

March 1, 2007

The Honourable James Flaherty
Minister of Finance
House of Commons
Ottawa, Ontario
K1A 0A6

Dear Minister Flaherty:

As President of I.E.Canada, the Canadian Association of Importers and Exporters, I would first like to thank you once again on behalf of our members for the opportunity to participate in your pre-budget consultations.

I.E.Canada has been a leading voice for the trade community since 1932, and serves small, medium, and large enterprises across Canada. Membership comprises importers and exporters, as well as a range of service providers to Canada's trade community. We have a growing membership that today exceeds 800.

Canada is a trading nation. In a recent survey conducted by Export Development Canada (EDC) 85% of 1500 Canadian business executives surveyed agreed that international trade is important and a significant contributor to Canada's economy.¹ No longer can simply expanding exports improve our competitiveness. Imports are also an important engine of the Canadian economy. 61% of Canadian exporters indicated their companies export products or services include imported components or materials. The import content used to make Canadian exports has been growing steadily.² If Canadian companies are to be globally competitive there is a need to both import and export.

In a recent report Stephen Poloz, Sr. VP, Corporate Affairs and Chief Economist at EDC noted the increasing importance of international trade to income generation in the world. While in 1990, less than 40 percent of global GDP depended on trade, today that number is approaching 60 percent, an increase of approximately 50 percent in just 15 years.

Our members' priorities are as follows:

- Infrastructure enhancements to reduce the choke points of trade at the borders and ports;
- Funding for CBSA and DFAIT programs to support Canadian business globally and;
- Tax credits for Canadian traders investing in supply chain security programs both domestically and internationally.

I will address each of these areas briefly in turn.

¹ Export Development Canada: Stakeholder Membership Survey, January 2007, page 1

² Export Development Canada: Stakeholder Membership Survey, January 2007, page 14

Infrastructure

One of the consequences of the integrative trade mentioned above is that the world's trade infrastructure is coming under tremendous strain. As Mr. Poloz also emphasized, “planning ports, bridges and rail systems to accommodate global economic growth is simply not sufficient, since trade is growing roughly twice as quickly to generate that economic growth. In future, it will be necessary to over-invest in such trade infrastructure if economies are to capitalize on the globalization phenomenon.”

The challenges are especially acute in this country. An estimated 58,000 crossings occur in the Detroit/Windsor region every day. By 2020 the number of daily crossings could exceed 90,000.³ The Port of Vancouver anticipates that by 2020, it will need to handle three times the volume it does currently. With current infrastructure, most North American ports will not be able to handle projected 2010 volumes.⁴

We applaud the government's commitment to the Pacific Gateway Initiative, and also urge the government to move forward with the commitment to establish a stable, permanent Highways and Border Infrastructure Fund.

Funding for CBSA and DFAIT

We recognize and value the investment committed by this Government to CBSA to ensure that key priorities of both CBSA and the trade community are met, including the \$396 million recently announced by Public Safety Minister Day for implementation of eManifest. CBSA is experiencing ever expanding demands on its resources, especially given the heightened concerns over security not only in North America but globally. We view CBSA as playing a critical role in ensuring the competitiveness of Canadian business and the economy. What we do in Canada in terms of customs and supply chain security programs, not only impacts how quickly and efficiently goods are imported into this country, but increasingly affects how our exports are treated by customs authorities in other countries, and particularly in the United States. It is essential therefore that this Government continues to ensure that CBSA is adequately funded.

Canadian exports are destined to many countries, with the United States being, of course, our top market by far. Not surprisingly, four in five executives feel that it's important for Canada to diversify export markets to reduce dependence on the United States.⁵ Targeted market-related information and advice is necessary to encourage firms to consider pursuing different market opportunities. Canadians seek information often through industry/trade associations and through the Internet. It is important that Canada improve the timeliness and sophistication of the information available to business. We seek financial support from this Government for new promotional programs administered by DFAIT to encourage and support companies to expand their business in export markets.

As noted above, there is an inter-relationship between imports and exports. Most importers are also exporters, and imports make up an increasingly higher proportion of our exports. In other words, imports help to ensure the competitiveness of the Canadian

³Detroit Regional Chamber and Windsor & District Chamber of Commerce, *Common Border Crossing Policy*, approved by the Windsor & District Chamber of Commerce on October 24, 2005.

⁴Schenker of Canada, *Best Practices for Ocean and Air Freight in a Global Sourcing Strategy*, a presentation prepared for the I.E.Canada. Canadian Association of Importers and Exporters, 15th Annual Conference and Trade Show: Emerging Issues in Customs, Toronto, Ontario, April 10-12, 2006.

⁵Export Development Canada: Stakeholder Membership Survey, January 2007, page 2.

economy. Governments, federal and provincial, have traditionally done an excellent job promoting exports. More needs to be done to assist importers in identifying low cost sources of supply especially in emerging markets. Canadian companies must be strategic in their use of global supply chains to ensure they are able to maintain their position in the global economy.

This is an area where member-based organizations, such as I.E.Canada and others, can assist government in helping Canadian companies identify both export and import opportunities in international markets, and to educate businesses about the regulatory and other requirements relating to importing and exporting. We urge this government to provide outreach and workshops to help Canadian business to understand the import process and tools for competitive global sourcing in order to increase Canadian competitive capacity to implement global supply chains.

Tax Credit for Investments in Supply Chain Security Programs

Companies involved in international trade are also being continually challenged to meet ever more stringent supply chain security requirements under programs such as the Customs Trade Partnership Against Terrorism (C-TPAT) in the United States. Many Canadian exporters participate in C-TPAT, making significant investments in supply chain security programs, to protect their access to that market. Under the Security and Prosperity Partnership of North America, Canada has committed to making our own supply chain security program, Partners in Protection, compatible with C-TPAT, and indeed this Government has committed funding for this purpose.

We would like to see support for Canadian companies investing in supply chain security programs and encourage the Department of Finance to explore the introduction of tax incentives, such as a tax credit, for security-related investments. While the costs of these programs can be high they may have limited direct benefit to the company making the investment. The benefit accrues to the Canadian public as a whole. Security investments by Canadian firms reinforces our commitment to improving the security of our borders, which is key to our economic and diplomatic relationship with our largest trading partner, the United States.

Once again, I would like to thank you for the opportunity to share the priorities and concerns of our members. I.E.Canada staff and members will be available to you and your officials and staff to answer any questions or provide additional information with respect to the areas addressed herein.

Yours very truly,



Mary Anderson
President

- cc. The Honourable Stockwell Day, Minister of Public Safety
- The Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities
- The Honourable David Emerson, Minister of International Trade
- Ms. Diane Ablonczy, Parliamentary Secretary to the Minister of Finance