

I.E.Canada annual conference

NEW INSIGHTS ON TRADE WITH CHINA

Experts note barriers to expanding already strong ties with Canada

By JACK KOHANE

"I hear, I know. I see, I remember. I do, I understand."

— Confucius

Wanting to know, remember and understand China's role to international trade lured Canada's most influential buyers and sellers to the 76th annual Canadian Association of Importers and Exporters (I.E.Canada) conference recently in Toronto.

They were treated to three packed days of trade and security information that included a chance to hear Lu Shumin, China's ambassador to Canada.

In his keynote address, he discussed strengthening the already robust trade between China and Canada. "Our relationship has achieved great progress since the establishment of diplomatic ties 37 years ago, and that is particularly true with import and export trade – the pillar and backbone of this ever-growing relationship," he said, noting trade between the countries increased a record-breaking 33 per cent during the first eight months of 2007 over the same period last year.

Bilateral trade has previously sustained an annual 20-per-cent growth rate over decades, amounting to more than \$23 billion last year. "China's exports grew 29 per cent and its imports from Canada were up by 47 per cent," Mr. Lu said. "Today, China has become Canada's second largest trading partner just behind the U.S., and its fourth largest export market; while Canada ranks 11th among China's

global trading partners."

Internationally, China has maintained an average growth rate of almost 10 per cent, powering its position as the world's leading producer of grain, meat, steel, coal, cement, and an array of household appliances and consumer goods. "China has secured its place as the world's third largest trading nation for the third year in a row," Mr. Lu confirmed.

Its booming economy has not only been a huge benefit to China "but also a great contribution to the world as a whole," he added. World Bank statistics indicate China's economy accounted for an average of 13 per cent of global economic growth (second only to the U.S.'s) between 2001 and 2005.

Over the past two years, China has generated almost a quarter of global economic growth and more than 20 per cent of the world's increase in trade.

According to the International Monetary Fund, China will become the world's biggest driver of economic activity this year for the first time.

Yet enormous potential remains to be tapped in the trade between China and Canada, Mr. Lu added.

"Right now, China-Canada trade volume accounts for only a tiny share of our overall trade mix," he said. "It's 1.7 per cent of China's total trade and 3.7 per cent of Canada's total trade. There is still large room to grow."



Lu Shumin
Relationship has achieved great progress



Guoqiang Jin
Infrastructure must expand, improve

Photos: I.E.Canada

Among the hindrances, he noted "irritations" such as Canada's anti-dumping taxes and the possible issuance of countervailing duties on subsidized imports considered to be hurtful to domestic producers.

"Canada is the first country in the world to launch countervailing investigations against Chinese products," he noted. "While frictions are inevitable given China's sizzling export growth over the past five years, we still believe that they can be properly addressed through dialogue, consultation, and sincere commitments from both parties towards building a win-win trading relationship."

Guoqiang Jin, China Ocean Shipping (East Canada) Inc.'s president, addressed the additional trade hurdles presented by Canada's insufficient transportation infrastructure, which he viewed as an ongoing impediment to the fast and efficient movement of goods.

"There are limited terminal and rail capacities to meet the continuous growth in container traffic," he told the conference's participants. "Then there are the ever-increasing operation costs: fuel prices keep going up,

up, up; the U.S. dollar continues to weaken; and there's an import/export imbalance whereby, on average, two full containers come into Eastern Canadian ports while only one goes out."

He emphasized that COSCO (China Ocean Shipping's parent company) is dedicated to increasing trade links with Canada – a commitment it demonstrated in October when one of its container ships made its first call to the new Fairview Container Terminal in Prince Rupert as part of a new regular service.

"We will be diverting some of our inland container traffic through this new gateway, and using both CP and CN rail services to move cargo to customers through to the American Midwest," he said.

The potential for expansion is significant with COSCO having more than 600 vessels – 145 of which are container ships – for more than 35-million deadweight tons capacity now sailing to 50 countries.

COSCO has also just taken delivery of COSCO Asia, its first 10,062-TEU ship. The company will receive five more such mega-vessels in 2008. It also has plans to lease eight

13,100-TEU container ships for use by 2011.

"To service these large ships, Canada's terminal infrastructure must expand and improve," Mr. Jin said.

Claude Germain, executive vice-president at the global logistics firm Schenker of Canada Ltd., noted that the breakneck pace of Asia's manufactured exports is straining transportation capacity on both sides of the Pacific. "This is resulting in mounting delays and higher shipping costs amounting to millions of dollars," he told delegates.

According to Schenker's research, companies relying on rail shipments are reporting delays three times longer than in previous years due to a lack of standardization between rail systems. Port bottlenecks are making it twice as long to get containers through terminals (particularly at Vancouver) because of container backlogs and labour shortages. Delays are compounded by cargo trucks encountering highway gridlock and inefficiencies at Canada-U.S. border crossings.

Mr. Germain hailed the newly opened Fairview terminal in Prince Rupert as a major plus in alleviating Canada's capacity deficiencies. "This is the closest North American port to Asia, making it the fastest way to get freight from China to the U.S. Midwest," he said. "It's also the safest and deepest port on the West Coast, complemented by the most favourable rail grades through the Rocky Mountains."

Prince Rupert's extensive room for expansion is another plus, he said, noting the plans to add a second terminal at Fairview within the next four years. "This port will take off over the coming years," he predicted.

Corporate social responsibility in terms of greening the supply chain was also raised.

Mr. Lu alluded to it when he



Claude Germain
Capacity strained on both sides of Pacific



Yolanda Banks
Demand for environmentally sustainable goods

said China is committed to a more balanced and co-ordinated approach to economic and social development. "The objective is to bring about a more sustainable economy, a better environment, balanced prosperity across different regions and among different groups of people," he said. "The government is investing heavily on infrastructure building, technology innovation, energy conservation and environment protection."

Yolanda Banks, senior corporate social responsibility adviser at Export

Development Canada (EDC), related Canada's irreversible shift towards greening the supply chain. "A pre-occupation with environmental and social conditions has imposed an imperative upon companies to demonstrate they are minimizing their negative impacts on the environment," she said.

"I see how CSR is driving the export market," added Ms. Banks, whose Crown corporation is currently providing financial assistance to more than 6,000 Canadian exporters, most of them small or

medium-size businesses venturing into international markets. She noted manufacturers and retailers are increasingly demanding environmentally sustainable goods and services from their suppliers.

Importers and exporters have a responsibility to ensure their products are environmentally sound and are produced under reasonable working conditions, she added. "And it's important to remember that being socially responsible is not contradictory to making a profit."

FREIGHT FORWARDERS, CARRIERS FIRST TO DEAL WITH NEW AIR CARGO SECURITY PROGRAM

Air Canada official says vigilance by all should minimize imposed legislation

By JACK KOHANE

Canada's new Air Cargo Security Program will have an impact on the country's entire supply chain, according to the experts who related some of the impending changes at the 76th annual Canadian Association of Importers and Exporters (I.E.Canada) conference in Toronto.

A panel of freight forwarders and air transport officials related the difficulties faced by this sector in grappling with the multifaceted implementation of the new program.

"The new security plan has a two-pronged approach: the hardening of supply chain security for air carriers, freight forwarders and shippers; and, the improvement of cargo screening," explained Stephen Conrad, director of air cargo security for Transport Canada.

A risk-based program, it's designed to be efficient without

creating undue hindrances, he added. It will be interoperable with existing programs, others still under development, as well as with the security measures in force within other countries.

The program is in its first roll-out phase to the transportation industry. Memorandums of understanding are being signed by freight forwarders and air carriers. Security assessments and cargo characterization questionnaires have been issued. The questionnaires and air cargo security plans must be submitted to Transport Canada, which will conduct on-site inspections.

Shippers will be targeted in Phase 2 and asked to comply with the same requirements.

Transport Canada is currently testing leading-edge screening technologies. "That process includes the examination of the impacts of different cargo types

and volumes, and the investigation of diverse operational environments, such as northern Canadian airports," Mr. Conrad said.

Mike Morey, director of cargo standards and procedures for Air Canada Cargo, said it's up to all supply-chain participants to develop proposed solutions to avoid the imposition of new complicated regulations through legislation. "The desire is to make cargo security a state of mind for everyone in the supply chain."

Air Canada's initiatives include identifying security problems and presenting viable solutions that include self-imposed measures in conjunction with existing regulations. "These will allow us to achieve harmonization with other international security programs to ensure the most cost-effective and efficient co-ordination of security programs," he said. "These are all pluses in moving forward with our corporate responsibility."

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