HOMELAND AND BORDER SECURITY PROGRAMS ARE ROADBLOCKS TO U.S. AND NORTH AMERICAN COMPETITIVENESS

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In February 1999, French Foreign Minister Hubert Védrine referred to the United States as a "hyper power," meaning a country that "is dominant or predominant in all categories." In December of 2000, President Bill Clinton proclaimed that if the U.S. continued with its pace of economic growth and government surpluses, all publicly held U.S. government debt would be paid off within a decade. At the time, this debt totaled 3.4 trillion dollars. In 2000, the U.S. accounted for over 31 percent of global GDP. During the eight years of the Clinton administration, 22.7 million net new jobs were created and in January 2001, the unemployment rate stood at 4.2 percent. NAFTA trade was flourishing and Americans were not required to carry passports in trips to Canada or Mexico. At many rural checkpoints along the border with Canada, U.S. agents would put orange rubber cones along the roadway and then go home for dinner.

Fast Forward to January 2013

During the 12 years of the Bush and Obama administrations, a total of 4.8 million jobs were created and the unemployment rate in January 2013 stood at 7.9 percent. In the month before September 11, 2001 (9/11), 115 million people were working in the non-farm private sector, compared with 114 million in early 2013, even though the U.S. population had grown by 30 million. There were more full-time jobs in August 2001 than January 2013 and the median real net worth of American families in 2010 plummeted back to the levels of the early 1990s.

Publicly-held U.S. government debt skyrocketed to 11.6 trillion dollars in 2013, with Washington's total debt burden standing at 16.5 trillion dollars. The U.S. share of global GDP has fallen by almost one-third over the past decade, with the United States in 2011 accounting for 21.4 percent of GDP in nominal terms and only 18.5 percent using the purchasing-power-parity (PPP) index. Most Americans have experienced a lost decade since 9/11, whereas the Asian Development Bank recently trumpeted that at the current pace, Asia in 2050 will account for over half of the global population, GDP, exports, and direct investment.

What Went Wrong?

September 11, 2001 was one of the watersheds in modern U.S. history, but it is notable not only for the loss of almost 3,000 innocent lives that day, but also for the colossal missteps made by the U.S. government in reaction to this specific terrorist attack. Over the ensuing decade, America went abroad in search of dragons to slay, and at home it turned inward and adopted a Fortress America mentality. The defense budget swelled by 218 percent between fiscal year 2001 and 2013, the intelligence budget by 267 percent, and over a half trillion dollars have been earmarked for "homeland defense."

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In an effort to show it would do something about 9/11, a panicked Congress created the Department of Homeland Security (DHS) in 2002, resulting in the most massive restructuring of executive agencies since 1947. DHS is the epitome of multi-level bureaucratic layering, bringing together 22 disparate agencies ranging from the Plum Island Animal Disease Center and FEMA to the Coast Guard and Secret Service. With 240,000 employees and annual expenditures of 59 billion dollars, DHS is a labyrinthic nightmare incapable of making creative and decisive decisions in real time.

As Washington's policies steered the nation inward, the government began to distrust all foreigners and even many Americans. Borders with Canada and Mexico were tightened dramatically, and certain prominent leaders even claimed erroneously that some of the 9/11 terrorists had come from Canada. Americans themselves were forced by Washington to procure passports in order to travel within North America, and today about two-thirds cannot even make day-trips to Vancouver, Montreal, or Tijuana because they do not possess passports or enhanced driver's licenses. Over the past decade, the United States lost out on tens of millions of visits by foreign tourists because of onerous visa restrictions and an image that the welcome mat had been removed for foreigners. Ruefully, the U.S. tourist sector began to refer to the war on terror as a war on tourism.

Cross-border commercial flows have also been significantly disrupted. Component parts for vehicles being assembled by GM, Ford, and Chrysler's sister plants in Michigan and Ontario now face an average of six border inspections before the vehicle is fully assembled. This cross-border movement adds hundreds of dollars to the cost of a North American car because of border delays and extensive paperwork, meaning home-grown automakers are placed at a competitive disadvantage vis-à-vis European and Asian automakers which endure only one border inspection when they ship cars to the U.S.

The "security trumps commerce" ethos of DHS and other agencies has helped diminish the overall competitiveness of the United States in a rapidly changing world characterized by trans-Atlantic drift and a global shift to Asia and other emerging markets. This compartmentalized way of thinking has also caused serious damage to NAFTA, the efficiency of global and regional supply chains, and the overall quest to make the North American region more competitive on the global stage.

Since 9/11, the number of U.S. agents at the Canadian border has increased by six-fold to 2,200, and the number along the Mexican border by five-fold to 18,500. Fences have been built, drones and Blackhawk helicopters deployed, and panoply of electronic sensors and other equipment installed. At the end of the day, the Government Accountability Office (GAO) estimates that U.S. agencies have managed to make less than two percent of the vast 5,500-mile border with Canada and less than 50 percent of the 2,000-mile border with Mexico "secure." Tragically, as the U.S. has been transfixed with homeland and border security and going deeper in debt to secure the quixotic goal of complete safety from small terrorist cells, Asia and other regions have passed it by in terms economic competitiveness and job creation.

What Needs to Be Done?

The United States must rid itself of its near hysterical reaction to the events of 9/11, especially toward its closest neighbors to the north and south. It must trumpet its own strengths and those of its North American partners and begin to reenergize the North American economic and commercial community. The three NAFTA countries rank number one, eleven, and fourteen in the world in terms of GDP. Together, they annually produce more than the 27 nations which comprise the European Union, and their combined population of 460 million is only slightly smaller than the EU's 500 million. In 2012, the United States exported more to Canada with its 35 million people than to the entire European Union, and exports to Mexico were more than twice as high as U.S. exports to China. The U.S. and Canada have for decades maintained the largest bilateral trading relationship in the world, and U.S.-Mexico bilateral trade is now the third largest globally.

Nevertheless, the North American partnership has lost momentum, in large part attributable to misguided U.S. homeland and border security policies.

The following changes are needed:

U.S. government leaders and the American public in general must cast off stereotyped images of Canada and Mexico. Canada is not a quaint little country to the north. Rather, along with Australia, it has experienced the fastest economic growth among all Western countries over the past decade. Canada accounted for 19 percent of the value of total U.S. goods exports in 2012 and bilateral trade sustains eight million U.S. jobs. Canada is also the number one foreign supplier of energy to the U.S. and its remarkable performance during the Great Recession can teach both Washington and Wall Street some invaluable lessons.

American images of Mexico start and end with drug cartels and illegal immigration. Both are serious problems, but Mexico is well on its way to becoming one of the ten largest economies in the world. Its GDP growth rate is outpacing its neighbors, and over the past 15 years almost half of all Mexicans have entered the middle class. Mexico was the second leading destination for U.S. goods exports in 2012 and bilateral trade provides six million jobs for American workers. Moreover, when Canada and Mexico "export" merchandise to the U.S., these goods contain respectively 25 percent and 40 percent U.S.-made component parts, compared with only 4 percent found in Chinese exports to the United States.

Washington should recognize and embrace the economic success of its neighboring countries and "thin" its two borders in order to facilitate North American-wide commerce and prosperity;

1. Dismantle DHS and either eliminate some of its component agencies or transfer them to more pertinent departments. DHS is an unfortunate symbol of ill-advised U.S. policy priorities in the aftermath of 9/11;

2. As the U.S. Chamber of Commerce has advocated, create a "world-class border" by modernizing ports of entry and halting the gridlock which is harming the movement of goods and people. Insure that special lanes for trucks carrying commercial goods and cars transporting FAST and NEXUS-qualified passengers can proceed at a brisk pace. Expedite the building of the new Windsor-Detroit Bridge, a structure which will be paid for in the short-term by the Canadian government;

3. Cease the build-up in the number of Border Patrol agents and recognize that the northern and southern borders are very distinct and should be treated much differently. Criminal activity at the northern border with Canada is roughly one percent of similar activity at the southern border with Mexico.

Cross-border drug trafficking should remain a major priority and is potentially much more dangerous for the average American family than terrorist activity centered in the Middle East. Hollywood often gives a benign and even alluring image to illegal drug use, but this contrasts markedly with the frenetic weekend activity in hospital emergency rooms across the country, as medical personnel struggle to preserve the lives and well-being of young people who have overdosed on illegal drugs. Education and rehabilitation of users, not incarceration, are the best answer to the problem on the U.S. side of the border. Furthermore, a prohibition on transporting assault weapons and ammunition to members of the drug cartels in Mexico would lessen the barbarity of drug-related skirmishes that claimed 50,000 Mexican lives over the past half-dozen years. Supervision in this area should be concentrated in the hands of law-enforcement, intelligence, and military personnel. The DEA, FBI, and other federal, state and local authorities must assume the leadership position and the Merida Initiative should be strengthened.

The Border Patrol must focus on the entry of illegal immigrants, but even this role may subside over time. In 1960, the average Mexican woman had 7.3 children, compared with 2.4 in 2010. The number of young people entering the work force is declining as a result of Mexico's dramatic demographic changes. Moreover, the Mexican economy is growing faster than either its U.S. or Canadian counterparts. There has been no net entry of Mexican migrants into the United States over the past few years, even though 10 percent of all people born in Mexico and 15 percent of working-age Mexicans currently reside in the U.S. If border impediments are eased and regulatory standards harmonized, global supply chains will be strengthened in Mexico and more jobs will be available for young people. In addition, if the North American countries are jointly successful in negotiating free trade accords with the Asia-Pacific nations and the European Union, this liberalization of trans-Pacific and trans-Atlantic ties should bolster Mexican job prospects.

Governments should proceed at a brisk pace to create a self-sufficient North American energy sector. President Obama should approve the Keystone XL pipeline and President Peña Nieto should encourage the transfer of appropriate foreign technology and permit some foreign ownership in Mexico's energy sector. Mexico has huge potential to be a major energy exporter but its current performance leaves much to be desired. The development of shale oil and natural gas respectful of environmental standards, the modernization and expansion of electrical grid systems, and the promotion of a variety of renewable energy sources can lead to North American energy independence within a generation. Furthermore, the presence of abundant and relatively cheap energy sources will prompt growing in-sourcing of manufacturing facilities in all three NAFTA countries, plus accelerated inward direct investment from other parts of the world, helping to create well-paying jobs and easing the temptation to cross the two borders illegally.

Advantage should be taken of the fresh starts in all three countries—Harper's recent majority government, Obama's reelection, and Peña Nieto's new presidency—and come together in a true partnership. The border-crossing infrastructure, border harmonization programs and commercial-related regulations in general should be improved. Michael Hart has long lamented the "tyranny of small differences" which has perennially plagued cross-border collaboration and the rationalization of North American-wide commercial activity. This needs to change and must be spearheaded by the Obama administration. The 2011 Beyond the Border Declaration and the Regulatory Cooperation Council pieced together by Stephen Harper and Obama will be the true test case. If it works in a timely fashion, then it could later be extended to Mexico, resulting in a major surge in continental commercial ties. In terms of the movement of people, Canada and the United States might contemplate a Schengen-style arrangement, and this could also be expanded to include Mexico at a later date.

Obama and Peña Nieto should also move quickly to implement a temporary worker agreement, patterned in part after the current program between Canada and Mexico and incorporating some of the suggestions made by former Mexican President Vicente Fox. This would be of major benefit to U.S. farms and ranches and help to ease illegal trafficking into the United States while maintaining a steady flow of remittances back to Mexico.

Frankly, I am fearful that Beyond the Border and related commitments and timetables will be hamstrung by inattentiveness and budget pressures in Washington. Canada would then be relegated to its not atypical Rodney Dangerfield status vis-à-vis the United States. If this transpires, Beyond the Border will go the way of the Dodo bird and the 2005 Security and Prosperity Partnership (SPP) of North America, leading to a major setback in cooperation spanning both borders.

On the other hand, I am hopeful that the three national leaders will eventually recognize the urgency of going beyond NAFTA and forging an arrangement closer to a customs union. The World Bank calculates that North American economic integration is currently approaching 50 percent, far behind the EU's 73 percent and, surprisingly, even behind Asia's 50 percent. So much more can be done to enhance North American economic competitiveness in an extremely complex and interdependent world.

Ideally, Washington will take the first concrete step by swiftly revamping its disjointed homeland and border security programs, starting with its antiquated Maginot-Line treatment of U.S. frontiers with Canada and Mexico.