



## **From Vision to Action**

# **Advancing the Canada – United States Partnership**

**Submission to the  
Beyond the Borders Working Group**

**Canadian Council of Chief Executives  
May 2011**



## **CANADA AND THE UNITED STATES: THE CHALLENGE, THE OPPORTUNITY**

The Canada-United States partnership has delivered enormous economic benefits to both countries over many years. The relationship transcends the economy; it is rooted in common security interests, history and family ties.

The 1988 Canada-United States Free Trade Agreement – and its successor, the 1993 North American Free Trade Agreement – helped to define a new era of economic cooperation between our two countries and with Mexico. Much has changed since then, and the time has come to update the partnership in response to the rise of Asia, the security challenges that came to the forefront after 9/11, and myriad other developments that are reshaping our globe.

On February 4, 2011, Prime Minister Stephen Harper and President Barack Obama recognized the urgent need for closer security and economic cooperation to confront today's challenges. The Leaders' *Declaration on a Shared Vision for Perimeter Security and Economic Competitiveness* was nothing less than a call to modernize and strengthen the bilateral partnership. They pledged "to pursue a perimeter approach to security" and accelerate the legitimate flow of people, goods and services "in ways that support economic competitiveness, job creation, and prosperity."

Canada remains the United States' most important export market, but the value of the relationship has eroded in recent years amid slower economic growth and more intense competition from abroad. New security layers, fees, rules and inspections at the border have compounded the problem, with negative repercussions for two-way trade and investment.

In global terms, our Leaders' personal commitment to this vision is both timely and essential. Our goal must be to address these challenges, while at the same time ensuring that Canada and the United States take full advantage of the opportunities created by the growing economic importance of China, India and Brazil. These opportunities will not be realized without a strategic approach that makes the most of the complementary assets of each partner.

At the same time, Canada and the United States need to work together more effectively to safeguard North America from illegitimate flows of goods, people and activities. Closer collaboration can improve each country's ability to address security risks while promoting job creation, economic growth, competitiveness and prosperity.

Realizing these objectives will require sustained attention and a high level of ambition. Canada and the United States have embarked on a number of economic and security initiatives over the past two decades, with limited success. If the outcome is to be different this



time, it will be imperative to act boldly and quickly. Our Leaders' personal engagement will be needed to ensure success and inspire action.

## **PRINCIPLES TO ENSURE SUCCESS AND INSPIRE ACTION**

In developing a perimeter security and competitiveness action plan, our governments should embrace the following principles:

- Trust must be built and earned between governments and with stakeholders.
- Each country's sovereignty must be respected, while recognizing the advantages of a collective approach to security.
- Adherence to the principles of risk management should be resolute.
- Inspections should be carried out away from the border wherever possible, and both governments should strive to eliminate unnecessary duplication (inspected once is enough).
- Trade is important, but supply chain facilitation is crucial.
- Our joint networks, electrical grids and critical infrastructure must be modern, well-maintained and resilient.
- Information and intelligence must be shared between and among relevant agencies.
- Technology can be a key facilitator in addressing security risks and improving border efficiency.
- Targeted investments in the short term will produce benefits over the medium term in the form of stronger growth, jobs and prosperity.

## **RECOMMENDATIONS**

The recommendations in this submission are grouped under two primary themes: promoting bilateral economic growth and prosperity by facilitating trade, and building trust by strengthening our common security. Two additional priority areas are included to advance our bilateral partnership: regulatory compatibility and collaboration on energy and environment policy.

The priority measures are framed into initiatives that could be put into effect immediately, or within the next 24 months. Together, these recommendations would advance the Canada-United States partnership and put both countries firmly on track toward a more secure and prosperous future.



***Promoting bilateral economic growth and prosperity by facilitating trade***

The governments of both Canada and the United States are committed to achieving strong economic and employment growth in a competitive, productive and innovative environment. While the structures of our economies differ in a number of important respects, both countries depend significantly on international trade. Domestic consumption alone will not generate the growth and high-value jobs that our citizens require.

Expanded trade – bilaterally and with other countries – will give rise to new opportunities and enhance our competitiveness. Employment and incomes on both sides of the Canada-U.S. border will increase if companies are able to build on their existing networks and international supply chains.

Canada and the United States should therefore expand cooperation in a range of trade-related areas. In addition to improving the risk-based management approach at the border, priorities include: eliminating tariff and non-tariff barriers where they still exist; improving border infrastructure; addressing regulatory gaps and inconsistencies that impair the flow of trade; and enhancing labour mobility.

The following recommendations are aimed at establishing a seamless market for trade between Canada and the United States.

- **Over the next six months, focus on our bilateral border infrastructure** – Construction of the New International Trade Crossing between Detroit, Michigan, and Windsor, Ontario, is our top joint infrastructure priority. A decade of delay is too long. In addition, more investment is required at the U.S. plazas of the Blue Water Bridge between Port Huron, Michigan, and Sarnia, Ontario, and the Lewiston/Queenston Bridge near Niagara Falls. Other projects deserving of attention include the proposed new rail link between Windsor and Detroit. Inspection and customs processing services should be available 24 hours a day, seven days a week at our top 10 border crossings and all commercial airports. Canada and the United States should agree to smart co-management and sharing of port-of-entry infrastructure at low-volume rural border crossings.
- **Improve and expand trusted-trader programs** – The benefits of these programs should be expanded and their effectiveness improved. Within the next two years, Canada and the United States should reach agreement on:
  - Introduction of harmonized programs for trusted traders, similar to the NEXUS program for trusted travellers.



- Streamlining of the data requirements for customs reporting and release of shipments.
  - Establishment of time-specific benchmarks for transiting each border point/port.
  - Recognition of trusted-trader designations by other government agencies.
  - Expansion of trusted-trader membership criteria to permit the shipping of goods such as low-risk regulated products or hazardous materials (within the U.S. or Canada).
  - Establishment of a U.S. equivalent to Canada's Customs Self-Assessment (CSA) program to expedite clearance of imported goods from Canada.
- 
- **Establish customs pre-clearance** – Pre-clearance of shipments before they reach the border will strengthen our integrated supply chains, expedite commerce and increase efficiency. We recognize that the concept may require legislative approval in Canada, but note that similar challenges were overcome in the introduction of pre-clearance for air and marine travellers. Pre-clearance for shipments should be implemented where it makes sense and will result in greater efficiency. Recommended actions include:
    - More investment to expedite truck pre-processing on the Canadian side of the Peace Bridge in Fort Erie, Ontario, as well as at other border points such as Massena, New York, and at rail and cruise ports in British Columbia.
    - Designation of Canadian and U.S. customs and immigration personnel to work in each other's countries. Officers should also be designated to work within other relevant agencies on both sides of the border.
    - The development, within two years, of an integrated cargo security strategy from the point of shipment within Canada or the United States. Inspections that are currently carried out at the border should be relocated to the manufacturing or plant gate. Factory-gate pre-clearances should begin with shippers that currently participate in trusted trader programs (e.g., in the automotive and food sectors).
    - A one-year pilot project that would eliminate border re-inspections for low-risk Canadian and U.S. meat production companies. During this period, the U.S. Department of Agriculture and the Canadian Food Inspection Agency would share their inspection mandates through a joint training program.
- 
- **Align and streamline customs rules and procedures** – The primary focus of border officials should be on protecting our citizens from threats to health, safety and security. Streamlining the myriad rules and activities that impede the flow of legitimate cargo will improve security while at the same time enhancing the competitiveness of U.S. and Canadian companies and lowering costs for both consumers and governments. We offer the following recommendations:



- Implement the Single Window Initiative within one year, without adding to the expenses already incurred by the trading community. Traders should satisfy all government requirements by means of a single submission processed through a single electronic data-processing system, away from the border.
  - Align allowable gift exemptions and raise duty-free allowances. Revenue collection should not be a primary focus of Canada Border Services Agency (CBSA) and U.S. Customs Border Protection (CBP) personnel.
  - Accelerate efforts within a strict timetable to simplify NAFTA rules of origin.
  - On a sector-by-sector basis, bilaterally harmonize external tariffs at the lowest prevailing rate consistent with multilateral obligations. Begin with sectors in which existing differences in tariff rates are already minor.
  - Canada should increase to \$200 the threshold below which there is no assessment and collection of tariff and other duties, as well as no formal customs procedures for mail or courier shipments to the United States.
  - Canada should adopt the U.S. threshold that qualifies courier shipments for the expedited Low-Value Shipment System of inspection and verification. Liability for these types of shipments would be subject to agreement and discussion within the Canadian trader communities and governments.
- 
- **Build a perimeter of confidence for cargo** – Cargo arriving at a Canadian or U.S. port of entry from a third country should be inspected only once. Goods that pass inspection by a U.S. agent should not require re-inspection by a Canadian agent before crossing the border, and vice-versa. Such cargo should be assigned to a dedicated “green lane” or secure supply-chain corridor from the point of inspection to the final destination. Canada and the United States should agree on cargo cabotage from point to point for the trucking and airline industries to avoid costly, and environmentally wasteful, travel by trucks and cargo airplanes carrying less than their capacity. Joint screening at the perimeter should reduce the need for re-inspections at the land border. Any subsequent inspections for verification purposes should take place at the destination point, not at the border.
- 
- **Expedite the movement of people across our shared border.**
    - Combine existing trusted-traveller programs into a single Canada-United States Trusted Traveller Program. In the meantime, our governments should dramatically expand marketing efforts to promote membership in the NEXUS program by engaging the private sector.
    - Negotiate a bilateral labour mobility arrangement for certain professional and technical workers who must enter either country for work-related short-term stays.
    - Over the next two years, provide incentives and achieve tangible progress toward the mutual recognition of professional standards and degrees.



- NEXUS program participants should be eligible for the planned U.S. Transport Security Authority's trusted traveler program.

### ***Building trust by strengthening our common security***

A perimeter approach to security will enable Canada and the United States to detect threats earlier and to respond more effectively. For low-risk travellers and cargo, actions taken at the perimeter should obviate the need to repeat the same actions at our joint border. Realizing the full benefits of this approach will require important procedural, as well as policy changes on the part of the two governments. Some decisions – such as deploying the most up-to-date security technology – can be taken almost immediately. Others will require negotiation. The goal should be to achieve progress within two years in the following areas:

- **Enhancing border resiliency** – Our governments deserve praise for their efforts to prepare for future health emergencies and pandemics. Emulating this approach, Canada and the United States should develop a comprehensive, well-tested bilateral border contingency plan that includes the full participation of all levels of government. This approach should also include joint infrastructure protection for pipelines and electricity grid systems as well as contingencies for regional or isolated border incidents.
- **Aligning advanced passenger-screening programs and biometrics technology** – Our governments should accelerate the work already underway globally toward the adoption of common standards in the use of biometric information. Canada should invest more rapidly in technology that is compatible with systems deployed by the United States. Canada and the United States should agree to align their advanced passenger-screening programs, including the sharing of data.
- **Expanding bi-national border enforcement efforts** – The existing Canada-U.S. Integrated Border Enforcement Teams (IBETs) are unqualified successes. This intelligence-sharing partnership should be expanded to better identify, investigate and interdict persons and organizations that pose a threat, or are engaged in criminal activity at the perimeter. Cooperation should also be expanded between the U.S. Coast Guard and the Royal Canadian Mounted Police under the current Integrated Cross-border Maritime Law Enforcement Operations program (Canada-U.S. Shiprider). Joint law enforcement operations should be introduced on land, complementing the Shiprider program.
- **Developing a bi-national cyberspace defense strategy that includes the private sector and end-users in both countries** – We welcome the commitment by Prime Minister Harper and President Obama to enhance the resilience of vital government and



critical digital infrastructure of national importance. The Canadian and U.S. governments should collaborate closely with the private sector in strengthening cyber security. Such initiatives should include information technology suppliers and end users, all of whom share responsibility for preventing, responding to and recovering from physical and cyber disruptions of critical infrastructure.

- **Extending the NORAD model of bilateral engagement** – Canada and the United States should extend existing bi-national air perimeter defense arrangements under the North American Aerospace Defense Command (NORAD) to incorporate what is already an increasing maritime interoperability.
- **Implementing an integrated, automated entry-exit system at the perimeter** – Canada and the United States should increase joint information-sharing to address external threats, consistent with constitutional and legal obligations. A manageable system that would accommodate commercial interests would adopt joint sharing and joint responsibility for the collection of entry-exit data between Canada and the United States. Canadian entry data requirements at the land border would be shared with compatible U.S. exit data requirements, and vice versa.
- **Building trust over the medium term by working together over the short term** – In the past, joint pilot projects and post-initiative audits have been effective in building trust in the relationship between U.S. and Canadian counterparts. Where it makes sense, such short-term processes should be used to determine the feasibility and proper implementation of national initiatives.
- **Strengthening the northern security perimeter** – The Canadian Government's Northern Strategy recognizes that the United States is Canada's "premier partner" in the Arctic. We welcome the commitment to work together on a common security agenda for the North, but encourage the Canadian Government to take the lead in developing this agenda. As a first step, we recommend that the Government proceed immediately with procurement decisions for the promised Arctic/Offshore patrol ships and icebreakers.

To ensure progress on the above priorities, the Prime Minister and the President should directly manage the implementation of the Action Plan with the support of the Beyond the Border Working Group (BBWG). Going forward, any new task force or coordinating mechanism should include all relevant government agencies and should be accountable for implementation of the action plan in a transparent and timely fashion.

### ***Enhance regulatory compatibility***



Canada's business leaders strongly welcomed the Leaders' statement on the need for closer regulatory cooperation and the creation of the United States-Canada Regulatory Cooperation Council. The CCCE looks forward to working with the Council over the next two years to promote growth, jobs and competitiveness through increased regulatory transparency and cooperation.

At the same time, we believe that the Beyond the Borders Working Group should also address border-related regulatory compatibility issues. Minimizing regulatory complexity at the border and eliminating small differences should be top priorities for both Canadian and American policy makers.

Put simply, unless it is absolutely necessary, the Canada-United States border should be the last place to apply rules, standards and fees. The overall vision for greater regulatory cooperation at the border should include approval and certification once in either Canada or the United States for as many products as possible, thus reducing compliance costs.

A focus on priority sectors – such as transportation, food standards and inspection, renewable energy technology, environmental regulation, medical devices and pharmaceutical products – makes sense to achieve immediate progress. Following are some recommendations that merit immediate attention.

- **Canada should update its copyright legislation at the earliest opportunity.** Canada's copyright legislation was last amended in 1997 and badly needs modernizing to reflect the impact of new technologies and to ensure that Canada meets its international obligations under the World Intellectual Property Organization's 1997 Internet Treaties. Legislation to amend the Copyright Act was introduced in 2005, 2008 and 2010, but in each case died on the order paper. The federal government should proceed as quickly as possible to introduce new copyright legislation and expedite its passage.
- **Roll back regulations and fees that impede North American supply chains** – New border taxes and regulations hinder cross-border commerce, raise prices for customers, and erode the competitiveness of companies that rely on imported raw materials and other inputs. The introduction over the past decade of numerous U.S. and Canadian government rules, regulations and fees has negatively affected highly integrated North American supply chains. Examples of recent U.S. measures that should be repealed or phased out include the country-of-origin labeling for meat products, agricultural health inspection (APHIS) fees, and the proposed \$5.50 charge for Canadians who enter the United States by air or sea.
- **Exempt Canada from the U.S. Foreign Account Tax Compliance Act** – Canada is not a tax haven and has a good reputation for sharing information that assists other governments in collecting their taxes. Despite this, U.S. legislation due to take effect in January 2013



would impose an onerous and unnecessary burden on Canadian financial institutions and their accountholders. According to the Institute of International Bankers, the cost of complying with this Act could reach into the billions if applied to all banks outside the United States.

- **Develop common standards for secure information technology** – Governments, information technology suppliers and end-users of digital products and services have a shared responsibility to improve secure information technology and this should be incorporated within the mandates of Canada’s Communications Security Establishment and the U.S. National Security Agency.
- **Agree on food safety technology regulatory approvals** – Canada and the United States have made progress toward the mutual recognition of regulatory approvals associated with minor-use pesticides, certain veterinary drugs, pharmaceuticals used in the treatment of AIDS, and a number of other chemical substances. Cooperation and collaboration in new food safety technologies, however, deserves immediate attention. In addition, Canada and the United States, working in cooperation with industry groups, should commit to harmonizing food safety and animal health standards and compliance measures in a number of targeted areas over the next two years.

### ***Energy and environment policy collaboration***

Canadian business leaders support the Canada-U.S. Clean Energy Dialogue, and contribute actively to the three working groups through which its work is conducted. The Dialogue reflects both the need and the advantages of cross-border collaboration in the development of energy and environmental policy. However, more can and should be done. Our current efforts should be expanded to address several overriding bilateral objectives: bolstering continental economic performance, enhancing energy security, and establishing a long-term plan for environmental improvement.

Energy is of fundamental importance to the bilateral relationship. Canada can be an important partner in improving continental energy security. The U.S. and Canada have a common agenda as we seek to expand the supply of all forms of energy – fossil, hydro, nuclear, wind, solar, biomass and other renewables – to meet energy needs. It is vital that environmental regulations and policies be more closely coordinated so that we can stimulate needed investments that will ensure North American leadership in research, development and deployment of advanced energy technologies and services to serve global markets. Such cooperation is key to the health of the North American automotive sector; it is time to broaden this collaboration to other industries.



- **Develop a broad bilateral energy and environmental accord** – Building on the Canada-U.S. Clean Energy Dialogue, cross-border collaboration on energy, climate change policy, harmonized standards and development of advanced energy technologies will benefit both countries. Provinces and states should be consulted in the negotiation of such an accord.
- **Align and make the case for market-driven energy policies** – Policies properly aligned can improve Canada’s position as a reliable supplier of energy to the United States and create spin-off benefits throughout the Canadian economy. Canada and the United States have an opportunity to further solidify our energy partnership by strengthening its application to oil and refined petroleum products, biofuels, and electricity. Several recent legislative and regulatory proposals in the United States could impact Canada significantly; examples include the possible definition of a “low carbon fuel standard”, and whether Canada’s hydroelectricity exports would qualify as “renewable” power under U.S. rules. With more and more of the world’s energy supply controlled by governments and state-owned enterprises, our two countries should be making the case for broader adoption of market-driven energy policies to drive the significant investment in cleaner energy development and delivery that is needed internationally.
- **Streamline energy infrastructure approvals** – Canada and the United States should accelerate the permitting and construction of new cross-border energy infrastructure in order to enhance continental energy security. Also needed are electricity transmission improvements to realize the opportunity for expanded use of renewable forms of energy – including wind, hydro and biomass – and efforts to establish the refueling infrastructure necessary for alternative transportation fuels. U.S. regulatory agencies should expedite approvals for the Keystone XL pipeline project.
- **Avoid border charges from potential GHG emissions regulations** – The Environmental Protection Agency’s move to regulate GHG emissions from major U.S. sources has significant implications for Canada. While seeking compatibility with U.S. requirements, Canada must also ensure comparable regulatory cost impact on emissions-intensive and trade-exposed sectors so as to avoid any legitimate rationale for U.S. border charges. The development of consistent criteria to measure, report and verify GHG emissions also needs attention.
- **Ensure our common interests on climate policy are advanced internationally** – Closer collaboration on climate policy will serve us well in international negotiations and promote an outcome that accommodates North American circumstances. Proactive Canada-U.S. efforts will encourage more cooperation and engagement globally.



- **Work together to leverage and increase investment in advanced technologies –** Long-term energy innovation will be fundamental to enhancing Canada’s global brand. By working with our U.S. neighbours, we can increase public and private sector investment in critical areas and ensure a bigger share for Canada of this growing global market. The *Clean Energy Dialogue* represents an important opportunity to expand Canada-U.S. cooperation and encourage the commercialization of advanced technologies for which there is global demand. We can also do more bilaterally in the form of shared pilot projects, and joint funding in areas such as climate mitigation.