

Border Security And Trade: CSG/ERC Committee Tackles Post 9-11 Challenges

By Wendell Hannaford, Deputy Director, CSG/ERC

As a freight forwarder whose business relies on trucking cargo efficiently between the United States and Canada, Mike Dahn of A.N. Derringer has long been frustrated by traffic congestion at the border. But after the terrorist attacks of September 11, his headaches increased significantly.

“There were delays of up to 15 hours,” Dahn said. “Things got so bad that U.S. Customs was posting delay times on their Web site.”

Canada and the United States have long enjoyed the world’s largest bilateral trade relationship. The 1988 United States-Canada Free Trade Agreement, and its successor, the 1993 North American Free Trade Agreement, lowered trade barriers and accelerated growth of this relationship significantly over the last decade: Between 1989 and 1998, trade between the two nations

doubled.

While this rapid growth has benefited the economies of the northeastern states and eastern Canadian provinces, it has also, in the wake of 9-11, created a new policy challenge: How to accommodate the increased flow of goods and people across the border, while maintaining a sufficient level of security to protect North American citizens from another terrorist attack.

Improving the efficiency of cross-border trade, while strengthening security, will be a major focus of the newly formed ERC Eastern Canadian Committee, co-chaired by Senate President Richard Bennett of Maine, and Finance Minister Neil LeBlanc of Nova Scotia.

A Burgeoning Relationship

The Northeast states have long enjoyed close economic and cultural

ties with their Canadian neighbors. Canada and the United States currently exchange over \$400 billion in goods and services annually—well over \$1 billion per day. The United States sent 23 percent of its total exports to Canada last year, and Canada was the top export destination for every Northeast state in 2001, according to the Massachusetts Institute for Social and Economic Research (see chart). However, Canada is more dependent on the U.S. as an export destination:

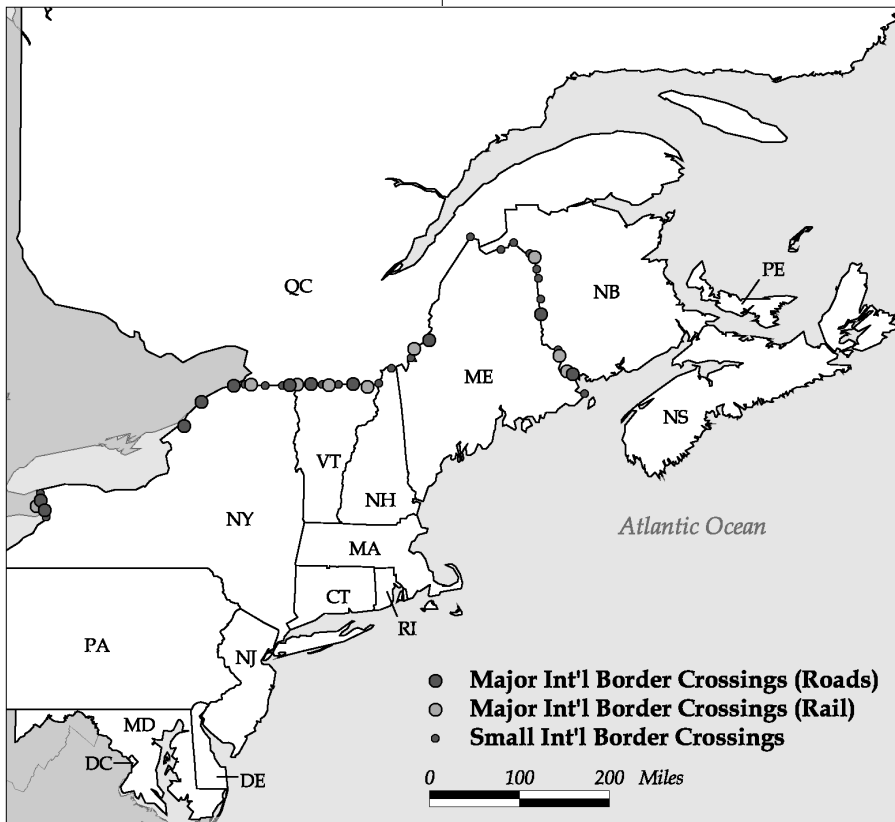
“Canada and the United States currently exchange over \$400 billion in goods and services annually—well over \$1 billion per day...Canada was the top export destination for every northeastern state in 2001.”

Over 65 percent of Canada’s manufacturing production and approximately 86 percent of its total exports are sent to the United States.

The Northeast’s largest border crossing, the Peace Bridge linking Buffalo and Fort Erie, Ontario, facilitates \$29 billion in trade annually, according to a study by consultant Robert O’Dell. The study estimates that the Peace Bridge directly affects over 600,000 export jobs on both sides of the border. Those 600,000 jobs translate to \$25.6 million in annual payroll wages on the American side and an income stream of \$23.5 million in Canada.

Security And Border Congestion

Along with the economic benefits, increased trade has also brought serious congestion problems. Each day, approximately 45,000 trucks cross the U.S.-Canada border, or one truck every 2.5 seconds, according to the Coalition for Secure and Trade-Efficient Borders, a group of Canadian business associations.



Source: Cambridge Systematics, U.S. BTS

"In the days following 9-11, there were delays of up to 15 hours [at the Canadian border.] Things got so bad that U.S. Customs was posting delay times on their Web site."

At the Calais-St. Stephen border crossing in Maine, "commercial truck traffic doubled over the last ten years and was already placing a significant strain on the border infrastructure prior to the tragic events of September 11," said Kevin Rousseau from Maine's Department of Transportation.

Lack of Staff, Technology

The ERC Eastern Canadian Committee has made border congestion a major focus. At its inaugural meeting last year, Jim Phillips of the Canadian-American Border Trade Alliance told the committee that lack of adequate Customs and Immigration staff is one of the main problems. While commercial transactions have increased 600 percent since the 1980's, the size of Immigration and Customs staff did not increase at all, Phillips said. And while border security was tightened after the September 11 attacks, there are currently only 1,773 Customs Service personnel present at the U.S.-Canada border, compared with 8,300 Customs agents along our border with Mexico. Approximately 8,000 border patrol agents monitor the Mexican border, but only 300 agents are stationed along our Northern border with Canada.

Ultimately, the solution to reducing costly delays at the border will require a combination of infrastructure improvements, enhanced staffing, and new technology to speed processing of commercial traffic, most of which is of a low-risk nature.

In December 2001, Canadian Minister of Foreign Affairs John Manley, and Tom Ridge, the American Homeland Security director, signed the "Smart Border Declaration," calling for a "Smart Border for the 21st Century." The agreement lays out a 30-point action plan that will "enhance the technology, coordination and information sharing that are essential to safeguard our mutual security and strengthen cross-border commerce," Manley said.

The agreement contains steps to facilitate the flow of both people and goods across the border. To help move individuals more quickly, it recommends giving pre-screened, low-risk travelers a "smart-card" encased with a transponder chip that would instantly

immigration database, and other uses of integrated technology to speed trade and tourism across the border.

To improve the flow of goods across the border, the private sector is also being tapped for assistance. The Customs and Trade Partnership Against Terrorism (C-TPAT) program enlists companies in the effort to improve border security by asking them to "root out vulnerabilities in their supply chains that terrorists could use to smuggle explosives, weapons of mass destruction or biological agents."

As an incentive, C-TPAT will offer participating companies expedited border crossing. The Canadian version of this fast-track system, Customs Self-Assessment, was introduced in December and is currently used by auto manufacturers, an industry that dominates cross-border trade in the Mid-west. Benefits are expected to extend to the U.S. side of the border soon, and will include dedicated commercial lanes and reduced inspections.

Continuing Ties

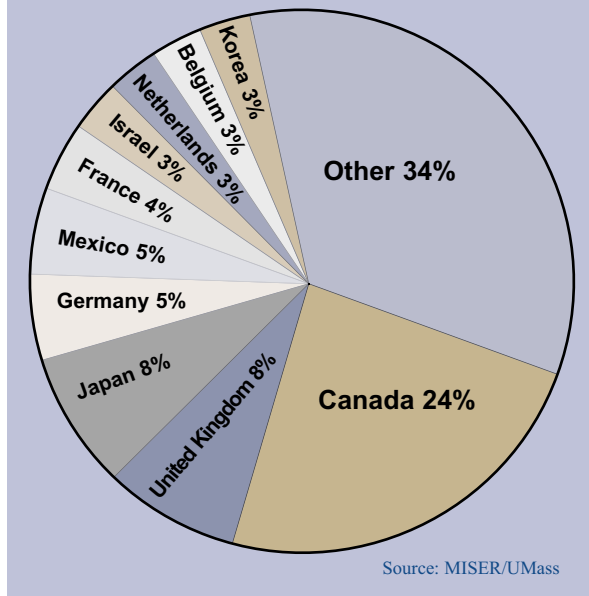
Given the huge economic stakes, border management issues will remain a high priority for the ERC Eastern Canadian Provinces Committee in the year ahead. But the focus on cross-border cooperation will not be limited to trade.

At two recent cross-border economic summits, accords between New York State and the Provinces of Québec and Ontario were formally signed--in 2001 and 2002 respectively--bolstering future collaboration.

Both documents aim to strengthen cross-border cooperation and help build the region's economy, tourism industry, transportation infrastructure, and institutions of higher learning.

Given the complimentary industrial and technological characteristics of the Northeast states and Eastern Canadian provinces, these and other areas of cooperation will be of equal, if not greater, concern in the years ahead. ■

Top Northeast Export Markets in 2001



communicate with the border station's computer system. The transmitted data would provide customs officials with data including biometric identifiers and travel restrictions. This technology was used in a pilot program, called NEXUS, at the Sarnia-Port Huron border point, and could be expanded to other crossings, as well as airports.

The agreement also advocates development of a joint, automated