

# tradeweek

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## Economic Outlook

Dr. Avery Shenfeld, managing director & senior economist, CIBC World Markets and Peter Hall, vice president & chief economist, Export Development Canada (EDC) provided a succinct overview of the world economic situation and made some predictions as to what businesses could expect over the next few fiscal quarters.

Shenfeld says that the developed world is in a recession, with Canada on the brink of recession, and that the policy choices leaders make over the next few months will make the difference between this being a typical, cyclical recession or something much more severe.

Using Japan as an example, Shenfeld says that in the 1990s the banking system in Japan was left with trillions in bad loans. Banks were not able to lend and the economy drifted in and out of recession because policy makers failed to address problems aggressively, taking more than four years to cut interest rates.

In the current situation however, there is some reason to hope. The



Dr. Avery Shenfeld, managing director & senior economist, CIBC World Markets.

decisions made recently by U.S. Treasury Secretary Henry Paulson and Ben Bernanke, chairman of the U.S. Federal Reserve System, are moving the U.S. economy in the right direction. According to Shenfeld, the U.S. can expect to see further interest rate cuts, and another stimulus package that will be

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## eManifest Concerns

I.E.Canada's 77th Annual Conference and Tradeshow featured a panel discussion on the ongoing issue of eManifest, the third phase of the Advance Commercial Information (ACI) initiative. One of the pan-

elists, Mark Ouellette, regulatory services advisor, Federal Express Canada, outlined the outstanding issues and concerns from industry's perspective surrounding eManifest.

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## I.E.Canada Leading the Trade Community

I.E.Canada is the leading voice of the trade community. We achieve this by representing and educating importers and exporters, and by advocating on their behalf to influence change. Never before has this mission been as important as it is today. Unprecedented economic challenges, rapidly changing global trade patterns and competition from around the globe have presented Canada's trade community with unique opportunities and problems.

As an association, I.E.Canada will continue to address the issues facing Canada's importers and exporters, and work with members of the international trade community to ensure that members have the tools and knowledge needed to thrive. Through our recent member survey, I.E.Canada member have confirmed our mission, highlighted our strengths and showed us where they need us to go.

### Member Snapshot

I.E.Canada's membership reflects the integrated nature of those that are engaged in trade. Membership diversity remains a key strength. The largest member category is

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## Economy, cont'd from pg. 1

aimed at trying to get consumers to start spending again.

While Canada is not in quite the same boat as the U.S., there are still challenges. In Canada, while exporters have seen a decline in the Canadian dollar and higher margins, weakness in the U.S. markets means lower demand. There is also a decrease in demand for commodities, which is affecting the Canadian currency.

At the same time that the Canadian dollar is in decline, the U.S. dollar is gaining strength, but this should not be seen as a vote of confidence in the U.S. economy; rather it is a symptom of the mass unwinding of the financial markets. How far the Canadian dollar will fall will depend on how long it takes for the financial markets to unwind.

Shenfield predicts that within a year or two, demand for commodities will increase again and the Canadian dollar will begin to reflect the export strength associated with commodities.

On the import side, the key lies in effectively managing foreign exchange risk. If this critical element is mismanaged, even the best business plans will fail.

Expressing his general agreement with Shenfield's assessment of the state of the world economy, Peter Hall, EDC, focused on how long the turbulence will last. The number of successive days of panic on the stock markets is unprecedented with the changes in equity values globally staggering. While such fallout is expected in emerging markets, in the current situation there is damage in what have traditionally been the more stable, developed markets. According to the International Monetary Fund, the world is facing a \$1.4 trillion problem, one that is far greater than any challenge the global economy has faced

in the last 30 years.

The capital base of financial institutions has been depleted, and policy makers must step in to avoid a complete collapse of the markets. Waiting for the markets to recapitalize on their own would be disastrous. Yet the world is in an unprecedented situation, a place where the economy has never been before. This is very dangerous- policy makers cannot look to previous examples for guidance, nor can experts predict an outcome based on past events.

As to how long the situation will last, Hall says that the U.S. housing bubble didn't start to appear until late 2005, early 2006. As the bubble has grown, the housing market has gone from one in balance to one with 7 million spare units. Speculating that it will take as long for the housing market to correct as it did for the bubble to reach its apex, Hall says it will likely be August 2010 before there is any type of balance.

Coupled with the housing crisis is a lack of consumer confidence, leading to decreased consumer spending, particularly in the U.S. where consumer spending represents 70% of the GDP, and 20% of the world's GDP. This means that when U.S. consumers stop spending, the world feels it. Additionally, commodities prices have also fallen and Hall believes that lower oil prices will persist for the next couple of years.

Any correction in the U.S. economy will not happen overnight, and Hall does not expect to see any real development before the first quarter of 2010.

The same situation is unfolding in the financial sector in Europe. And while emerging markets are more resilient than they were in the past, they still depend on external demand and are also showing signs of

a downturn.

Summing up the global outlook, Hall says that the slowdown is global and will not be quick to rebound. Monetary policy will ease and the U.S. dollar will strengthen gradually. Commodity prices will continue to weaken and competition will intensify with only the most efficient companies coming out on top.

There are also some opportunities, according to Hall. The lower dollar presents some manufacturing and export opportunities if companies can also harness its strength on the upturn. Input costs are falling. Emerging markets, which will continue to grow faster than the North American market, also present opportunities as does an anticipated global infrastructure boom.

Crisis is the mother of transformation, says Hall and Canadian businesses should be prepared to take advantage of opportunities around the world, even in these challenging times.

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

According to the Canada Border Services Agency (CBSA), eManifest will modernize and enhance the screening and processing of commercial goods coming into Canada. It will improve the CBSA's ability to detect shipments that pose a risk prior to their arrival in Canada. The aim is to achieve an improved process that rewards compliance with predictable and expedited processing at the border.

Yet there is still a great deal of uncertainty surrounding the implementation of this third phase of ACI and all players in the trade community are concerned about the impact eManifest will have on the entire trade process.

## 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.*

### St. Lawrence Beacons

In these times of financial turmoil and declining economies that have hit the shipping industry and ports around the globe, it is heartening to find some positive developments bucking the trend within our own marine sector. Three ports on the St. Lawrence River come to mind as the end of another year approaches.

First, one should mention the Port of Montreal, which remains solidly positioned as the premier East Coast gateway, even ahead of mighty New York/New Jersey, for purely North Atlantic containerized cargo. During the first nine months of 2008, Montreal recorded a nearly 10% increase in growth in container traffic versus a year earlier. The box throughput for the period totalled 1.1 million TEUs.

"This confirms the Port of Montreal's position as leader, in terms of growth, compared to its competitors on the North American East Coast, four of seven of which even posted declines," recently commented Patrice Pelletier, President

and CEO of the Montreal Port Authority (MPA).

Approximately 60% of Montreal's box traffic is generated by shipments to and from the US Midwest and Northeast. Port officials have also identified potential more container business from Europe and Asia via a Caribbean transshipment hub.

For 2008 as a whole, Montreal's container growth may still remain on a healthy plus side despite various negative shipping and trade trends.

Looking to the long-term future, Pelletier earlier this year outlined an ambitious expansion plan that would triple Montreal's container-handling capacity to 4.5 million TEUs by 2020. Between 2008 and 2020, the port plans to invest \$2.5 billion, with the lion's share going to the container facilities. The latter will include building a big box terminal at Contrecoeur, downstream on the St. Lawrence River.

Pelletier has expressed confidence that the uncertainty on financial markets will not undermine the port's funding resources. The sums borrowed, he argues, will be invested in port infrastructures (assets with a long life) and will be financed on a long-term basis - "consequently little exposed to short-term market fluctuations."

Secondly, we single out the deepwater Port of Quebec, which can handle vessels of up to 150,000 DWT and which marked the 150th anniversary of its incorporation this year. Quebec City, of course, has already been the centre of tremendous tourist attention thanks to the spectacular celebrations for the 400th anniversary of its foundation.

Last year, the historic port saw its total cargo increase by 15% to 26.8 million tonnes. Ross Gaudreault,

President and CEO of the Quebec Port Authority, has predicted that volume could approach 28 million tonnes in 2008. This pinnacle may not be reached, with evidence that the fourth quarter numbers will more closely reflect the U.S. economic downturn and substantial liquid bulk traffic such as jet fuel for Toronto's Pearson International Airport.

Gaudreault's biggest goal has been to establish Quebec as the leading bulk transshipment gateway of North America to the Great Lakes. He has clearly succeeded in this quest.

With the October federal election now out of the way, Gaudreault intends to knock at Ottawa's door to take advantage of the improvements to the regulatory regime for federal funding of port infrastructure projects. The port is running out of space to expand. Support from private industry is also being solicited for an ambitious plan entailing investments of several hundred million dollars.

Our third "beacon" on the St. Lawrence is a much smaller port, Trois-Rivières, which handles some 2.5 million tonnes of cargo, but which recently embarked on a strategic transformation program aptly called On Course for 2020.

Mid-way between Montreal and Quebec City, the Port of Trois-Rivières, under the helm of chief executive Gaetan Boivin, has put together a program which dramatically reconfigures the waterfront following consultations with port stakeholders and the city. Not only will the port's commercial vocation be enhanced, a massive real estate/recreational complex on the St. Lawrence River will be a powerful magnet for cruise operators.

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## eManifest, cont'd from pg. 2

eManifest will require carriers and importers to transmit separate data sets to Customs prior to the arrival of goods. A conveyance will not be allowed to move to the border if the carrier has not transmitted the required data set to Customs in advance. Where the carrier transmits the data but the importer does not, the conveyance will be turned back at the border. There is concern that implementation of ACI eManifest in Canada will significantly increase the financial burden for those involved in cross border trade and create delays in the supply chain.

As an indication of the potential costs, Ouellette referred to a 2005 Transport Canada study. South-bound, the U.S. Customs and Border Protection's (CBP) eManifest program under the Automated Commercial Environment (ACE) has been estimated to have cost carriers from \$231 million to \$433 million. Ouellette believes this to be a conservative estimate and noted that under ACE eManifest there is no equivalent to the Importer Admissibility Data (IAD) set proposed under ACI eManifest.

Ouellette says that there are three critical issues from an industry perspective that remain unresolved: the importer admissibility data set, first point of arrival (FPOA) and the availability of a broker download.

### Importer Admissibility Data (IAD)

The requirement for an importer data set for admissibility purposes and the elements of the data set continue to dominate eManifest consultations. CBSA will require the importer or broker on the importer's behalf to file the IAD within the same timeframes depending on the mode of transportation as the carrier cargo messages.

In addition to the IAD data set, CBSA will require additional data before goods can enter the commerce of the country. The IAD data elements

combined with the additional data elements required for release are referred to as the RIAD. The additional data elements required for release may be filed pre- or post-arrival.

The requirement for an IAD data set will have impacts on both carriers and importers. Timely filing of both data sets will require much closer communication among all trade chain partners, leading to changes in business processes and IT systems with the associated costs. Importers and brokers will have to extend their hours of availability and staffing in order to respond to requests for information at any time day or night. Carriers will also be less willing to handle exception handling processes, such as late pickups.

### First Point of Arrival

Under the proposed eManifest model, the carrier will not be able to proceed beyond the border or first point of arrival (FPOA) unless both the carrier and IAD data sets have been filed on a timely basis with CBSA. Any shipment arriving without the proper data received in the required timeframe will be refused entry.

This will change the current practice of bonding failed PARS or other shipments inland for resolution. For consolidated shipments that have a mix of accepted shipments and those that have failed or not submitted data, carriers will be required to separate the shipments at a facility in the U.S., located close to the border. This is expected to result in Canadian cross dock warehouse facilities being relocated to the U.S.

Equipment and conveyance utilization will become much more difficult for carriers to coordinate and less efficient as the carrier will have to separate failed shipments. Carriers will likely cross with less than full loads resulting in increased

costs. For importers, delivery cycles will be less certain and transit times and costs are likely to increase..

### Broker Download

The trade community is proposing that CBSA act as the clearinghouse for the electronic cargo messaging, forwarding the carrier data to the broker to complete the IAD. CBSA is reluctant to do this because of privacy and liability concerns. They would prefer that the trade community develop some sort of electronic communication between all trade partners. This is a costly and unrealistic option.

Currently, trade partners use multiple forms of communication including fax, runners, and various electronic formats. No single system exists. The CBSA preference would require importers and brokers to maintain multiple systems of communication and increase data entry costs as all the information is then converted to a single electronic format. This also increases the likelihood of data entry errors and unmatched carrier and IAD messages, leading to more clearance delays.

Ouellette has some strong recommendations for CBSA. He says that if eManifest is to work, carriers must be able to bond inland for shipments that fail the importer admissibility filing. He also stresses that only shipments that raise security concerns should be examined by CBSA at first point of arrival; all other examinations should take place at inland bonded facilities.

Ouellette also says that CBSA must provide the broker download to ensure accurate, timely dissemination of information. CBSA is the only organization that has an electronic relationship with all supply chain partners.

Other issues that need to be addressed include exception report-

## Survey, cont'd from pg. 1

manufacturers, representing 43% of respondents. In terms of trade activity, nearly half of those responding were "primarily both importing and exporting", with the majority of members in Ontario.

Of our members:

- 37% have over 1000 employees
- 33% have between 100 and less than 1000 employees
- 30% have under 100 employees

Members bring knowledge of various sectors and offer expertise in customs, supply chain issues and finance. They bring insight and understanding to the implications of economic turbulence and to the impacts of new regulations.

### International Trade Partners

The priority market for all respondents, both those exporting and importing, is the United States however, members are exporting and importing around the globe. The following five countries are top markets:

#### Top countries to source imports

- 87% of respondents import from the United States
- 56% of respondents import from China
- 48% of respondents import from Germany
- 42% of respondents import from Mexico
- 33% of respondents import from UK

#### Top export destinations

- 92% of respondents export to the United States
- 48% of respondents export to Mexico
- 40% of respondents export to the UK
- 32% of respondents export to China
- 27% of respondents export to France

### Key Challenges

While members face challenges in

every area of their businesses, the top trade challenges have been identified as:

1. Compliance with regulations, customs requirements and security.
2. Knowledge, primarily the need to keep up-to-date and informed on issues related to trade and customs processes.
3. Mitigating risks, particularly those associated with logistics.

### Advocacy

Our members live the rules and regulations governing trade. Government programs are becoming increasingly complicated and restrictive, often losing focus on the business of trade. Members have asked I.E.Canada to focus advocacy efforts on the following programs: Partners in Protection (PIP), AMPS Review, CBSA Business Simplification Initiative and eManifest. Below is a brief outline of I.E.Canada's activities to date.

#### 1. Partners in Protection

I.E.Canada has worked closely with members and other industry associations to provide on-going input to CBSA and to help shape the new PIP requirements.

To date, I.E.Canada has provided three association submissions to CBSA regarding PIP, resulting in very positive feedback and in changes that have addressed our issues. Additionally, I.E.Canada has conducted cross-Canada seminars on the new PIP requirements (with CBSA support) and included comprehensive articles in our bi-weekly newsletter Tradeweek and magazine I.E.Global. We will continue to ensure that members' concerns are addressed and that policymakers are aware of the needs of the trade community.

#### 2. AMPS Review

In May, I.E.Canada developed a comprehensive submission on the AMPS review and cited a number of issues including collapsed contra-

ventions/risk matrix and penalty structure. We discussed third party liability, volumetrics, regional review committees, enhancement of the appeal process and periodic reports. This discussion is still ongoing.

#### 3. Canada Border Service Agency (CBSA) Business Simplification Initiative

In the 2007 Budget, the Government of Canada announced the Paper Burden Reduction Initiative to reduce Federal Government demands imposed on Canadian businesses by 20%. CBSA is one of 13 federal departments and agencies participating in this initiative; in response it established the Business Simplification Initiative. I.E.Canada serves on the CBSI Working Group and supported the following findings earlier this year:

- Provide fillable/saveable Agency forms;
- Publish agency rulings;
- Ensure pilot projects are evaluated expeditiously;
- Eliminate the Canada Customs Invoice, some data requirements from the Commercial Invoice and adopt an optional alternative (letter) to the B2.

#### 4. eManifest

CBSA established the eManifest Stakeholder Partnership Network (eSPN), made up of external stakeholders and CBSA representatives, to provide a forum for dialogue and to help CBSA reach out to all commercial trade-chain partners. CBSA consults with stakeholders regarding the design, development and implementation of the eManifest project. I.E.Canada participates on all the three consultation groups: Steering Committee, Communications and Design Working Group. This work is ongoing.

### Where We Need to Go

Members have asked for ongoing news about CBSA programs and ini-

## I.E.Canada News

### Upcoming Conferences and Seminars

I.E.Canada has a complete series of events, courses, seminars and conferences developed for the remainder of 2008 and into 2009. Be sure to mark the date for any you are interested in attending!

#### The Customs Duty and International Trade Course

November 24-26, 2008 - Toronto, ON - Toronto Airport Marriott Hotel

I.E.Canada is delighted to welcome top trade and customs experts to teach this hands-on international trade course. This event is designed to give trade professionals a unique opportunity to hear and question these experts on the latest programs. Register today to guarantee your place at this course. Nowhere else can you get this comprehensive update in only three days!

#### Ottawa Chapter Breakfast Seminar

November 26, 2008  
Canada Customs Audits and New U.S. Consumer Product Safety Requirements  
(<http://www.iecanada.com/events.html#Ottawa>)

#### Quebec Chapter Events

September 2008 to June 2009  
Please check our web site, [www.iecanada.com](http://www.iecanada.com), for event updates.

#### Workshop Series

Cost Saving Strategies in Your Customs Process & HS Classification  
December 2, 2008 - Kitchener

December 3, 2008 - Markham  
December 4, 2008 - Montreal  
December 8, 2008 - Winnipeg  
December 9, 2008 - Saskatoon  
December 10, 2008 - Calgary  
December 11, 2008 - Vancouver

#### 4th Annual Food Forum

February 18 & 19, 2009 - Toronto, ON - Renaissance Hotel - Toronto Airport

#### 6th Annual Western Canada Conference

February 23 & 24, 2009 - Calgary, AB - Delta Calgary South

#### 18th Annual Emerging Issues in Customs Conference and Trade Show

April 20 - 22, 2009 - Hilton Toronto Airport

For more information, or to register, sponsor or exhibit at any of our conferences please visit [www.iecanada.com](http://www.iecanada.com) or call Jesse Arsenault, conference coordinator at 416-595-5333, ext. 37 or 1-866-616-2243, ext. 37.

#### Survey, cont'd from pg. 5

tiatives. Border infrastructure is an advocacy issue that members wish addressed. In terms of training, members would like to see I.E.Canada develop and deliver more webinars.

Members have also asked for new committees. The first, an Export Committee, was recently launched (please contact Amesika Baeta [abaeta@iecanada.com](mailto:abaeta@iecanada.com) for more information). The second area of in-

terest was transportation and logistics.

I.E.Canada would like to thank all members who completed the survey. If I.E.Canada is to remain the leader and the voice of trade, active and engaged members who are willing to share their issues, experience and expertise are critical.

If you would like a detailed report of the survey findings please feel free to contact Mary Anderson, president, I.E.Canada at [manderson@iecanada.com](mailto:manderson@iecanada.com) or 416-595-5333, ext. 24.

#### eManifest, cont'd from pg. 4

ing, flying trucks and the finalization of the Customs Self Assessment (CSA) enhanced clearance option.

There are also some things importers can be doing to prepare. Ouellette recommends that importers consider the use of smaller shipments to reduce delays, as well as separating time-sensitive shipments from those that are not. Shippers also need to look at their vendors, dividing up loads from compliant and non-compliant vendors. They should also review their carrier and broker partnerships and reduce the number of partners if possible. Finally, importers should plan to extend the shipping cycle to incorporate border delays and enroll in CSA and FAST to minimize those delays.

For a copy of Ouellette's presentation or for information on eManifest, please contact Carol Osmond at [cosmond@iecanada.com](mailto:cosmond@iecanada.com).

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