

Perimeter step toward more border efficiency

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Canadians recently welcomed in the new year with celebrations across the country. Later this month, Canadian and American governments are expected to jointly announce a new deal on border security, a move that should be celebrated with equal fervour.

According to news reports, the pending agreement, referred to as A New Border Vision, makes important progress on border controls by creating a perimeter around North America. This will include an integrated entry-exit system for travellers to both Canada and the U.S., joint consumer product regulations, a pre-clearance agreement and secure transit lanes for pre-cleared traffic.

Increased security procedures implemented since 9-11 have served only to thicken the Canada-U. S. border, increase the costs of imports and exports, and generally make life more difficult for anyone whose business relies on the flow of goods or people between our two countries.

In 2010, 75 per cent of all Canadian merchandise exports were expected to go to the United States with more than 70 per cent of these shipments being made by truck crossings. An even larger share of merchandise imports were expected to arrive by truck. Delays at the border due to congestion have been a problem for many years. But despite a variety of new trusted traveller programs, the added security checks after 9-11 have created a de facto new barrier to trade.

Given that a large share of Canadian income is derived from free trade, this has a negative effect on our prosperity. Because so much trade between Canada and the U.S. is actually intra-firm trade, as parts in the manufacturing process ship north and south, the thickening of our border also negatively affects North American competitiveness in the global market.

Details of the proposed accord are not yet public, so caution is warranted, especially after the failure of the 2005 Security and Prosperity Partnership. But ideally, any such new border agreement will include:

- A gradual move toward a common external tariff by adopting the lowest tariff between Canada and the U.S., starting with industrial products, that will lead to the elimination of the Rules of Origin process.
- Gradual liberalization of temporary labour mobility for citizens.
- Regulatory compliance reporting to be done at the shipping point, which can be administered by business itself and monitored electronically by government.
- Dedicated border crossings for goods that comply on regulatory and security requirements.
- Mutually recognized security criteria for clearance for all people entering the two countries.
- A single, binational method of recording and securing biometric and other secure electronic data, such as radio-frequency identification chips, to speed up inspections at border crossings.

- Enhancing the Integrated Border Enforcement Teams and ensuring closer collaboration between intelligence and law enforcement agencies on crime, smuggling and terrorism, to deal with potential threats well before they appear at the border; and
- A final layer of inspection and supervision at the border.

These policy changes are spelled out in a series of research studies on border security I've published through the Fraser Institute: *Canadian-American Relations in 2007* and *The Security and Prosperity Partnership: The Case for a North American Standards and Regulatory Area*. These studies show how increasing security around the perimeter of Canada and the United States as a whole can be done in exchange for less border congestion.

The proposals I outlined are backed up by additional research by academic experts, industry stakeholders and governments that show businesses, and thus consumers, pay a significant premium for regulatory and security controls at the border. The cost is estimated to be as high as three per cent of the total value of imports and exports.

With profit margins squeezed by the high Canadian dollar, we simply need to do better to remain competitive. Given that Canada and the United States share very similar security objectives, the proposed new bilateral accord is about achieving greater efficiencies of border costs by taking some security checks to the point of entry into North America, while at the same time reducing some of the unnecessary regulatory differences between our two markets. The key for Canada is that we cannot agree to provisions that tighten security at the perimeter without thinning the shared Canada-U.S. border. If rumours of the promised accord between Washington and Ottawa are to be believed, it is a step in the right direction toward lowering border costs.

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