

**NOTES FOR AN ADDRESS BY AMBASSADOR MICHAEL
WILSON**

**SPRING CONFERENCE OF THE
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INTRODUCTION

It is a great pleasure to be here for the Spring Conference of the American Association of Port Authorities. Thank you very much for the invitation.

For those who have travelled here for this event, welcome to Washington. It is a wonderful and beautiful time of the year to be in this great city. And a special welcome to representatives of those Canadian ports who are

members of AAPA, as well as to members of ports from Latin America and the Caribbean.

From my office, just a few blocks from here, down Pennsylvania Avenue, my overall mandate as Canada's Ambassador is to promote Canada-US relations. But I also increasingly believe that we need to think in North American terms, and to consider ways to enhance North American competitiveness in an increasingly competitive global marketplace.

IMPORTANCE OF PORTS AND THE MARITIME SECTOR

Allow me to start by offering a few general observations on your industry.

Ports, and more broadly the global maritime industry, are at the very forefront of international trade, security and globalization.

On a daily basis in your Ports, you face a number of difficult operational issues that are also of very high political importance – be they environmental, trade and competition, security, labour, or infrastructure.

I do not envy you, dealing with that myriad of thorny issues while maintaining the smooth flow of commerce in and out of your ports. How you face up to those challenges is absolutely crucial to the efficiency and sustainability of the international maritime industry and global supply chains.

GATEWAYS AND CORRIDORS

One of the exciting developments in this area in Canada is the Canadian Government's policy on Gateways and Corridors.

We are proud of Canada's "Asia-Pacific Gateway and Corridor Initiative". This is a very high-profile and high-priority initiative, that has taken many years of long, hard work to bring to fruition, to take strategic advantage of Western Canada's favourable geographic location vis-à-vis Asian markets.

We are improving the port, road and rail networks in the British Columbia Lower Mainland and Prince Rupert, and across Western Canada, leading into the economic heartlands of North America, as well as at major airports and land border crossings.

The Initiative has the full support of the Canadian Government, up to and including the Prime Minister. It is a key part of the Government's international trade strategy, and indeed our economic agenda. The commitment is real: since October 2006, more than \$2.2 billion in projects have been announced by the Governments of Canada, BC, Alberta, Saskatchewan and Manitoba, including over \$860 million in federal contributions.

So this is much more than a marine or ports initiative, but of course it is having a positive impact upon our West Coast ports, notably Vancouver and Prince Rupert.

In December, the Canadian Government amalgamated the British Columbia (B.C.) Lower Mainland port authorities of Fraser River, North Fraser and Vancouver. As of January 1, 2008, the three ports are now called the Vancouver Fraser Port Authority.

In Prince Rupert, we have the exciting and rare opportunity of witnessing the birth and expansion of a new container port on our west coast. The Prince Rupert Fairview Container Terminal is now open for business, with some 95% of its inbound containers bound for US markets, going by rail to Chicago and Memphis.

At the same time, we are working to develop the “Atlantic Gateway”. The goal is to establish the Atlantic Gateway as a strategic, integrated and globally competitive transportation system, facilitating the movement of international commerce on North America's east coast. This, too, is an exciting new opportunity for Canada’s Atlantic ports to take advantage of international trade.

Finally, work is also underway to develop the “Ontario-Quebec Continental Gateway and Trade Corridor”. These two provinces in Central Canada constitute some 60% of Canada’s GDP and exports, as well as 60% of our population. The efficiency of their connection to international markets, including the US, is vital to Canada’s economic well-being.

On the maritime side, one of the great assets of the Central Canadian region is the Great Lakes-St. Lawrence Seaway system. We are trying to find ways to better capitalize on that tremendous resource for trade and transportation, including through “short sea shipping” – but I hasten to add, in an environmentally responsible way.

I would like to leave you with concluding thoughts, in respect of these initiatives.

The first is that additional port capacity on Canada's East and West Coasts, and improved infrastructure inland, will benefit not only Canadian economic interests but US interests as well. I have heard a small number of U.S. business people describe the Asia-Pacific Gateway and Corridor Initiative as a threat to the Seattle and Tacoma container ports. In my opinion, this is a limited attitude. I take a longer view. We are receiving very positive signals of support from US importers and exporters and other players in the economy. All West Coast terminals are congested, and additional capacity inbound and outbound will be to everyone's benefit — including U.S. importers and exporters. The shorter Asia-Pacific route to Prince Rupert will save money as well as time for all North American importers and exporters, offering them a competitive edge.

The second is that as we develop these strategic gateways and corridors, we are highly focussed on having the very best security possible. We understand that security must be built into these initiatives from the start, not added later as an after-thought. We believe that Canada does have world-class security, at our ports, on our rail lines, at our borders, in our airports. And, in developing our security programs, we have aligned ourselves as much as possible to US and international standards.

The third point is that we need more efficient gateways and corridors not only for the importation of cargo from Asia and Europe, but equally we need to find ways to fill the containers on their way back to Asia, to create value-added along the supply chains inside North America, and to produce economic gains for our citizens and communities along these corridors. As representatives of Ports, I am sure that you understand only too well the need to demonstrate economic benefits to communities.

And my final point is that these initiatives and others dealing with highways, border crossings, public-private partnerships, transit and other sectors, form part of the “Building Canada Plan”, our Government’s infrastructure plan. Through the “Building Canada Plan”, \$33 billion over 7 years is being invested in infrastructure, the largest such program in Canada in over 50 years. While it is always true that “freight does not vote”, the extent of our Government’s commitment to infrastructure is a clear sign that it has made “freight mobility” (which is the subject of your next Panel) a very high priority.

CANADA-US ECONOMIC AND TRADE RELATIONSHIP

I would like now to turn to the Canada-US relationship, and to why we need to pay particular attention to “North American” competitiveness.

Most of you are probably aware that Canada is the United States’ most important partner in economic growth.

Despite the explosive growth of trade that both Canada and the US have experienced with China, we remain each other’s largest trading partners.

Trade statistics suggest that Canada in 2007 was surpassed by China as the largest exporter to the US. There are many reasons for that, including the strong Canadian dollar in 2007.

But we continue to buy more – a lot more – from the US than China buys from the US. In 2007, Canada imported \$248 billion from US; China only \$65 billion.

The province of Ontario buys more from the US than does China: in 2007, the US exported \$163 billion to Ontario alone. Indeed, the value of US

exports across one bridge, the Ambassador Bridge at Windsor-Detroit, is roughly equal to all US exports to China.

During the 20 years since the Canada–U.S. Free Trade Agreement was signed in 1988, Canada–U.S. trade has tripled. Investment flows have also increased substantially.

Trade volumes are huge. Two-way trade crosses the Canada–U.S. border at the rate of \$1.7 billion a day — well over a million dollars a minute. And upwards of 400,000 people a day, on average, travel across the border.

THE BORDER AND NORTH AMERICAN COMPETITIVENESS

In this context, the Canada–U.S. border is a challenge for both of our countries — and I'd like to explain why.

As trade has expanded freely across the border, more and more industries, companies and their suppliers operate on both sides. Assembling the parts into a single car, for example, can involve 3, 4, 5 or more border crossings — one company's North American supply chain.

Producing each part in the most efficient location can improve productivity, which leads to higher living standards.

What has developed in many sectors is an integrated continental economy, using North American supply chains linked to the rest of the world through our Gateways.

Now that the 1994 North American Free Trade Agreement has been fully implemented this year, Canadians, Americans and Mexicans will not be competing so much with each other — they will be joining forces as North Americans to compete with the world.

It follows that a smart and efficient border is essential for our highly integrated industries.

Over a third of Canada–U.S. trade occurs between branches of the same corporations, and a similar amount for trade within supply chains. It is the efficiency of these North American supply chains that allows our businesses and workers to compete effectively with Asia and Europe.

Conversely, inefficiencies in the supply chains translate into decreased competitiveness for North American companies. So a border problem is not just a Canadian problem. It is also a U.S. problem. And a Mexican problem.

We must make sure that the border provides gateways to prosperity — not cumbersome checkpoints that stifle our competitiveness.

At the same time both countries are rightly concerned about border security. This is not in dispute.

We secure our borders best by seeking out problems before they reach North American shores. And we do this best by working collaboratively with our American counterparts, sometimes at the border, sometimes away from the border.

Since the terrorist attacks of September 11, 2001, Canada has invested nearly \$10 billion in security programs. Given the difference in our population sizes, this would be the equivalent of the U.S. spending around \$100 billion.

Canadians and Americans once spoke of sharing “the longest undefended border in the world.” That should now more truthfully be “the longest secure border in the world.”

But problems persist, on both sides. Some security measures don’t seem to be based on risk management and therefore may not buy the security intended. Others are waiting for technology to catch up. The goals of still others appear to shift after they have been put in place. And some can even reflect disagreements between Congress and the Department of Homeland Security.

I regret to have to say that the border is “thickening”, with the result that time and cost are being added for border crossings which make us all less competitive globally without necessarily buying us smarter or better security.

For example, a new border or security rule or regulation can appear to be quite sensible, taken on its own. But taken together with all the other rules, the new rule might conflict with some. It might have unintended

consequences on the costs of doing business. It might delay the just-in-time delivery of supplies for a factory on the other side of the border, causing a whole production line to slow down or even to shut down.

Please don't misunderstand me. Canada wholly agrees with the overall objectives of improving security in North America, including at our borders, our airports, and our ports. My point is that as we do so, we need to be acutely aware of the impact of any such measures on the flow of goods and people, and specifically to the integrated North American and global supply chains that now fuel our economies.

Fortunately, I am confident that our leaders understand this. President Bush, President Calderón, and Prime Minister Harper signalled the importance of a balanced approach to security and prosperity, and the need to pay attention to North American competitiveness, when they met at Montebello last summer. I fully expect they will do so when they meet again later this month in New Orleans.

The Security and Prosperity Partnership (SPP), often unfairly maligned by critics, is in reality a serious and much-needed attempt to address these inter-

related problems of security, economic prosperity and global competitiveness.

Equally, I recommend to you the very positive and forward-looking work being conducted by the North American Competitiveness Council, and the US and Canadian Chambers of Commerce, to name just a few of the private sector actors who are making real contributions to understanding these issues and proposing solutions.

CONCLUSIONS

Given the integration of our economies, the existence of countless highly sophisticated cross-border supply chains, and the growing competition we face overseas, it is imperative that we consider the entire North American space when we consider competitiveness.

As representatives of Ports, you are key players in the international commerce and global supply chains that are reshaping the world. The work you do, on a daily basis, is important to the Canada-US relationship, and to North America's ability to compete globally.

I thank you for your time, and the invitation to speak, and I would be pleased to take some questions.