

The Globe And Mail

Harper blames Canada for visa furor; Prime Minister aims to soothe feelings of insulted NAFTA partner by saying dysfunctional refugee system encourages bogus claims

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Byline: Steven Chase
Dateline: GUADALAJARA, MEXICO

GUADALAJARA, MEXICO -- Stephen Harper is trying to repair frayed relations with Mexico despite his refusal to roll back new entry restrictions for its citizens, emerging from a meeting with Mexican President Felipe Calderon last night to say it's Canada's dysfunctional refugee system that made him do it.

Blaming Canada for the move is Mr. Harper's attempt to soothe the feelings of an insulted NAFTA partner just before three-way talks start on a raft of other pressing issues, from the economy to trade.

"This is not the fault of the government of Mexico - let me be very clear about this," Mr. Harper told reporters, explaining his decision last month to clamp down on bogus refugee claims from Mexico by requiring Mexicans to get visas before entering Canada. "This is a problem in Canadian refugee law which encourages bogus claims."

He and Mr. Calderon met for 40 minutes yesterday evening just before they joined U.S. President Barack Obama for the start of the two-day North American Leaders' Summit in Guadalajara, Mexico.

The normally chummy goodwill of these summits - known as Three Amigos get-togethers - has been strained by Ottawa's sudden visa clampdown.

Mexico has taken the less-than-neighbourly move as an affront and countered by slapping visa requirements on Canadian diplomats.

Mindful of the need to address this recent low in relations, the Harper government yesterday unveiled some modest police-training aid to help Mexican authorities as they wage a bloody and protracted battle against homegrown drug lords.

Just as Mr. Harper's plane touched down in Guadalajara - and only hours before he met with Mr. Calderon - the Tories announced Ottawa will deploy more Mounties to help train Mexican police on everything from fighting money laundering to intelligence gathering.

The drug war is a subject dear to Mr. Calderon's heart. Mexico has been plagued with rising drug-related violence in recent years, as rival cartels battle for control of smuggling and distribution routes. About 6,000 people died in drug-related violence in Mexico in 2008, nearly double the 3,042 killed a year earlier.

Mr. Harper insisted the visa obligation for Mexicans will remain in place until Canada's refugee system is fixed, calling on opposition parties to join his party in reforming Canada's refugee system to discourage bogus claimants.

"The visas will stay as long as the problem exists," he said.

"Parliament should be seized with this issue [and] I hope our Parliament will take advantage of the attention that's been brought on this issue to deal with this problem," Mr. Harper said.

"Because we have many legitimate refugee claimants ... but we are spending an enormous amount of money on bogus refugee claims in a system that encourages those claims. And this can't continue this way."

Mexico had grown to become the biggest source of refugee claimants in Canada, with claims nearly tripling since 2005 to 9,500 in 2008.

Despite the backlash from Mexico, the Harper government says it's pleased with the result of its new visa crackdown on Mexicans.

The number of refugee claims for Mexican nationals at Canadian ports of entry has slowed to a trickle, according to Mr. Harper's office.

There were 225 claims in the two weeks leading up to the clampdown, and there have only been 17 since, the Prime Minister's Office said last week.

Canada played down the notion that this has amounted to a rejection of Mexican visitors, noting that as of July 31 its Mexico City embassy has issued more than 15,000 visas and the acceptance rate for that office was about 90 per cent.

Despite Ottawa's unwillingness to repeal the visa policy any time soon, it's unlikely Mexico would respond in kind. Slapping the same obligations on Canadians vacationing in Mexico would only further hurt the country's tourist industry, already coping with the impact of the global recession.

The annual Three Amigos meeting, now in its fifth year, is showing signs of fading in importance. Missing from this year's agenda is the Security and Prosperity Partnership, adopted to advance economic and security integration. Senior North American

business executives, invited in the past two years to help steer discussions, are also absent.

The NAFTA leaders will use the talks in Guadalajara to prepare for the September Group-of-20 economic summit, to discuss a feared fall resurgence of the swine flu virus, and how to fight climate change in a way that doesn't leave them offside with the United States.

Mr. Obama is hoping to build a common front with Canada and Mexico, as all countries prepare for a key climate change abatement meeting in Copenhagen in December, where they will try to find a successor agreement to the Kyoto accord.

While he made efforts to stand in solidarity yesterday with Mr. Calderon's war on the drug cartels, the amount Canada is allocating is small.

Ottawa announced yesterday that Canada is tapping a \$15-million fund set aside in the 2009 budget - but not spent - to allocate more than \$400,000 for training aimed at more than 330 Mexican police officers and their commanders.

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The Globe And Mail

Canada plays catch-up in race for trade with China

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Byline: Kevin Carmichael
Dateline: OTTAWA

OTTAWA -- When the world's biggest import market crashed last year and economists advised Canadian exporters to chase growth in emerging markets, Winnipeg plastics manufacturer Craig McIntosh did just the opposite: He hired more salespeople and redoubled his efforts south of the border.

Half of Acrylon Plastics' \$40-million in sales come from exports to the world's biggest economy. But even after watching the U.S. brought to its knees by the recession, Mr. McIntosh stuck with the tried-and-true Canadian export strategy.

The near-collapse of global trade has shone a harsh spotlight on Canadian exporters' dangerous reliance on customers south of the border. With U.S. demand still in a serious slump, Canada is falling behind in the race to capture a greater share of the world's markets likely to expand the most over the next decade.

"If you are a North American parts supplier, to turn around and say, 'Hey, go to India or go to China,' that's a big step to take between here and there," said Mr. McIntosh, whose company manufactures plastic to make everything from farm machinery parts to playground equipment.

This week, Finance Minister Jim Flaherty is taking a step toward bridging that gap and jumpstarting trade between manufacturers like Mr. McIntosh and the world's fastest growing major economy. As part of an effort by Prime Minister Stephen Harper to reorient the government's trade policy to add a greater emphasis on China, he is heading the biggest Canadian delegation to China in over four years. Three other cabinet ministers have already visited the country this year.

"Many of our Canadian producers did not necessarily work hard at exporting beyond the U.S. because they could make a very good living just on that market," said Pierre Pettigrew, a former trade minister who is now executive adviser, international, at the Toronto office of consulting firm Deloitte. "This is changing."

The competition for these markets will be fierce, and Canada still has a long way to go. Chinese statistics show that Canada ranks outside the Top 10 both in terms of foreign investment and as a source of imports, says Alan Alexandroff, a senior fellow at the Centre for International Governance Innovation, based in Waterloo, Ont.

"It's not happening," Mr. Alexandroff said of Canada's push into China. "We're really not a serious player."

Demand for imports is surging in countries with higher growth rates, namely Brazil, Russia, India and China - the group of big emerging markets, commonly referred to as the BRIC countries, that is dominated by China. Their combined imports grew at an average annual rate of 17.8 per cent between 1999 and 2007, according to a study by Mykyta Vesselovsky, an economist at Canada's Trade Department.

But Canada's exports to those countries only increased at an annual rate of 14.5 per cent during that period, indicating that Canada's market share has declined, the study says.

The gravitational pull of the U.S. on Canada's economic actors is such that even during a recession that has destroyed production greater than the gross domestic product of Portugal, most of this country's exporters would rather stick with their neighbour than take the chance of developing new contacts overseas.

"The U.S. has to be our primary market," said Rick Jamieson, chief executive officer of ABS Friction, which sells brake pads in more than a dozen countries from its base in Guelph, Ont. "Foreign markets become gravy."

Canada's economy is going to need some more gravy if it's to recoup all the wealth that's been lost during the financial crisis. With American consumers saving at the highest rates in more than a decade to replenish nest eggs wrecked by the crisis, demand for imports is unlikely to return to previous levels any time soon, if ever.

"The American consumer will no longer be the engine of growth, post-recession," Mr. Pettigrew said. "This is a turning point in the world economy."

Conservative and Liberal governments have sought to weaken America's grip on the Canadian economy since at least the late 1940s, when, during the negotiations that led to the North Atlantic Treaty Organization, Ottawa argued that the military alliance should also be an economic and political one.

None had any real success. Former prime minister Brian Mulroney's decision to forge a free-trade agreement with the U.S. in 1988 - the focus of bitter debate at the time and now embraced by almost every politician in the country - was an acknowledgment of economic reality. No matter what's happening elsewhere in the world, there's a natural inclination to do business in a market that speaks the same language and where there's relatively little red tape.

But the recession has exposed the perils of trade dependency. Canada's banks were well capitalized, the housing market was strong and consumer incomes were rising, and still the economy collapsed as American consumers stopped buying cars and new homes. The Bank of Canada says the downturn should end this quarter, but only if trade begins to recover.

Now Mr. Harper seems to be making a fresh attempt at trade diversification.

Trade Minister Stockwell Day has visited almost a dozen countries this year, more than he and his predecessors managed in all of 2008. Aside from trips to Los Angeles and Washington and a stop in Japan, all of Mr. Day's travel this year has been to emerging markets.

Mr. Flaherty's China mission follows a weeklong trip last month to Chile, Argentina and Brazil. Mr. Harper plans to stop in Panama on his way home from a summit in Mexico with his North American counterparts, and is working on a trip of his own to China in November.

And the U.S. downturn has begun to steer Canadian exporters to look further afield.

In 2007, the percentage of Canada's total exports that went to the U.S. dropped below 80 per cent for the first time since 1995. The figure was 78 per cent last year, and appears likely to keep shrinking.

At Canadian Manufacturers & Exporters, where about 90 per cent of the association's 10,000 members are smaller companies such as Acrylon, the phone is ringing off the hook with members seeking advice on doing business overseas.

"There has been an evaporation of customer demand," said Jayson Myers, the association's president. "It has woken people up to the fact that you can't rely on your traditional customers in the United States and that you can't rely on your traditional product line."

While Canadian policy makers will take new markets where they can get them, the prize remains China, which has stunned many economists with how quickly it has shaken off the effects of the global recession.

Those countries lucky enough to be in China's orbit have benefited. Australian gross domestic product will shrink by 0.5 per cent in 2009, according to the International Monetary Fund, compared with the 2.3 per cent decline it predicts for Canada.

By simply maintaining current market share, the value of Canada's exports to China will rise to \$234.2-billion in 2038 from \$11.7-billion in 2007, according to Mr. Vesselovsky's calculations.

By increasing market share by a tenth of a percentage point, Canada could gain an extra \$20.4-billion, the study says.

Unfortunately for the government, Canada appears to be giving up ground.

The Trade Department acknowledges that it has fallen behind the U.S., Britain, Germany, France, Japan and Australia in helping companies break into non-traditional markets.

Mr. Day is pledging to step up Canada's game. On his own trip to China in April, Mr. Day opened new trade offices in Chengdu and Shenzhen and pledged to open outposts in four other cities before the end of the year.

Research shows that promotion helps, said Dan Ciuriak, a senior associate at Carleton University's Centre for Trade Policy and Law in Ottawa and the former deputy chief economist at Canada's Trade Department.

Canada is doing better in China and other Asian countries than many people think, Mr. Ciuriak said. Working with John Curtis, a former chief economist at the Trade Department, Mr. Ciuriak compared Canada's presence in Asia with that of Australia.

When factors such as distance to market and the natural pull of an economy the size of the U.S. are taken into account, Canada's performance in China rates a grade of B to B+, they concluded.

"Overall, we don't do as bad as it might look on first blush," Mr. Ciuriak said. Still, "if you do believe the world is changing and that the next phase of globalization will be much more Asian-centric, the same analysis says we could be doing better," he said. "In fact, it would be important to put some policy efforts into doing better."

Until someone can convince him expanding to China, India or another international market is worthwhile, Mr. McIntosh intends to stick to the roads he knows. He reckons his sales push has generated "some very nice accounts" that will boost revenue by 10 per cent.

"At this point in time, we are finding lots of opportunities in both Canada and the United States, primarily in the U.S.," Mr. McIntosh said. "Until those dry up, I am happy to keep pursuing those before I go further afield."

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The Globe And Mail

Back-to-school marketing hits the books early; Recession-hit retailers try to get a head start on \$2-billion fall shopping season, but slip in sales projected

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Byline: Marina Strauss

RETAILING REPORTER

Stephanie Duncan had barely finished handing out report cards when the Toronto teacher settled back in a Cineplex cinema to take in the comedy Bruno - only to get a jarring reminder of the classrooms she had just left behind.

Before the movie began, a commercial appeared from retail giant Wal-Mart Canada Corp. touting laptops for the return to school. "Heading back to the classroom is probably the farthest thing from your mind," a tech expert in the spot tells viewers. "But believe it or not, now's the time to start thinking about what kind of laptop you need for back-to-school."

Ms. Duncan, 30, thought that blasting the message at the beginning of July was a little early.

"We look forward to our break and the first thing you know you're bombarded with September," she said recently as she strode past the prominent back-to-school aisles at the front of a Wal-Mart store.

She may not be buying into the early message, but Wal-Mart and other retailers are betting that other consumers will take the bait. Merchants feel the heat to get a jump on the back-to-school season - it's the second-biggest shopping period after Christmas and, according to U.S. data, about one-10th its size in sales.

Having struggled through one of the toughest downturns in decades, retailers' prospects aren't much brighter for that all-important holiday business to come. So they're rushing to not only stock their back-to-school aisles, but also find novel ways to grab consumers' attention.

For the first time, many stores are tapping into social media to speak directly to youngsters with ads and contests on Facebook and Twitter. And almost all retailers are trying to seal the deal with more promotions and discounts than ever before.

But already the prognosis isn't rosy for Canada's retailers.

Sales in the estimated \$2-billion annual back-to-school market are expected to slip between 2 and 3 per cent, according to forecasts from Staples Canada, the school supplies retail titan, and market researcher Trendex North America, which tracks apparel sales in Canada.

And the attempt to spur sales so early in the season could backfire, observers warn. Consumers are increasingly delaying purchases and waiting for better deals, as they do for holiday shopping, said John Williams of retail consultancy J.C. Williams Group.

"With the economy the way it is, people buy closer to the time that they need the products," he said.

Wal-Mart, nevertheless, thinks it can change shoppers' behaviour and boost business. Its back-to-school commercial in July marked its earliest start to the campus season and its first foray into cinema advertising, said Jeff Lobb, vice-president of marketing at the discounter.

In the past, its marketing began about a month later, closer to early August. But Wal-Mart's movie theatre ad focuses on laptops, and consumers need more time to research such a big-ticket purchase, Mr. Lobb said. Cinemas, a popular destination in tough economic times, offer a captive audience. "We wanted to be out there first, and we think we were."

Wal-Mart is among retailers trumpeting a wider range of back-to-school products for students university-aged and younger, including a full offering of electronics. To back the effort, it started distributing catalogues to families with children in those age brackets, including shopping lists for how to dress up a dorm room.

Its research found that a mother makes nine trips to three separate retailers in the eight weeks around the start of school; Wal-Mart wants to shrink the metrics to just one trip to one chain - its own. "We know how consumers are behaving and we know we can provide them with a solution," Mr. Lobb said.

Rival discounter Zellers rolled out its offerings of notebooks and knapsacks in the third week of July, a week earlier than usual, in a bid to draw recession-weary consumers, said chief executive officer Mark Foote.

"I'm not saying we think it's an easy season," he added. "I don't want to diminish it. But we feel pretty good about our position in it."

Other retailers are getting a jump on back-to-school time by using social media to court the often-ignored teen shopper. Electronics chain Best Buy Canada

launched a Twitter account three weeks ago, offering deals that aren't advertised elsewhere, spokesman Christopher Bennett said.

Sister chain Future Shop is rolling out a contest using Facebook and Twitter as well as traditional advertising such as flyers for prizes that include a \$10, 000 shopping spree. "We're utilizing more tools in our tool belt this year," said Nikki Hellyer, Future Shop's director of marketing.

And U.S.-based Staples Inc., which created a Facebook page in June, showed its new back-to-school commercial on the page in mid-July before the ad aired on television.

The bottom line is that belt-tightening consumers are looking for savings, retailers say.

Staples is teaming up with clothier Old Navy, offering discounts on its apparel with a purchase at the office supplies chain. The move is aimed at taking on Wal-Mart, which has an edge by drawing customers with clothing and supplies under one roof, said Pete Gibel, vice-president of merchandise at Staples.

Best Buy expects that as much as 60 per cent of its back-to-school sales will be tied to a promotion or price markdown, compared with closer to 50 per cent a year earlier, Mr. Bennett said. Zellers, meanwhile, has dropped prices on "thousands" of products in its 278 stores, part of its wider recovery strategy, Mr. Foote said.

Despite predictions of an overall drop in the back-to-school market, the big retailers such as Wal-Mart are bullish their efforts will yield gains, even if margins may be pinched. They've bolstered their inventory levels accordingly. Staples projects its sales will rise 2 to 3 per cent, mainly by stealing customers from smaller rivals, Mr. Gibel said.

Still, Ms. Duncan isn't rushing out to do her own back-to-school shopping. And the teacher plans to scale back her spending of \$200 last year by about 10 per cent. "It's down to the basics."

Back-to-school spending

Supplies

Estimated size of school supplies and stationery market: \$1-billion.

Retailer shares:

Staples: 41 per cent*

Wal-Mart Canada: 26 per cent*

Zellers: less than 5 per cent

Loblaws: 2 to 3 per cent

Shoppers: 2 to 3 per cent

(*Staples and Wal-Mart are closer in market share during the back-to-school season.)

Forecast for sales during the back-to-school season:

Drop of 2 to 3 per cent

Source: Industry officials

Clothing

Estimated \$1-billion back-to-school apparel market is forecast to drop 3.1 per cent, based on the way clothing sales have been running so far this year.

Source: Trendex North America

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The Washington Post

Clinton Building Ties With Angola U.S. Presses for Transparency in Oil Deals

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Byline: Mary Beth Sheridan

LUANDA, Angola, Aug. 9 -- Hillary Rodham Clinton made the first visit to Angola by a U.S. secretary of state in seven years, trying Sunday to strengthen relations with a growing oil producer that is being aggressively courted by China.

Clinton sought to emphasize the positive in her two-day visit, praising Angola's efforts to rebuild after a 27-year civil war that ended in 2002. But during a meeting in parliament, opposition politicians urged her to press for more democratic behavior from President Jos duardo dos Santos, who has been in power for three decades.

"Africa and Angola need, not strong men, but strong institutions," Alda Sachiambo, leader of the UNITA caucus, said at the televised meeting, throwing back at Clinton a line from a speech President Obama gave last month in Ghana.

Sachiambo said the U.S. government has a "greater responsibility" to push for fair treatment for the opposition, because it funded UNITA during the war.

Clinton did not respond directly, but told the lawmakers: "In a democracy such as yours, the parliament must demand accountability and transparency, and stand against financial corruption and abuse of power."

Angola was the third stop on Clinton's seven-nation tour of Africa, which has emphasized good governance and economic growth. Clinton was notably less critical of Angola's democratic failings -- corruption and a lack of press freedom -- than she was of Kenya's performance during her stop there last week.

A senior administration official, briefing reporters on condition of anonymity, said Clinton believes the Angolans are "moving in the right direction, so it's better to encourage them along."

Angola's oil production has surged in recent years, and rivals Nigeria as the biggest petroleum exporter in sub-Saharan Africa. It is the No. 7 supplier of oil to the United States.

While the oil-fueled economy grew a sizzling 27 percent last year, many Angolans haven't seen improvement in their lives. About two-thirds of the population lives on less than \$2 a day, according to United Nations figures.

Luanda, an Atlantic coastal capital dotted with a few pastel-colored Portuguese colonial buildings, is full of tin-roofed shacks and dilapidated apartment

buildings in faded beige and pink, with shirts flapping from clotheslines.

Oil diplomacy was the top item on Clinton's agenda, and she emphasized in her meetings with Angolan officials the need for transparency in awarding contracts and spending oil proceeds, according to her aides.

In recent years, China has provided Angola with billions of dollars in oil-backed loans to rebuild hospitals, schools and roads, and Chinese companies have formed joint ventures with Angolan petroleum companies. Major U.S. oil companies such as Chevron and Exxon Mobile are heavily involved in the oil sector here.

Clinton, however, told reporters she was not worried about the Chinese presence. "I'm looking at what the United States can do to further and deepen our relationship" with Angola, she said.

Asked about the high level of corruption here, Clinton told reporters that Angola has made progress by posting oil revenues online and working with the U. S. Treasury on increasing transparency.

She also praised Angola for holding its first legislative elections in 16 years last year. But aides said she told Angolan officials that they had to have a presidential election "in the near future." Elections were supposed to be held in 2009, but Dos Santos has not set a date.

The U.S. government backed UNITA in the war that turned Angola into a Cold War battleground. Angola has shed its Marxist past and normalized relations with the United States under President Bill Clinton.

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With Cable, Laying a Basis for Growth in Africa

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Dateline: PARIS

Illustrations: PHOTO: Contractors laying fiber optic cable in Kenya. About 10 new undersea connections are expected to serve Africa within a year.(PHOTOGRAPH BY JOSEPH OKANGA/REUTERS)

The opening of a fiber optic cable providing broadband Internet service to millions of people in Southern and Eastern Africa is part of an ambitious plan to expand Web access and help spur the continent's economy and technology industry.

The cable, built by Seacom, a consortium 75 percent controlled by African investors, is the first of about 10 new undersea connections expected to serve Africa before the middle of next year. The expansion will cost about \$2.4 billion and will help connect Africa with Europe, Asia and parts of the Middle East at higher speeds and a lower cost.

Until now, Africa had only one submarine fiber optic cable: the less efficient SAT-3 in Western Africa, owned primarily by Telkom, the South African telecommunications company, and last updated in 2002. Those with no access to that cable were forced to use expensive and slow satellite links.

Alan Mauldin, research director at TeleGeography, a telecommunications market research company, said Africa was the last major area where broadband access was not widespread.

"This international web of undersea cable," Mr. Mauldin said, "roots high-end countries like Kenya and Uganda into the Western world better than just satellite capacity."

A World Bank report released in June said that access to better information and communication technology corresponded with economic growth. The report said that for every 10 percentage points of increase in high-speed Internet access, economic growth rose 1.3 percentage points.

The technology sector should benefit greatly, analysts said. Services like call centers will be able to offer more competitive rates because of lower operating costs, and technology companies will be able to communicate better with clients and partners overseas.

Lindsay McDonald, a telecommunications analyst at Frost & Sullivan in South Africa, said that Africans were stymied by the lack of broadband service and that better Internet connections were an important platform for new businesses.

The Seacom cable will provide Internet service that is about 10 times faster than any existing service in Africa, said David Lerche, a communications analyst at Avior Research in South Africa.

The 10,500-mile cable, which became operational on July 23, cost \$650 million and links Eastern and Southern Africa with Europe and Asia. Within the next year, four more submarine fiber systems are expected to be added in East Africa. One, the Teams cable, is expected to be completed in September and will connect Mombasa to the United Arab Emirates, and another, the East African Submarine Cable System, should be in use by the middle of next year.

Mike Bean, a software developer for IDXonline, a small industrial information technology company in South Africa, said his company paid \$2,000 to \$5,000 a month for Internet access. He said the Seacom cable would allow his company to teleconference with partners overseas at a much lower price.

"Unless you're a very wealthy business, you can't really participate in things like that," Mr. Bean said.

Demand is high for better communication technology in Africa, analysts say. A report released in May by Delta Partners, an advisory and investment firm for media and technology in the Middle East and Africa, said there was potential for the number of broadband users in Africa to expand to 24 million by 2011, from 2.5 million at present.

In West Africa next year, the Glo-1 Cable will link Nigeria and Ghana to Europe, and the Main One cable will link Nigeria and Ghana to Portugal.

However, it could still be several years before access to less expensive broadband connections becomes widely available to individual consumers, said Etienne Lafougere, the general manager for submarine network activity for Alcatel-Lucent, which is building the majority of the submarine cables in Africa, including those for the East Africa Submarine Cable System and Teams.

He said access depended on local Internet service providers updating technology and adding cables to the main system to reach more isolated areas.

"We are building the highways," Mr. Lafougere said. "Then you have to build roads and secondary roads, and that usually takes more time."

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