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CROSS-BORDER TRADE IS ON A ROLL

**U.S.-Canada trade will continue
to be a mutually beneficial
partnership, as long as
shippers keep their eye
on the ball.**

When Canadian Prime Minister Justin Trudeau met with President Barack Obama in March 2016, the two leaders agreed on many important topics of discussion except one: Hockey.

While Obama boasted about the skills of his hometown Chicago Blackhawks, Trudeau pointed out that several of the Windy City team's star players hail from Canada.

The warm give-and-take between the two leaders is emblematic of the relationship between the nations they represent. That relationship is especially true when it comes to cross-border trade.

History of Friendship

Trade between the two countries totals more than \$2 billion daily in goods and services. About 300,000 people cross between the countries every day by all modes of transportation. "In fields ranging from security and law enforcement to environmental protection to free trade, the two countries work closely together on multiple levels, from federal to local," according to the U.S. Department of State.

"The United States and Canada share the world's largest and most comprehensive trading relationship, which supports millions of jobs in each country," the State Department officially reports, adding that the bilateral relationship is "one of the closest and most extensive in the world."

And what some might consider best of all: "The United States provides no foreign assistance to Canada."

At the same time, the United States is Canada's largest foreign investor, and Canada is the third-largest investor in the United States. While trade between the two countries is far less restrictive than it is between most others, manufacturers on both sides of the border are wise to enlist the expertise of service providers well informed on ever-evolving rules and regulations.

When trade disputes do occur, they are managed through bilateral consultative forums or referral to North American Free Trade Agreement (NAFTA) or World Trade Organization (WTO) dispute-resolution procedures. In 2012, Canada joined the United States and other countries in

negotiating the Trans-Pacific Partnership regional trade agreement.

NAFTA, an agreement among the United States, Canada, and Mexico, has reduced trade barriers and established agreed-upon rules. It resolved longstanding bilateral issues and liberalized rules in areas such as agriculture, services, energy, financial services, investment, and government procurement. The Regulatory Cooperation Council seeks to stimulate even more trade by increasing bilateral regulatory transparency and cooperation, and eliminating unnecessary differences and duplication that hinder trade and investment.

The strength of the U.S.-Canada relationship extends much farther back than these fairly recent bilateral agreements.



The Port of Halifax offers many advantages to shippers involved in cross-border trade, including low dwell times, little congestion, available capacity, and reliable labor.

Both countries have British roots and have long bonded over their shared ancestry. While political differences inevitably occur, the level of harmony and respect between the countries has been remarkable.

Mutual Reliance

No wonder the intersection of the United States and Canada represents one of the largest trade borders in the world, but also one of the friendliest. "I don't think a relationship can get much better," says John Costanzo, president of Purolator International, a U.S.-based freight forwarder that provides cross-border logistics services between the United States and Canada.

The strong trade relationship between

the two countries is built on mutual reliance. "We are co-dependent on each other and I don't see that changing any time soon," Costanzo says. It is Purolator International's role to help companies capitalize on this already good situation.

Purolator International — based in Jericho, N.Y., about 25 miles from New York City — helps U.S. companies navigate their trade to, from, and within Canada. As a subsidiary of Purolator Inc., a Canadian Crown corporation, Purolator operates some 30 branches in cities across the United States.

"We have unique access," Costanzo says. "Our primary business is serving U.S. companies that trade with Canada. We excel at transportation management and freight forwarding, and are always expanding our

logistics services to better enhance the value and efficiency of customers' supply chains."

That includes helping U.S. companies that may not currently ship to Canada to consider exporting. In today's business world, customers can exist across the globe, and companies can miss an opportunity to grow and expand if they do not consider international trade. As a result of that strategy, Purolator International has doubled its business in the United States over the past five years.

For smaller companies, initiating cross-border trade may be a big step. "Small and even mid-sized companies are nervous about cross-border trade," Costanzo says. Purolator International, however, stands



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ready to guide them through the process in order to build a long-term, multi-dimensional relationship.

"We are not a transactional service provider," Costanzo says. "We are a logistics company. We provide advice on entering the market and improving trade strategies."

He adds that both Purolator Inc. and Purolator International have a diverse customer base. "The conversation is different for an industrial company than for an e-commerce firm," he says.

While the border between the United States and Canada is relatively soft in contrast to trade relationships with most other countries, compliance issues still require expertise to navigate.

"Shippers do have to understand the rules and regulations," Costanzo says. "They have to know how to classify goods properly. And they have to consider the issue of returns. The regulations are not onerous, but shippers have to do things right."

Get With the Program

One element of doing things right may involve achieving Non-Resident Importer (NRI) designation. A NRI is a company or individual who does not reside in Canada, but elects to act as the Importer of Record (IOR) for a shipment, or shipments, imported into Canada. "NRI is an excellent program," Costanzo says. "Most companies that make a serious commitment to Canada choose this status."

Also of benefit, especially for companies shipping low-value items, is the Free and Secure Trade (FAST) program, a commercial clearance program designed to ensure safety and security while expediting trade across the border.

Regardless of company size, or the type or volume of trade, the Automated Commercial Environment (ACE) program will soon become the single window for the trade community to report imports and exports, and for the U.S. government to determine admissibility. As the primary system ACE will streamline and automate manual processes, and eliminate paper. In addition, importers and exporters will be able to more easily and efficiently comply with U.S. trade laws and regulations.

While some of these regulations may seem daunting, "all the elements are

highly aligned and harmonized to streamline trade between the United States and Canada," Costanzo says.

With that in mind, Purolator International endeavors to keep all trading partners on key. "Cross-border trade may be only a small part of a company's business, but it is our focus, 100 percent," he says.

Reaching all 36 million Canadians efficiently and cost-effectively requires multiple strategies designed to optimize access to customers both near and far. "For exam-

"The trade relationship is second to none," he notes.

And at a time when companies are struggling to find new ways to grow their business, expanding into Canada seems a sure bet for many years to come.

Time is Money

"The ongoing trade relationship between the United States and Canada is very strong," agrees Jake Holzscheiter, president and CEO of A.N. Deringer Inc., the largest privately held customs broker in

Smooth Border Crossings

New Penn, a YRC Regional Transportation company providing regional, next-day ground services through a network spanning the northeastern United States, Quebec, Canada and Puerto Rico, has been shipping to and from Canada for more than 50 years. Tackling the challenges and nuances of cross-border service is second nature for its team of transportation professionals.

Recently, New Penn partnered with Dicom, a Canadian carrier operating 26 terminals in Ontario and Quebec. When coupled with New Penn's 22 terminals in the Northeast, shippers enjoy fast cross-border standard transit times.

Expediting the Paper Chase

Sometimes shippers find the extra paperwork required to ship across the border to be troublesome. New Penn can help advise how to fill out the bill of lading, prepare the Canadian Customs Invoice or Commercial Invoice, and assist with NAFTA paperwork. Also, the company's Customs Processing Center can expedite cross-border clearance by submitting paperwork the same day as pickup.

Life in the FAST Lane

Canada is the United States' largest trading partner and that means border crossing points are almost always busy. Certifications such as C-TPAT, Free and Secure Trade (FAST), and ACE are provided to ensure a secure supply chain, speed up customs processing, and reduce inspection delays at the border. New Penn uses the Canada Customs Pre-Arrival Release System (PARS), which allows customer shipments to clear the border faster. As a fully certified, government-approved FAST carrier, New Penn has access to the FAST lane at the border.

ple, some companies think Toronto should be the entry point for their goods, but sometimes bringing goods into Vancouver might be the better choice for getting products directly to market," Costanzo says. "There are even times when a split between the two entry points will not only produce faster transit times, but also a more cost-efficient solution."

Costanzo is optimistic about the continuing prospects for cross-border trade between the United States and Canada:

the United States. "The countries are like brothers and sisters; we depend on each other a lot."

Headquartered in St. Albans, Vt., Deringer combines more than 30 U.S. offices with a global agency network to facilitate the movement of cargo throughout the world. The company is a leading provider of international supply chain solution services including international freight forwarding, warehousing and distribution, customs brokerage, logistics consulting,

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Over the past year, the biggest challenge facing those involved in cross-border trade is meeting the demands placed by the mandatory transition to the ACE program, says Holzscheiter. If time is money, shippers must work to minimize the time the customs process requires.

“ACE involves a significant increase in the volume of data collected at Customs,” Holzscheiter says. “This challenges the industry to meet the speed and timelines needed to keep freight moving across the border, and requires a tremendous amount of advance planning. In some cases, we have to do twice the work in the same amount of time.

“It’s a much bigger challenge for trade between the United States and Canada than it is for ocean-going imports and exports due to the short transit times to the border,” Holzscheiter adds. “If you were to ask anyone involved in cross-border trade what the most difficult new challenge they face is, it is collecting the data required by ACE.”

To help shippers meet that challenge, Deringer has developed some of its own programs. “We’re developing new systems and adjusting our EDI feeds,” Holzscheiter adds. “It takes time to gain access to IT resources, so we have put a lot of investment into refining our systems so our clients spend less time at the border.”

A Holistic View

Currently, U.S. Customs and Border Protection (CBP) and the Participating Government Agencies (PGAs) are collecting more import data. As a result, the need for compliance management is increasing significantly and Holzscheiter recommends that shippers deepen their appreciation for compliance issues they may face at the border.

“The industry needs to understand that the need for compliance is greater than it ever has been before,” he says. “That’s why we are helping shippers look at cross-border trade holistically. We can’t forget the importance of audit and review programs.”

On the plus side, Holzscheiter says, the U.S. Food and Drug Administration (FDA) has entered into an arrangement with its counterparts in Canada that will

U.S.-Canada Trade Winds

■ U.S. goods and services trade with Canada totaled an estimated \$662.7 billion in 2015. Exports were \$337.3 billion; imports were \$325.4 billion. The U.S. goods and services trade surplus with Canada was \$11.9 billion in 2015.

■ Canada is currently the U.S.’s second-largest goods trading partner with \$575 billion in total (two-way) goods trade during 2015. Goods exports totaled \$280 billion; goods imports totaled \$295 billion. The U.S. goods trade deficit with Canada was \$15 billion in 2015.

■ Trade in services with Canada (exports and imports) totaled an estimated \$87.5 billion in 2015. Services exports were \$57.3 billion; services imports were \$30.2 billion. The U.S. services trade surplus with Canada was \$27.1 billion in 2015.

■ According to the Department of Commerce, U.S. exports of goods and services to Canada supported an estimated 1.7 million jobs in 2014 (latest data available) – 1.3 million supported by goods exports and 394,000 supported by services exports.

facilitate the movement of FDA-regulated commodities between the two countries. The FDA’s agreement with the Canadian Food Inspection Agency (CFIA) and the Department of Health Canada (Health Canada) is to recognize their food safety systems as comparable to each other.

When the program will be fully in effect has not yet been established. But, Holzscheiter says, in the long run it benefit shippers on both sides of the border because customs agents will legally be allowed to accept the results of inspections on the other side. “In the long term, this will improve the ease and flow of freight movements,” Holzscheiter says. “It should make border crossings easier and faster.”

Another factor that will be advantageous

for trade between the countries is the raising of the de minimis exemption, announced in March 2016. As agreed in the Trade Facilitation and Trade Enforcement Act of 2015, signed by President Obama in February, the value of a shipment of merchandise imported by one person on one day, that generally may be imported free from duty and taxes, was raised from \$200 to \$800.

“This will be particularly helpful to companies involved in the emerging e-commerce market,” Holzscheiter says.

Meanwhile, the value of the Canadian dollar remains highly favorable for goods exported from Canada to the United States. These favorable conditions are expected to remain for the foreseeable future.

From the global city of Halifax, the provincial capital of Nova Scotia, the perspective on U.S.-Canada border trade is favorable indeed.

“The Port of Halifax sees growth opportunities in the key markets of Quebec and Ontario in Canada, and in Detroit, Chicago, and Indianapolis in the United States,” says Lane Ferguson, communications advisor for the Halifax Port Authority.

Among its advantages, this Atlantic Ocean port in eastern Canada is a naturally deep, ice-free harbor. “We have invested \$250 million in port infrastructure since 2004 to make sure Halifax is ‘big-ship’ ready,” Ferguson says. “There is 16-meter draft at each container terminal and the terminal operators have invested in post-Panamax cranes to accommodate larger vessels. In August 2015, those large vessels (more than 8,000 TEUs) started calling as part of new and expanded services connecting North America to Southeast Asia via Halifax.

“As Canada’s Ultra Atlantic Gateway (for vessels of 10,000 TEUs or larger), the Port of Halifax has room to accommodate import and export growth,” Ferguson adds. “The terminals have capacity, and the vessels have available slot space. As a port community, we are working together to utilize that capacity. Our focus is, and has always been, working with our local, national, and international partners to create the conditions for business development in Halifax.”

Ferguson sees numerous benefits to moving goods through Halifax. “Changes

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in the value of the Canadian dollar have created a built-in incentive of about 20 percent due to the difference in currency exchange rates,” he notes. “There is also a significant cost difference in the price of bunker fuel. It takes time for the supply chain to adjust, but these are the types of changes that benefit exporters.”

Halifax is a full-service port that boasts low dwell times, low congestion, available capacity, and steady, reliable labor. The port connects to 150 countries worldwide.

The Port of Halifax is working closely with supply chain partners to deliver value and common purpose by minimizing transit times, reducing operating costs, and mitigating risks. “We are working to create the conditions for businesses to grow, resulting in economic growth,” Ferguson says, adding that the Port Authority works to help manufacturers navigate the regulations governing border traffic.

“As a port authority, we work with shippers, third-party logistics companies, cargo owners, international terminal operators, and others in the supply chain to promote the advantages of moving cargo through our port—available capacity, big-ship ready infrastructure, and currency value,” he says.

Here Come the Big Ships

Shippers particularly need such expertise as shipping routes evolve due to the Panama Canal expansion project.

“The evolution of big ships will continue to reshape global trading routes,” Ferguson says. “Many of the largest vessels in development will be deployed in high-traffic, high-return shipping routes, which is leading to a cascading effect: Vessels deployed along the North America/European Union trade lanes are being replaced by larger ones; among the largest to call on the east coast of North America.

“Fortunately, Halifax has been preparing for this evolution for some time, and we are seeing it now with some of the new services connecting Halifax to Southeast Asia,” he adds. “We expect this evolution will continue among other trade routes.”

To support import and export growth, the Halifax Port Authority launched enhanced container tracking software in January 2016, and has been aggressively marketing the Port of Halifax through its “Small Change, Big Impact” campaign.

Among other things, the campaign focuses on the port’s key advantages:

- Connection to 150 countries
- 20 shipping lines
- Deep container terminals
- World-class infrastructure
- Ready for big ships
- Super post-Panamax cranes
- 1,000 reefer plugs
- 1.4 million TEU capacity with room to grow
- Intermodal rail and truck connections daily
- Reliable, efficient, dedicated labor

Shared Vision

When Obama and Trudeau met, they released a joint statement that focused, among other things, on their respective visions pertaining to many international concerns: climate change, clean energy, the environment, national security, regulatory cooperation, and even the Zika virus.

Also figured prominently on that list were concerns regarding U.S.-Canada trade.

“The United States and Canada share the goal of enhancing shared prosperity, creating jobs, protecting workers and the environment, and promoting sustainable economic development,” according to the Obama-Trudeau statement. “Recognizing that the Trans-Pacific Partnership, which links together countries that represent

nearly 40 percent of global GDP, would advance these objectives, Canada and the United States are working to complete their respective domestic processes.”

While details of the Trans-Pacific Partnership have stirred up aggressive and divided opinions in the United States, conversations between Obama and Trudeau on the subject illustrate the spirit of cooperation and collaboration that marks the cross-border trade relationship that long has served both countries so well.

Following their meeting, the two leaders highlighted the need to further facilitate trade between their two countries. As an example, Obama welcomed Trudeau’s interest in a new long-term agreement for softwood lumber. The leaders agreed that the U.S. trade representative and the Canadian minister of international trade will intensively explore all options and report back on the key features to address this issue.

In addition, Obama noted recent legislative and regulatory action to repeal country-of-origin labeling requirements for beef and pork that bring the United States into compliance with its international trade obligations.

All of which underlines that the mutually beneficial trade relationship between the two countries is, indeed, an excellent bet long into the future. ■

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