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Conference Report

## The United States and Canada: Toward a Better Border

Canada is America's biggest trading partner and largest supplier of energy. Approximately 400,000 businesspeople, tourists, truckers and regular commuters cross the U.S.-Canada border daily, many of them engaged in the co-production of products and services that must compete in a global economy. Since the attacks of September 11, 2001, however, measures to ensure homeland security have made crossing the border more difficult. This "border thickening" has increased the costs of compliance for business, including the hard-pressed auto and tourism industries.



With cross-border traffic expected to peak during the 2010 Winter Olympics in Vancouver, many fear that implementing a new Western Hemisphere Travel Initiative as planned this year will cause further economic damage on both sides of the border.

With these concerns in mind, the Brookings Metropolitan Policy Program and the Canadian International Council sponsored a day-long forum on the current challenges and opportunities to improve U.S.-Canada border policy and management. This forum took place March 25, 2009 at the Brookings Institution and featured key officials and experts from the United States and Canada.

U.S. Homeland Security Secretary Janet Napolitano, delivering the forum's keynote speech, indicated that the new administration would maintain most of the security requirements—including the new travel initiative—put in place in the aftermath of the 2001 terrorist attacks. "It's a real border and we need to address it as a real border," she said. At the same time, she encouraged the concept of a "futuristic border" that one day could harness new technologies to ensure a safe and seamless flow of people between the two countries.

### Setting the Stage

The 5,525-mile boundary between the United States and Canada was traditionally hailed as the longest undefended border in the world. For decades, residents of both countries crossed it without having to show passports or undergo arduous inspections. In the 1980s and 90s, reductions in tariffs and other trade barriers under the 1988 Canada-U.S. Free

Trade Agreement, superseded six years later by the North American Free Trade Agreement (NAFTA), greatly expanded commerce between the two countries.

The 2001 attacks on New York and Washington and the ensuing focus on homeland security led to changes in border policy that slowed and complicated the cross-border movement of people and goods. That, in turn, spurred concerns among businesses and border communities that rely on quick and efficient passage.

Both countries took steps to address such concerns, initially through the well-received Smart Border Action Plan. Yet, dissatisfaction with border policy and management has grown more pronounced in the economic downturn. The purpose of the conference was to seize the opportunity represented by a new administration in Washington to examine fresh ideas for facilitating trade and travel without compromising security.

Brookings President Strobe Talbott urged conferees to ensure the “physical security of both countries in the face of new threats that are the result of what I will call the dark side of globalization. But the other common interest is preserving the vitality of the largest bilateral trading relationship in the world.”

Opening statements issued by two Canadians—Research-in-Motion Co-CEO James Balsillie and Minister of Transport, Infrastructure and Communities John Baird—noted that the tough economy requires working together toward neighborly solutions. Balsillie, also chair of the Canadian International Council, emphasized that the solutions “can and should marry security and efficiency and need not dilute either.”

Baird also underscored Canada’s commitment to working with the United States on mutual security: “As the Prime Minister told President Obama in Ottawa recently, a threat to the United States is a threat to Canada. We take security extremely seriously.” Yet, he also emphasized economic security: “In these tough times, it is important that we find ways to protect our people, but at the same time, to protect their jobs.”

Baird discussed the significance of the Detroit-Windsor International Crossing “as a fully integrated manufacturing hub for North America, where our two countries actually build things together.” He assured participants that, getting the crossing—which will include a bridge, plaza and connecting roads—completed “has been, and will continue to be, the number one infrastructure project in Canada.”

## Improving Border Policy

In the first panel session, numerous officials weighed in on how sound policy, not fences, makes for good neighbors. Gordon Giffin, the U.S. ambassador to Canada during the Clinton administration, suggested that transporting cargo between the two countries might

follow the passenger transportation model. Noting how U.S. and Canadian officials had worked through the challenges of establishing pre-clearance of air travelers, he said, “If we can do that for airplane passengers, we can do it for commercial truck traffic at Fort Erie, where we should be pre-clearing goods and commercial trucks.” He added that the opportunities go well beyond infrastructure and that the two countries should “dare to do something worthwhile and not just do it incrementally.”

U.S. Deputy Assistant Secretary of State Roberta Jackson echoed that it is important to facilitate trade, especially in the current economic crisis, and that the \$720 million in the stimulus bill for border infrastructure should help. She agreed that the Western Hemisphere Travel Initiative, scheduled to take effect in June, may create some transition pains, but expressed confidence that the initiative will work in the long run.

Jackson acknowledged that there are important differences between the United States’ northern and southern borders, but noted that some of the business concerns about them were very similar and suggested that, if the concerned groups began working together on border infrastructure, “they would be unstoppable in our Congress.”

Looking to the future, Jacobson said she is optimistic because Secretary of State Hillary Clinton and Homeland Security Secretary Janet Napolitano are both from border states and “truly get it about border infrastructure, border connections, and the importance of efficiency and trade,” and because the eight years of experience since 9/11 have matured the security relationship, “which enables us to take another look at what we’ve done, at what we should do, and what we may redo.”

Michael Kergin, the Canadian ambassador to the United States during the terrorist attacks, praised the Smart Border Accord developed between the United States and Canada after 9/11. He urged that the same principals remain in play: using modern risk management techniques; applying information technologies that are compatible and reciprocal; sharing information and intelligence, and providing more resources – for information technology, staff and infrastructure. He agreed that the timing is right, in part because global competition and economic integration elsewhere are raising the ante; in part because “there is a disposition in Canada now to be a little more courageous or bold on issues related to the border.”

The ensuing discussion focused on the wisdom and prospects for mutual perimeter policies. Kergin emphasized defining the distinctions between goods and people. Giffin agreed, remarking that it’s “not East Germany and West Germany. Put folks in the same building and draw a line down the middle of it. Use the same computers. I know there are privacy issues that we’d have to work out, but there are ways to do this ... we may not be able to move visa questions, immigration questions, to the perimeter, but we sure ought to be able to move how we deal with cargo to the perimeter.”

Jacobson suggested that even visa policy might be moved to the perimeter. She thought the timing was right to explore perimeter policy, either incrementally or more boldly if there were “a big push from leaders at the top” to “make us do more than we [lower-level officials] might be able to do incrementally.” She added that, “I also think this is a perfect example of an area ... that should be handled bilaterally, even though I am a huge proponent of trilateralism.”

Kergin echoed the calls for both countries to work together on pre-clearance and urged that initiatives begin locally. He noted that a federal pre-clearance pilot project involving Fort Erie and Buffalo was close to resolution before it broke down, and contrasted that to the Integrated Border Enforcement Teams, which started locally and then spread successfully. Giffin attributed the pre-clearance breakdown to disagreements about finger printing, and called for political leaders in both countries to find solutions and move forward. Jacobson agreed, and suggested that the current economic crisis would force both countries to work harder to resolve border issues.

## Legislative Perspectives on Border Policy

Canadian Senator Hugh Segal emphasized that Canada’s political parties share the U.S. commitment to homeland security. “We understand that trade is trumped by security, specifically when the security is seen not to be doing its job, so the critical question is to ensure that the investment in security is smart and focused and apprehensive and ahead of the curve.”

Segal reminded the conferees of the many ways that the two countries cooperate, from Afghanistan and a recently expanded North American Aerospace Defense Command (NORAD) to intelligence sharing and Integrated Border Enforcement Teams. “In some respects we have a virtual periphery now,” he said. The Canadian senator acknowledged that differences between the two countries complicate progress toward greater collaboration, but called for working through such complexities together to find the right balance of technology, laws, trade and efficiency initiatives, intelligence sharing, and real-time synthesis and engagement.

U.S. Congresswoman Louise Slaughter (D-N.Y.), whose district includes Rochester and Buffalo, emphasized the importance of an efficient border to her constituents. “In our part of New York, we don’t think of ourselves as two countries,” she said. “We are one country with a river running through it. We absolutely depend on tourism that crosses every day ... and on the \$1.5 billion worth of trade [that] crosses the U.S.-Canada border every day.” The congresswoman criticized the new border policies as stronger than necessary. More specifically, she called for renewing the Shared Border Management Initiative. She also expressed severe reservations about Washington’s readiness to implement the Western

Hemisphere Travel Initiative this June. Arguing that if WHTI is implemented improperly it will “severely cripple border communities” and hurt the national economy, she announced her willingness to introduce legislation to delay implementation until June 2010.

## **Business Perspectives on the Border**

Calling it a global competitiveness issue, the panel of business leaders emphasized how the post-9/11 border situation poses new problems for business. Canadian Manufacturers and Exporters President Jayson Myers noted that the cross-border movement of goods is not so much trade in finished products as it is transportation of intermediate goods, much of it intra-firm and intra-industry. These bi-nationally integrated supply chains mean that unfinished products and component parts tend to cross the border several times before final assembly, adding to costs and the difficulties of competing in the global economy.

Campbell Soup Vice President Kelly Johnston noted that his firm views the United States and Canada as a single market for manufacturing as well as for sales. As a consequence, any hiccup on the border is felt throughout the supply chain and, he said, firms like Campbells are considering switching from “just-in-time” inventory management to “just-in-case” warehousing.

Former Michigan Governor John Engler, now the chairman of the National Association of Manufacturers, called for an “awareness campaign” to let more people know that U.S.-Canadian border issues are “vitally important” to manufacturers. He said that the increased border security has created problems for firms that rely on workers who live on the other side of the border, including the hospitals in Southeast Michigan that employ nurses who commute from Windsor.

The former three-term governor of Michigan acknowledged that the border situation has improved since the immediate aftermath of the terrorist attacks, but added that “it’s nowhere where it should be and nowhere to the point where I think we do equal treatment to both the security and the prosperity needs.”

All the panelists acknowledged that new technology—FAST, NEXUS, C-TPAT and other such programs—have helped to expedite cross-border flows, though there are still delays at some times and places. Jayson Myers emphasized problems in a regulatory system with compliance requirements that “are impractical, costly, and in many cases, just impossible to fulfill.” He called for simplifying compliance, in part by making better use of the risk management techniques that are especially important for small business.

## **Regional Concerns and Initiatives**

Regional variations in border use, border problems and border initiatives also have implications for evolving policies. Western Washington University economist Paul Storer presented data showing considerable trade-corridor variation in the time it took for cross-border traffic flows after 9/11 to return to prior rates, measured costs of freight over time, and the percentage of shipments that claim the NAFTA tariff preferences. These differences reflect the nature of the goods being moved, the size of the firms moving them, and decisions about whether it's worthwhile to enroll in FAST or to deal with the rules of origin under NAFTA.

In the face of such regional variation, Matt Morrison, the executive director of the Pacific NorthWest Economic Region, and Kirk Steudle, director of the Michigan Department of Transportation, described how states are working with their Canadian counterparts in the same trade corridor. Steudle reported that his department works well with the Ontario Ministry of Transport.

Morrison described Washington State's struggle to get the Department of Homeland Security to allow an Enhanced Drivers License that substitutes for a passport. "It was like pounding your head against a wall, and yet, finally, it's done." He said that the enhanced license offers a template that many states have followed. The panelists agreed that innovations at the regional level can help prepare both countries for the swell of border traffic anticipated for the 2010 Olympics.

## **Toward a New Frontier: Proposals and Responses**

Christopher Sands, a senior fellow at the Hudson Institute, summarized the analysis and policy recommendations presented in his conference paper, "Toward a New Frontier: Improving the U.S.-Canadian Border." He suggested that the border varies along two principal dimensions, trade corridor type and user type. The primary trade corridors are the Cascadian, the Great Lakes, the rural, and the North American perimeter, each presenting different challenges. He described five types of border users—commercial, energy, commuter, amateur, and illicit—each of which involves particular interests. Arguing that such variation in interests makes achieving consensus difficult, Sands recommended greater precision in the definition of border problems and a more decentralized process for addressing them.

Two Canadian professors on the panel expressed considerable support for these ideas. Explaining the security advantages of "resilient communities," Geoffrey Hale urged aligning the Canadian and American delineation of regions, and emphasized the distinction between goods and people. Margaret Kalacska observed that the border includes vast stretches of land between its ports of entry, some of which can be monitored with appropriate technology. The vice president of the Detroit Regional Chamber of Commerce, Sarah Hubbard, largely agreed with Sands, but warned against decentralization "going

amuck,” as it had in Michigan when local Customs and Border Protection agents decided to fingerprint everyone crossing the border.

By contrast, former U.S. Homeland Security Assistant Secretary for Policy Stewart Baker voiced strong reservations, especially about the idea of decentralizing border policy-making. He argued that the issue is not so much a thicker or thinner border as a smarter one, and called for better information sharing. “We have better information about VWP [Visa Waiver Program] travelers who are coming to the United States from many of the VWP countries than we have from Canada, even though Canada has a relationship with us that could be described as super VWP.” He thought a more promising approach was to try to persuade the Department of Homeland Security “that trade facilitation is an essential part of its mission.” He also favored restructuring the Security and Prosperity Partnership between the U.S., Canada and Mexico into a series of bilateral discussions.

## Remarks by Homeland Security Secretary Janet Napolitano

Secretary Napolitano spoke of the historically close relationship and easy movement between Canada and the United States, acknowledging the adjustment pains associated with the post-9/11 changes. “What we are in the midst of now is a culture change in the sense that that close relationship still exists but the reality exists that there is a border there too.” This, she continued, makes it all the more vital to work together on preserving and enhancing an effective trade and security relationship – by ensuring the needed infrastructure, sharing information, and meeting regularly with her Canadian counterpart, Minister Peter Van Loan.

Secretary Napolitano asked, “What kinds of technology can we employ that would allow us to break through that schism between security and the facilitation of trade? And how do we make sure the people flow is as smooth as possible while protecting privacy and privacy rights?”

Responding to a question about shared border management of the Buffalo-Ft. Erie crossing, she said, “I think the concept of shared border management is very consonant with when I say we need to be thinking about what we want the border to look like 20 years hence,” but there are real legal, logistical and other hurdles to getting there. “And so let’s not pretend that we can just wave a magic wand and we have a shared border management structure. It’s not an easy thing to accomplish.”

Concerning the Western Hemisphere Travel Initiative, she was firm in sticking with the original June 2009 deadline. She added that, “I think we need to be sensitive to the very real feeling among the southern border states and in Mexico, that if things are being done on the Mexican border, they should also be done on the Canadian border.”

## Conclusion

This forum advanced the dialogue on border management in several ways. Speakers demonstrated that the nature of the border use, and therefore the challenges the border presents, vary by geographical region and by user group. The discussion showed how bi-national regional groups can and are working together to resolve problems specific to their region. Businesses, many said, are as concerned about regulations and the costs of complying with new border procedures as with delays at the border.

The forum's speakers expressed broad agreement that border operations could be improved by upgrading infrastructure, modernizing technology, and improving data sharing and risk-management processes. Some called for going further on harmonizing regulations and moving more border management to the periphery. Many also endorsed Christopher Sands' recommendations for decentralizing border management and promoting regional bi-national problem-solving of the kind done by the Pacific North West Economic Region.

Several speakers suggested that the convergence of four factors— an economic crisis, a new administration in Washington, a new boldness in Ottawa regarding periphery approaches, and the maturing of the post-9/11 security relationship between the two countries—made the time ripe for policy reform. Secretary Napolitano struck a cautionary note, however, saying that while she supported border efficiency and eventual shared management, she thought that achieving major change would be hard and might take years. Yet, echoing others, she expressed a commitment to working with her Canadian counterpart to ensure progress toward a better border.

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