



EBTC INFORMATION BULLETIN

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The history books are full of rhetoric about the ties that bind Canada and the United States, often mentioning the “longest undefended border.” In fact, it is more than 70 years since President Franklin Delano Roosevelt said: “On both sides of the line, we are so accustomed to an extemporaneously undefended boundary three thousand miles long that we are inclined perhaps to minimize its vast importance, not only to our own continuing relations but also to the example which it sets to the other nations of the world.”

While visiting undersecretary of state Nicholas Burns as part of the Panel on Canada's Future Role in Afghanistan, I suggested to him, tongue only slightly in cheek, that the “longest undefended border” title may now belong to Afghanistan and Pakistan, where Taliban militants seem to cross at will, while Congress is intent upon defending the Canadian border – maybe even building a fence along it. I don't think that was the example Mr. Roosevelt had in mind.

Of course, it is not uncommon for politics to overtake good public policy. We were recently treated to the spectacle of U.S. Democrats arguing over NAFTA in Ohio, comforting workers whose jobs have fled to Asia by promising to whack Canada and Mexico.

However, the failure of many U.S. political leaders to talk frankly to their constituents about the need to manage risk in the security environment while promoting the economic benefits of trade, while perhaps not surprising is disappointing to say the least.

Ironically, the Clinton-Obama rhetoric about NAFTA is reminiscent of the speeches given by some Canadian opponents of the Canada-U.S. free-trade agreement, namely that Canada was prejudiced by the agreement because of lower labour and environmental standards in the United States. The truth of course is that, for the most part, these standards are very comparable between the two northern partners in NAFTA, and both countries are seeing jobs lost to other regions of the world. Furthermore, the promise to renegotiate has been heard in Canadian campaigns on occasion also.

Little wonder this is happening, as the security-transfixed U.S. government compromises economic security in favour of perceived increases in physical security on a daily basis. While Europe and Asia build economic blocks ever broader, more efficient and multinational, North

American borders have become stickier, constituting barriers to trade and obstacles to efficiency for those manufacturers and services companies whose businesses are integrated across Canada and the U.S.

A recent joint report of the Canadian and U.S. Chambers of Commerce reveals some troubling statistics about border delays reaching levels not seen since the immediate aftermath of 9/11, as inspection times have increased. The situation is so bad that the Ontario Ministry of Transportation installed portable toilets along highway 402 last summer for travellers to use while waiting at the border.

In 2001 to 2003, I was tasked with working with the first Secretary of Homeland Security, former Pennsylvania governor Tom Ridge, and we developed the “Smart Border Accord” that has evolved into the “Security and Prosperity Partnership.” Underlying our work was the notion that we had to enhance both security and the economy by making the border “smarter.”

There is little doubt that the border is now in the process of becoming dumber, rather than smarter. Despite programs that were launched when Tom Ridge and I were in office, such as FAST (Free and Secure Trade) and NEXUS, which provide certification of trusted shippers and travellers, the process of registration, at some considerable cost for shippers, is not yielding the expected benefits. As analysis by Canadian Manufacturers & Exporters shows, secondary inspections have increased and border infrastructure has not kept up to the new categories of shipper and traveller.

At a time when the North American automobile manufacturing sector is seriously challenged by Asian competitors, it is mystifying that government would choose to make the industry even less competitive by increasing inspections, presumably seeking those illusive terrorists lurking in a shipment of brake linings. As has frequently been pointed out, an automobile entering North America from Asia is inspected only once, at the point of entry. Because parts assembled in a North American vehicle come from many points of origin, that vehicle will have crossed a North American border on average seven times before it reaches a consumer. Making the border less fluid adds costs to North American production that makes products less competitive. This inefficiency should be the target of U.S. politicians, not the trade agreements that can make North America more competitive with other regions. So, Mr. Obama and Ms. Clinton, you want to renegotiate NAFTA? This Canadian internationalist says, “bring it on!” I know you like the commitments contained in NAFTA with respect to meeting U.S. energy needs. Well, we will discuss those last, because in a time of possible energy shortages, we may prefer the flexibility to look to Canadian requirements first, before satisfying your insatiable appetite for energy.

If you think you may need Canada as a reliable, stable partner to meet your future energy needs, we should talk. But before we get to energy, let's talk about the border, dispute resolution (remember softwood lumber?), labour mobility and that old bug-bear that we promised to resolve over 20 years ago – U.S. trade remedies like countervail and anti-dumping, neither of which have any place in a free-trade environment.

And if your real problem is the politics of the Mexican border, then let's de-link the NAFTA partners from the trilateral arrangement. Canada can enter into a bilateral agreement with Mexico

quite readily. The U.S. and Canadian economies are much bigger, so let's get on with the work of making our economies strong and competitive in a renewed Canada-U.S. agreement. After all, we have the natural resources you want and need, while you have a market that is important to us. Let's make a deal.

More seriously, announcing a revocation or renegotiation of NAFTA would undermine investor confidence at the very time when it needs to be restored. But let's remember that there are two real threats to American jobs: One is far from the shores of North America in the growing capabilities of China, India, Vietnam and other developing economies; the other is in dysfunctional regulatory and border administration policies of governments here at home.