

tradeweek

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Trade Strategy and the Gateway



David Emerson, minister of international trade and minister for the Pacific Gateway and the Vancouver-Whistler Olympics

International Trade Minister David Emerson gave the opening keynote address at our annual conference on October 23, 2006. The following are excerpts from his speech on Canada's international trade strategy and the Pacific Gateway:

Over the last five years, export growth slowed to 1.9 per cent, from an average 8.5 per cent from 1997 to 2001. Take energy and natural resources out, and we're heading into negative territory!

On the investment front, our share of global foreign direct investment (FDI) is falling. And almost half of the growth in inward FDI has been in the resource and energy sectors.

In terms of our trade and our investment, Canada-U.S. commercial relations remain the core of our success.

But a closer look reveals some worrying trends. Other countries, like Australia, are building links to the U.S. market, potentially threatening our commercial presence there. China is chipping away at our position as the top exporter to the United States and will likely surpass Canada as the largest exporter to the U.S. market in 2007.

What about our non-U.S. trading re-

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Recognizing Our Founding Members

Our annual conference marked the kick off of our celebrations of the association's 75th anniversary!

In keeping with this important milestone, we wanted to recognize our founding members, who have been with the association since its incep-

tion in 1932. Our founding members are: Fuji Photo Film Canada Inc., Northern Group Retail Ltd., P.K. Douglass Inc., Pastene Inc., and Hudson's Bay Company.

These members were presented

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APHIS Submission

I.E.Canada recently wrote a submission to the U.S. Department of Agriculture concerning the Animal and Plant Health Service (APHIS) interim rule published in the *Federal Register* on August 25, 2006. The interim rule will result in commercial conveyances, as well as air passengers, entering the United States from Canada being subject to agricultural inspection and user fees.

I.E.Canada heard from members who are very concerned about the impact of the APHIS interim rule. Prior to making the submission, I.E.Canada discussed the interim rule with the Canadian Embassy in Washington and the U.S. Embassy in Ottawa. I.E.Canada also worked closely with other associations to coordinate the views of members. The association's submission stressed the following points:

Canada and the United States, through the Smart Border Declaration, the Security and Prosperity Partnership, and other initiatives, have invested and continue to invest heavily in resources, infrastructure and technology in order to enhance security along the Canada-U.S. border. The ongoing challenge and objective is to work smart by using advance information, risk analysis and technology to identify unknown or high-risk shipments

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with awards. We will feature additional photos with our other founding members in a future issue of *Tradeweek*.



From left to right: Tony Benincasa of Hudson's Bay and David Emerson, minister of international trade and minister for the Pacific Gateway and the Vancouver-Whistler Olympics



From left to right: Joe Jasinski, international trade manager, Northern Group Retail Ltd., Mary Anderson, president, I.E.Canada, and Sylvain Houle, general manager, logistics, Northern Group Retail Ltd.



From left to right: Ian Torrance, vice-president, P.K. Douglass Inc., John Turner Sr., president and CEO, P.K. Douglass Inc., Mary Anderson, president, I.E.Canada, Robert Turner, vice-president, P.K. Douglass Inc., and John Turner Jr., vice-president, P.K. Douglass Inc.

Thank You!

Thank you to the companies that made a prize donation for our 75th annual gala. We are grateful to the following members for donating prizes for the draw at our annual conference gala:

- Black & Decker Canada (for the donation of a 4-in-1 sander and polisher)
- Cadbury Adams Canada (for the donation of a gift basket)
- Canadian Pacific Railway Company (for the donation of three CPR heritage collection sleeping blankets)
- Dole Foods of Canada (for the donation of a gift basket)
- Flowers Canada (Ontario) Inc. (for the donation of a flower arrangement)
- Harlequin Enterprises (for the donation of hardcover books)
- Heenan Blaikie LLP (for the donation of a golf gift basket)
- Hudson's Bay Company (for the donation of an Hbc blanket, men's ESQ diamond watch and women's ESQ diamond watch)
- Norseland Inc. (for the donation of a Jarlsberg linen tablecloth and napkin set)
- Parmalat Canada (for the donation of 12 packages of Balderson Limited Edition 125th Anniversary Cheese)
- S.C. Johnson and Son Ltd. (for the donation of a gift basket)
- Swissmar Imports (for the donation of a fondue set)
- Switzerland Cheese Marketing Inc.

(for the donation of an umbrella and portable chair)

- Winners Merchants International (for the donation of a gift card)

APHIS, cont'd from pg. 1

and individuals in order to speed the movement of low-risk goods and people, thus making the border "thinner" to the benefit of businesses and ultimately consumers on both sides of the border.

The plan to increase agricultural inspections and impose user fees on commercial conveyances and air passengers from Canada must be considered in this broader context. The inevitable delays associated with increased inspections and the collection of user fees threaten to undermine the substantial investments made by governments and businesses in Canada and the United States to make the border both more secure and more efficient.

I.E.Canada is not unaware of the importance of the agricultural industry to the U.S. economy and society in general and appreciates the necessity of protecting such a valuable resource. However, many of the risks identified in the interim rule are already being addressed through bilateral and international initiatives, such as the new international standards applicable to wood packaging that both countries have implemented, while others can be more effectively addressed through bilateral cooperation without disrupting trade between the two countries.

At the very least, APHIS should withdraw the interim rule and instead follow the usual practice of publishing a proposed rule for comment to allow adequate time to consult and analyze the potential impact on the border and whether there are more effective means of addressing the identified risks by working

APHIS, cont'd on pg. 3

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.

Prince George Intermodal Option?

In this era of globalization and changing world trade patterns dominated by China, much attention is being paid to the Pacific Gateway opportunities in British Columbia. One can mention such recent developments as a federal commitment of investing nearly \$600 million in infrastructure improvements, the final go-ahead for a third container berth at Vancouver's Deltaport and the construction underway of a big container terminal at Prince Rupert in Northern B.C. that will be closer to key Asian centres than other ports on the West Coast. The latter is due to be operational next fall.

Within the above context, an interesting new transportation-related project is being proposed – adding another scenario to the economic future of Northern B.C. It concerns a possible intermodal terminal situated at Prince George, deep in the interior, more than 400 km east of

Prince Rupert. Such a proposal has come from the so-called Northern B.C. Intermodal Container Terminal Steering Committee, which this month released a report prepared by InterVISTAS Consulting. In many ways, quite an eye-opener.

But first, a brief word on Prince George. Known as the province's northern capital, Prince George is a city of over 77,000 situated at the crossroads of Highway 97 (north-south) and Highway 16 (east-west), and at the confluence of the Fraser and Nechako rivers. Forestry products drive the local economy, with plywood manufacture, 12 sawmills and three pulp mills as major employers and customers. There are chemical plants, an oil refinery, log home construction, and other industries. Prince George is also a staging centre for mining and prospecting.

The report begins by noting that the Prince Rupert box terminal is creating a significant opportunity for the Northern B.C. transportation corridor and its communities.

Two reasons are cited. One is that the existing West Coast ports, even with planned capacity expansion, will not likely keep up with anticipated doubling of trans-Pacific container traffic by 2015. The second reason stems from the directional imbalance in traffic. Projected westbound shipments will be less than half the eastbound traffic.

“Because containers must be cycled back to origin, the Northern B.C. corridor, like the other West Coast rail and highway corridors,” notes the report, “will have more than half of the containers returning empty to port. This enables reduced rates for container uses from North America to Asia. For Northern B.C., this creates an opportunity to ship existing export products to containers, where they will command lower loss and damage, higher

quality and greater shipment reliability.”

The report, thus, underlines that a key competitive advantage for any North American West Coast port is finding backhaul traffic to reduce the number of empty boxes traveling back to Asia. The Port of Prince Rupert can increase its competitiveness by finding such backhaul. This can be accomplished by establishing an intermodal facility strategically located near the source of exports. Plentiful Northern B.C. forest products would be the potential source of backhaul traffic to Asia.

According to the report, pulp and lumber alone could create enough exports to support an intermodal terminal at Prince George. To attain viability, an intermodal facility usually requires a minimum of 20,000 containers per annum. With a total potential of 62,000 40-ft containers of forest products exported to Asia, the analysis concludes that Northern B.C. should be able to generate sufficient traffic to support the operation of an intermodal centre. It even suggests that the 62,000-container total could be conservative if one factors in additional sources of containerized exports such as specialty grains.

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collaboratively with the Canadian government and with the trade community.

(The fee associated with the interim rule is designed to pay for inspections of loads in search of fruits, vegetables and flowers entering the U.S. which are labeled as products of Canada but originate elsewhere. As a result, the single crossing rate for trucks will more than double to US\$10.25 and the annual transponder cost will rise to US\$205. All trucks, regardless of domicile and commodity carried, will be required to pay.)

Welcome New Members!

The following companies joined I.E.Canada in October 2006. We are delighted to welcome our new members!

Aéroports de Montréal

Daniel Boileau
Directeur, Development Cargo et Logistique
Montréal, Quebec

Frontier Supply Chain

John Quirke
Vice President, Trade Consulting
Richmond Hill, Ontario

International Trade Bureau

Randell Carr
President
Lorraine, Quebec

JohnsonDiversey Canada Inc.

Andrew Hickey
Manager, Canadian Import & Export Governance
Oakville, Ontario

Krinos Foods Canada Ltd.

Alexander Alexakis
VP, Canadian Operations
Vaughan, Ontario

Petro Canada

Steve Watson
Senior Advisor, Customs
Mississauga, Ontario

Our Survey Prize Winner!

All members who completed I.E.Canada's 2006 member survey were eligible to win a \$250 Hudson's Bay gift card.

Frank Alty, traffic manager at CSI Wireless Inc., won the prize!

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relationships? We know building a competitive economy also means being more involved in more countries, in more sectors, building more Canadian links into global value chains. Here again, we're losing ground.

We haven't pursued trade agreements with the same intensity - or success - as our competitors. Not just big-ticket free trade agreements (FTAs), but also air agreements, foreign investment protection and promotion agreements (FIPAs) and other mechanisms for trade and commercial intensification.

With WTO/Doha on "life support," can we really afford to ignore the many smaller trade and investment initiatives that offer a decent payback for Canada?

In an international economy of global supply chains - where different parts of the chain can be efficiently served from far-flung places around the world, the hungriest, the most focused and the most driven will take the game.

As supply chains and value chains morph into supply and value "networks," more and more of what we do will be exposed to competition - unprecedented competition.

Our government believes it's time - overdue, in fact - to take stock of our competitive position and act comprehensively and decisively to secure Canada's future prosperity. As has always been true for Canada, the essential ingredient for competitive success and prosperity is market access.

And that is what the government's Asia-Pacific Gateway and Corridor Initiative is all about. It's about strengthening our trade ties and our competitive position. And doing it by building globally competitive transportation and logistical linkages between North America and Asia.

The gateway's "roots" are already in place. Canada has unparalleled access to the North American marketplace. We're closer to many key Asian ports than our competitors.

And we have an integrated system of West Coast ports, airports, road and rail connections that reach across Western Canada and into the North American heartland.

The initiative is an integrated set of investment and policy measures to enhance the gateway's efficiency, and put Canada in a better position to benefit from it.

It delivers new public investment of \$591 million, including \$321 million in immediate projects. It includes a "fast-track" process to decide where best to allocate funds over the next year. And it sets in motion a process to define the long-term vision for gateway development in Canada.

Because the gateway is tangibly wealth creating, government should not need to do it all. Private capital is already heavily committed. There will be much more to come. Our job is to create the framework for further commitment of private capital. And to work in partnership with governments and private industry to drive a successful Asia-Pacific Gateway and Corridor Initiative.

Market access is also about the legal and regulatory framework with our trading partners, such as free trade agreements, FIPAs, air bilaterals and dispute resolution. Here we have fallen behind our competitors: the United States, Mexico, Japan and Australia, for instance.

Every agreement our competitors sign gives them the advantages our exporters don't have. The bottom line: we're losing business.

In a world of successful WTO rounds, we could mitigate the problem. But the Doha round is now on life support.

We have serious work to do! We can start by strengthening the foundation

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of our competitive position: North America. Through NAFTA, we've made immense strides toward building a prosperous, competitive and secure continent.

We've worked hard over the years to foster cross-border investment, innovation and technology partnerships that are strengthening our economy - as a country, and as a partner in the North American context.

But the rise of Asian economies and the deepening economic integration in Europe demand that we sharpen our competitive advantages, and do so as a continent. If you think we're going to have trouble taking on China by ourselves, you're right.

But we can build North America-rooted supply networks that achieve global levels of efficiency and competitiveness, as we are now beginning to do in sectors like autos, steel and new media.

In spite of the so-called "death of distance," clustering and geographic proximity can and do create enormous competitive advantages - even cross border clustering.

We need to continue to make our rules, regulatory frameworks and investment regimes more compatible and end the "tyranny of small differences."

And we need borders that are impervious to security risks, but that are "thin" and non-disruptive for trade and investment. Security and prosperity must go hand in hand. That's why we have a Security and Prosperity Initiative, and it's how we are dealing with the Western Hemisphere Travel Initiative.

We have to work closely and collaboratively with the United States from a strong North American foundation.

We need a much more aggressive

strategy for trade and investment.

We must expand our trade agreements, investor protection agreements, air bilaterals, and partnerships in areas like scientific research and technology application and commercialization.

Asia will be critical for us as the international "economic centre of gravity" drifts that way over the next few years. China, Japan, Korea, India, Singapore and Indonesia must become more active focal points for trade policy attention.

We also need to give priority to the Americas, where there are "receptive" governments and potential gains for Canadian business.

And there are still significant unrealized opportunities for trade and investment intensification in Europe, Russia and the Middle East.

This fall, we will complete a review of key new priorities as we accelerate the conclusion of negotiations already underway. Opening markets and protecting investments are essential, but it's not enough. Canadian companies are going to need support in forging linkages into the global marketplace.

Much more important, however, will be the support you need to link into global value networks:

- Where are the opportunities to leverage your strengths?
- Where are the necessary sources of capital?
- Where is the technology you require?
- Who and where are strategic partners for you?
- What other doors must we open?
- What kinds of information and market surveillance do you require?

In today's international economy, trade follows investment. And investment must flow both ways. The investments will largely be di-

rected at forging essential linkages into global value networks. There will be outsourcing. There will be investment in production capacity abroad. There will be investments in joint ventures and strategic partnerships.

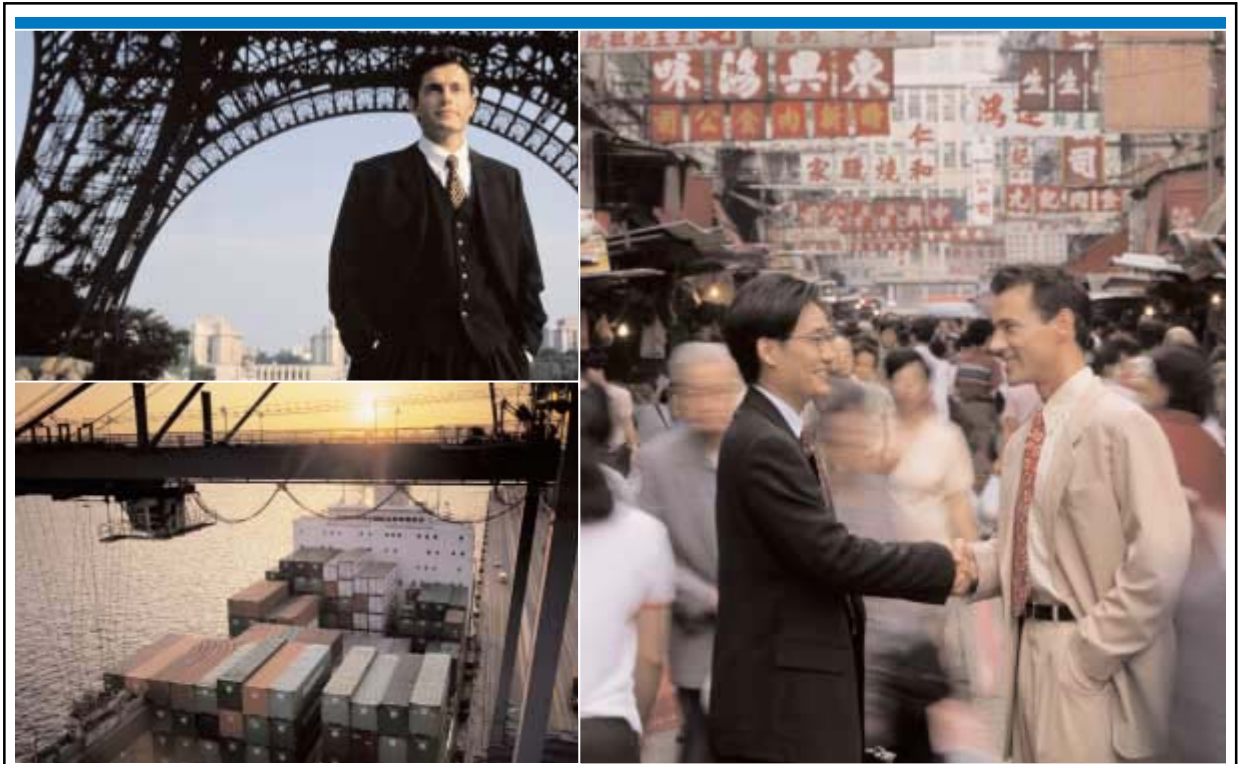
If we don't get into the game, we'll be roadkill by those who will.

We have a strong foundation in place. We're extremely proud of the work our team of trade commissioners is doing here in Canada and in the markets of the world. But we need to commit more resources and we need to harness more private sector skill sets. They're working hard to connect our businesses with the opportunities that are out there, and to help smaller businesses grow and succeed on the world stage.

Today's rapidly evolving global economy is challenging us to redefine how government and business work together in common pursuit of commercial value creation.

This means broadening our focus beyond traditional export-related assistance. It means sharpening our position as an intermediary for Canadian business, helping them open doors that others can't—as we do, for example, through the Canadian Commercial Corporation. It means working with our partners like Export Development Canada (EDC) and the Business Development Bank of Canada to bridge financing gaps. It means consolidating the vast "ecology of support" that exists for Canadian businesses, and ensuring that our exporters know what we can offer and can access it without a tangled, messy process that destroys the very value we're trying to create.

It's clear that Canada needs an aggressive, targeted trade and investment agenda: a strategy. There's much to be gained. The companies, investors and nations who will come out on top will be those that engage in the new world economy.



Seizing the right global opportunity can help you
turn risks into timely rewards.

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