June 2009, it could well be implemented earlier provided certain conditions are met. CBSA continues to work with its CBP counterparts on standards that could be used for purposes of determining the acceptability of alternative documents to the passport to evidence identity and citizenship.

### Contingency Planning

CBSA will be working with the members of the Contingency Planning Subcommittee to develop a government/trade communication plan by December 2006. This plan will be tested at a tabletop exercise in March 2007 to be held near the Blaine, WA/Douglas, B.C. land border crossing.

The next meeting of the BCCC will take place in February 2007 in Ottawa. If you have any questions or comments with respect to the foregoing, or have any issues you would like raised at the BCCC, please contact Carol Osmond at [cosmond@iecanada.com](mailto:cosmond@iecanada.com) or (416) 760-0024.

### Repositioning, cont'd from pg. 1

Canada's market space. For example, Mexico is making the most of its close proximity to the U.S. market by promoting its ability to provide just-in-time delivery to U.S. customers.

He demonstrated the importance of energy products to Canada's total

exports to the United States with a graph depicting the percentage share of total U.S. imports held by Canada, the Eurozone, Mexico, China and Japan. Canada's total share of imports to the United States is considerably smaller when energy products are excluded from the mix.

In terms of Canada's major exports, energy products are far ahead of other significant exports, such as mining, vehicles and parts, and forest products. Dr. Jestin predicted that natural gas prices would move higher and that oil prices would remain high.

Dr. Jestin talked about how rising energy prices have reshaped the competitive balance. Canada has the second largest oil reserves in the world, following Saudi Arabia.

He also discussed the changing times in the motor vehicle industry and predicted that consolidation would continue.

Canadian output growth has been lowered slightly as the spillover from slower U.S. growth translates into slower activity in manufacturing and selected resource sectors. The weakness remains more pronounced in Central Canada, with the construction boom still bolstering Western Canada prospects. As opposed to developments in the United States, both auto and housing activity have increased in 2006 reflecting the Western-based strength.

Dr. Jestin remarked that, "inflation is going nowhere fast" and would be in the 2 per cent range. He also predicted that prices for electronic goods, such as computers and iPods, would continue to move lower as a result of technological change and production overcapacity.

He also suggested that interest rates

would remain conducive to growth. Short-term interest rates are expected to decline in early 2007 as more signs of economic weakness in North America force central banks in both Canada and the United States to ease rates.

Dr. Jestin expects that the Canadian dollar would move into the 90-92 cent (US) range this time next year.

"The economic fundamentals are very powerful," he noted. Dr. Jestin also remarked that employment growth would slow in Canada into 2007.

### 2007 Tariff, cont'd from pg. 3

the CBSA's Internet site at [www.cbsa.gc.ca/general/publications/customs\\_tariff-e.html](http://www.cbsa.gc.ca/general/publications/customs_tariff-e.html). Concordance tables may also be found on the Web site to assist traders in the conversion from 2006 to 2007.

Glenn pointed out that most of the tariff changes are concentrated in chapters 84, 85, 87 and 90. He also emphasized that, "there's an obligation on us" to ensure the necessary changes are made. Optimistically, this should be a "revenue neutral" process. Any increase in "duty rates" should be addressed immediately.

Eric Flom noted that it is uncertain when the new HTSUS will be released in the United States. His source at the U.S. International Trade Commission believes that it will be released in late January of 2007. He pointed out that this has implications for Canadian issuers of NAFTA Certificates re: the obligation to update them or obtain solicitations.

The tariff review cycle is five years in length. The next HTS change will take place in 2012.

## CBSA Update on Commercial Projects



Caron Wilson, director, commercial projects, Canada Border Services Agency

*Carol Osmond, I.E.Canada's senior policy advisor, wrote the following article.*

**K**in Choi, director general, major project design and development, and Caron Wilson, director, commercial projects, both with CBSA's innovation, science and technology branch, provided an update at I.E.Canada's annual conference on CBSA's commercial projects.

They focused primarily on CBSA's plans to move forward with ACI Phase III/eManifest, which will extend ACI to the highway and rail modes, as well as require advance importer admissibility data for all modes. Development and phased implementation of e-Manifest is anticipated to be a five-year endeavour. Features of eManifest will include:

- Harmonized advance reporting requirements and timeframes with the United States;
- Web portal to facilitate compliance by SMEs;
- Automated risk assessment of data with entry/examinations decisions made prior to the arrival of goods; and
- Streamlined border processing through enhancements to primary inspection line systems and use of

transponder technology.

A clearance option for imports through air and marine modes for importers who participate in the Customs Self-Assessment (CSA) program will also be developed as part of eManifest.

CBSA will soon launch the eManifest Stakeholder Partnership Network (eSPN) to consult with the trade community. The eSPN, comprised of sponsor branches of the CBSA and external stakeholders, is intended to provide the necessary expertise to ensure the successful design, development and implementation of eManifest. External stakeholders will nominate representatives to collaborate with CBSA within specific working groups that will focus on the "how" of designing, developing and implementing the eManifest initiative.

Ms. Wilson also described CBSA's plans to create an OGD Single Window which will consolidate CBSA and other government department (OGD) information requirements; eliminate paper-based reporting; build electronic interfaces to share information with OGDs; and ensure processes and data requirements are harmonized with the WCO Data Model and initiatives under the Security and Prosperity Partnership.

She also announced that the formative evaluation of the Partners in Compliance pilot is currently being prepared and that CBSA is hoping to proceed with a limited expansion of the pilot in FY 2006/2007.

I.E.Canada is currently seeking members for its ACI Subcommittee who wish to be actively involved in providing input into the e-Manifest consultative process. Interested members should contact Tracey Speares, Chair, ACI Subcommittee, at [Tracey\\_Speares@winners.ca](mailto:Tracey_Speares@winners.ca).

### Isabel Reflects on Our Conference

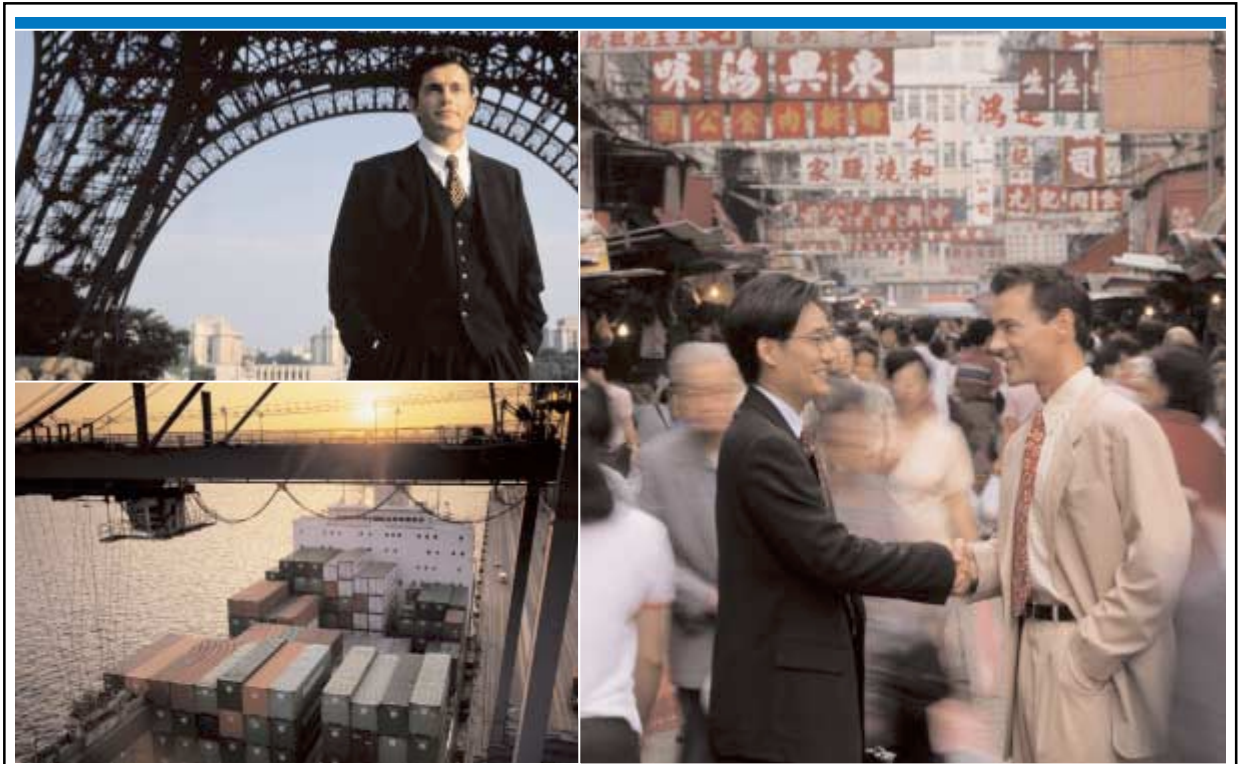


Isabel Alexander, president, Phancorp

"I was very impressed with the attention shown by both the federal and provincial governments at I.E.Canada's annual conference," said Isabel Alexander, chair of I.E.Canada's board of directors and president of Phancorp Inc. "Both David Emerson, federal minister of international trade and minister for the Pacific Gateway, and Sandra Pupatello, Ontario's minister of economic development and trade, took time from their busy schedules to speak at the annual conference. This indicates to me that I.E.Canada is recognized as the voice of Canadian importers and exporters and as representing the interests of Canadian business people and taxpayers," she added.

"There was strong emphasis throughout the conference on the need for our governments to increase funding for infrastructure upgrades, to ensure trade flows efficiently and economically across our borders," noted Isabel.

"I.E.Canada's evolution over 75 years demonstrates this nation's adaptability and flexibility and assures its position as a global trade trendsetter."



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*Tradeweek* is published twice each month for and on behalf of the Canadian Association of Importers and Exporters Inc. / Association canadienne des importateurs et exportateurs inc. It is circulated by first class mail to members only. Reproduction of any of the contents of *Tradeweek* is encouraged provided that appropriate source credit is given.