

March 2008

Saving the North American Security and Prosperity Partnership: The Case for a North American Standards and Regulatory Area

by Alexander Moens with Michael Cust

Executive Summary	/	1
The Launch and Development of the Security and Prosperity Partnership	/	4
Political Challenges to the SPP	/	8
Canada's Interests in the SPP	/	11
How Canada Can Benefit by Using the SPP to Reduce Trade Barriers	/	13
Measuring the Results of the SPP	/	16
The Value of the SPP Process	/	18
Conclusion	/	19
Recommendations	/	20
References	/	26
Acknowledgements	/	32
About the authors	/	32
Publishing Information	/	33
About The Fraser Institute	/	34

Executive Summary

The Security and Prosperity Partnership (SPP) launched in 2005 by the United States, Canada, and Mexico, is an overarching agreement to conduct negotiations in a wide variety of areas related to product standards, government regulations on trade, health and food safety, energy, and the environment as well as a wide variety of security measures related to border crossings. The objective is to achieve gradually more regulatory convergence and product standards compatibility as well as more streamlined border and security measures so that the costs of trade and border crossings can be lowered, while standards and regulations become more continent-wide. SPP negotiations are meant to lead to specific agreements on a sector-by-sector basis and mainly affect changes in the administrative or executive branches of government. Thus far, SPP negotiations and agreements have modestly advanced Canada's national interest by removing or reducing non-tariff barriers to trade. Closer cooperation and coordination among the governments has also helped make the implementation of post-9/11 security provisions more efficient.

The objective of the SPP talks is very much in Canada's economic interest and will benefit North American competitiveness. With 51 percent of total exports to the United States going out of Canada by truck, and 77 percent of imports from the United States coming into Canada by truck in 2006, low-cost border crossing should be an integral part of Canadian policy. However, regulatory differences are a proven barrier to cross-border trade. These differences include the processing of customs manifests, security documents, and procedures. Furthermore, regulatory differences on either side of the border for identical products impose an artificial cost on production that is rendering North American business less competitive globally.

The Canada-United States Free Trade Agreement (CUFTA) and the North American Free Trade Agreement (NAFTA) have generated strong growth in trade, especially for Canadian exports. Similarly, regulatory harmonization and compatible product standards, as well as more efficient and lower-cost cross-border regimes, will make Canadian industry more competitive and will add to Canadian prosperity. As Canada is the bigger exporter in the Canada-United States bilateral trade relationship, the brunt of the current standards and regulatory incompatibility as well as border inefficiencies are borne disproportionately by Canada.

SPP negotiations are conducted by officials in the various government departments of the three countries and benefit from the advice of business groups in identifying areas where more standard compatibility and more harmonized regulations are most pressing. The SPP consists of technical talks conducted by expert officials.

These are not high-level diplomatic talks aimed at negotiating a new treaty like NAFTA, which would require Senate approval in the United States and for which there is no political interest in the American political system at this moment. However, the allegation that the SPP is without oversight or accountability is false. Implementing specific SPP agreements is at the discretion of each country and subject to regular rules of executive-legislative rule-making.

Bilateral (rather than the trilateral format of SPP) Canada-United States cooperation on regulations and standards, especially regarding the border, would be better for Canadian interests as Canadian-Mexican trade in products and services is a tiny fraction of the Canada-United States trade, and the two borders face very different challenges. However, the SPP is the only politically agreeable format for all three countries at this time, though there are, of course, other negotiations on specific issues going on that are not part of the SPP. The SPP framework allows for separate Canada-United States agreements to go ahead of the trilateral ones. This concept is referred to informally as “three shall talk, but two can walk.”

The three governments involved in the SPP are not contemplating any form of political integration. Canada, the US, and Mexico are not following the path of European political integration or any form of supranationalism. Still, SPP has been turned into a supranationalist conspiracy theory by left-wing economic nationalists in Canada and right-wing protectionists in the United States. They allege various conspiracies from secretive water and superhighway deals, to a North American political union taking over the United States, or an American take-over of Canada.

As a result of these attacks as well as the public’s perception that the last North American summit in Montebello in 2007 produced few concrete results, SPP is losing momentum in the public realm. Neither Prime Minister Stephen Harper nor President George W. Bush seems willing to invest new political capital in the talks at this point to overcome the loss of momentum.

Letting SPP fall by the wayside would be a mistake. A list of results from the SPP talks since 2005 shows modest but useful outcomes. It is more difficult to measure the various declarations and new fora and processes set in action by SPP, as only some may produce future results. Still, given the absence of any alternative follow-on to the NAFTA process, the SPP should be preserved and expanded. The ultimate goal should be to create a North American Standards and Regulatory Area (NASRA).

This paper concludes that the Canadian government must create both short- and long-term strategies to expand and speed up the SPP goals. Re-branding the SPP talks and making them more productive, as well as explaining the specific objectives of the talks to the public must be the priority of the SPP summit in April 2008.

To achieve these goals, we offer the following recommendations:

- 1) Define SPP or its successor as a process to create a NASRA but not a North American (Political) Union.
- 2) Keep SPP as a working agreement among the executive branches, but provide it with a better communications strategy and with more deliverables both in terms of competitiveness and in terms of streamlined security regulations so that the public can begin to understand the benefits.
- 3) Build a long term Canada-United States agenda on SPP issues.
- 4) Connect security and prosperity in the SPP so that the economic cost becomes an essential part of the security calculation.
- 5) Explore a larger role for the private sector in finding regulatory convergence and standards compatibility.
- 6) Create a “Vision for a New Border.” A vision of a “needs-based” border is founded on the premise that only those features that cannot be done better or more efficiently *away* from the border should be done *at* the border. This vision includes:
 - ▶ A gradual move toward a common external tariff by adopting the lowest tariff between the two countries starting with industrial products that will lead to the elimination of the Rules of Origin process.
 - ▶ Gradual liberalization of temporary labor mobility for citizens of both countries.
 - ▶ Regulatory compliance reporting to be done at shipping points, which can be administered by business itself and monitored electronically by government.
 - ▶ Dedicated border crossings for all goods that comply on regulatory and security requirements.
 - ▶ Mutually recognized security criteria for clearance for all persons entering the two countries.
 - ▶ A single, bi-national method of recording and securing biometric and other secure electronic data, such as radio-frequency identification chips to facilitate border crossings by speeding up inspections.
 - ▶ Enhancing the Integrated Border Enforcement Teams (IBET) and closer collaboration between intelligence and law enforcement agencies on crime, smuggling, and terrorism to monitor potential border traffic well before the threat may appear at the border.
 - ▶ Final layer of inspection and supervision to be done at the border.

The Launch and Development of the Security and Prosperity Partnership

In 2005, the governments of the United States, Canada, and Mexico initiated a new trilateral agreement to launch a series of negotiations in various areas related to product standards and government regulations, including border security measures. The SPP was a type of umbrella agreement that brought together a variety of existing talks that had started after the North American Free Trade Agreement (NAFTA), as well as recent bilateral initiatives between the United States and Canada, and the United States and Mexico, on border and security issues. The goal was to create more synergy between the trade (prosperity) and border (security) interests. The catalyst for the Security and Prosperity Partnership (SPP) initiative was the shocks resulting from the terrorist attacks of September 11, 2001, which lowered the level of predictability and stability in conducting business in North America. The new security measures and the uncertainty they created formed, in effect, a “security tax” on NAFTA trade (Hufbauer and Schott, 2004). The Security and Prosperity Partnership was put in place, as one team of researchers put it, to create “an efficient border open for business but closed to terrorists” (Brooks and Kymlicka, 2007: 12). Prime Minister Paul Martin and President George W. Bush had agreed during the latter’s visit to Ottawa in November 2004 to extend the December 2001 Smart Border Declaration and 30-point Plan of Action into a new partnership. Mexico was eager to overcome remaining barriers to trade and was willing to join in on further border security talks beyond the 22-point border plan it had agreed to with the United States in March 2002. Thus, the United States government took the initiative to tri-lateralize the various bilateral agreements and processes in March 2005 in a meeting with US President Bush, Mexico’s President Vicente Fox, and Canada’s Prime Minister Martin at Waco, Texas (Noble, 2005). Bush’s move marked an important renewed effort to find potential North American common ground.

The talks were spurred on by business groups including the Canadian Council of Chief Executives who, in 2003, called for a new “Security and Prosperity Initiative” between Canada and the United States (Canadian Council of Chief Executives, 2003). This ambitious proposal by the CCCE included a new institutional framework and a new defense alliance. Another impetus to the start of trilateral talks was the report of an independent North American task force, headed by prominent former politicians from all three countries (Canada’s John P. Manley, Mexico’s Pedro Aspe, and William F. Weld from the US), which called for a new North American community, including

a common external tariff and a common external security perimeter (Council on Foreign Relations, 2005).

However, from the start, the SPP goals and methods were far more pragmatic and modest than the report published by the North American task force mentioned above. None of the governments set out to create a common external tariff or common market, let alone a North American community with supranational institutions and a new legal community such as designed in Europe in the 1950s. The Waco Summit declaration of 2005 that launched SPP was no Schuman Plan.¹

Instead, the SPP provides an overall political framework for a wide set of bilateral and trilateral technical negotiations. From the outset, the SPP had an overcrowded agenda. In its first year, some 112 initiatives were listed. Twenty working groups (ten on security and ten on prosperity) were set up to deal with issues such as trade expansion, border crossings, regulations and product standards, food safety, emergency preparedness, sustainable environment, and energy supply security (Villareal and Lake, 2007: 3).² In many cases, existing working groups were simply brought under a new grouping.

The three parties agreed—at the insistence of the United States government—that no new treaty or legislative authority would be required in order to negotiate coordinated regulatory and procedural changes in the various departments of the executive branches of each government (Ek *et al.*, 2007: 32).

The SPP certainly does not limit any national action. American attempts to remove Canada's exemption on passport requirements, the Western Hemisphere Travel Initiative to improve passport processing, and the introduction of new border inspection fees by the United States Department of Agriculture have not been prevented as a result of SPP talks in the "Traveler Security" group. The partnership does not preclude cooperation between any pair inside the triangle. A key slogan is "three shall talk, but two can walk" (author interview³). In practice, most border and security discussions have been bilateral talks between Canada and the United States concerning the northern border, and between the United States and Mexico regarding the southern border.

The two presidents and prime minister agreed they would hold an annual summit to take stock of the SPP and launch new initiatives. Meanwhile, the ministers and

1 The Schuman Declaration of May 9, 1950, is considered the launching date of the European Communities which eventually grew into the current European Union.

2 Currently, only 19 groups operate because the working group on Human Capital has never met (author interview).

3 The author conducted interviews with officials serving (or who recently served) in Canada's Department of Foreign Affairs and International Trade, Privy Council Office, Industry Canada, and the US Embassy in Ottawa in November 2007 and February 2008.

secretaries in charge of commerce and domestic security would take the lead in coordinating the numerous departments and agencies involved in the talks and propose priorities for expert-level follow-on groups. In the first year, the Privy Council Office in Canada played a role as “traffic cop” or “orchestra conductor” to ensure that all Canadian departments would respond and be coordinated in the new initiative (author interview). In June 2005, the cabinet officials from the three governments proposed some 300 regulatory issues for trilateral resolution in the first so-called *Report to Leaders* (www.spp.gov). Regular ministerial meetings provided another benchmark and timeline to produce results. Still, technocrats from the three executive branches do the bulk of the SPP’s work:

...[H]oping that the technical nature of the issues under discussion would promote science, or efficiency-based compromises based on the merits of proposals rather than on which of the countries made a particular proposal. (Anderson and Sands, 2007: 5)

In part, the Security and Prosperity Partnership offers a renaissance for the various trilateral working groups that were agreed to during the NAFTA negotiations and whose task was to identify and overcome non-tariff barriers to trade. By 2000, most of these working groups had lost their momentum (Anderson and Sands, 2007: 9). But the SPP also added new groups, such as the Manufactured Goods working group on the prosperity side. The SPP also builds on the cross-border consultations such as the Shared Border Accord and the Cross-Border Crime Forum that preceded 9/11. Many of these ideas were incorporated in the 30-point Canada-US Smart Border Action Plan of 2001 and a similar proposal agreed to by Mexico and the United States in 2002. The North American Energy Working Group has also been rolled into the SPP talks.

Some of the committees set up under the SPP pick up “old business” where the technical working groups under NAFTA, including the committees formed under NAFTA Chapter 9, “Standard Related Issues,” left off (Brooks and Kymlicka, 2007: 2). The SPP also incorporates other bilateral initiatives set up after 2001, such as the Canada-US Transportation Border Working Group (Ackleson and Kastner, 2005: 7). The Canadian-American Border Trade Alliance and other business associations inform the SPP groups, building on the existing practice in domestic policymaking on regulatory and security issues. As before, individual regulators engage in low-level and technical talks with their counterparts.

In its second year, at the 2006 Cancun Summit, the three leaders agreed to set up a tri-lateral business group, the North American Competitiveness Council (NACC), to speed up the SPP advisory process. The NACC, composed of representatives of large companies involved in cross-border business, was asked to identify issues for immediate trilateral resolution and for strategic advice. On the Canadian side, the Canadian Council of Chief Executives served as the coordinator of Canadian

business input. The NACC, which had been strongly recommended by Prime Minister Stephen Harper, also helped United States business groups to focus on border problems.

The business leaders' report of early 2007 listed some 50 recommendations with 15 ready for implementation in 2007 (*NACC Report to Leaders*, 2007). These "ready-for-action" points included support for critical infrastructure protection, pandemic emergency management, more border pre-clearance projects, liberalization of NAFTA rules of origin and certification, coordination of financial regulation, intellectual property rights, and measures against counterfeit and piracy. In Montebello, leaders adopted 7 of the 15 NACC recommendations made after the latter's 2006 launch. The NACC has thus clearly played an important role as most of the specific achievements of the SPP talks have been in the areas outlined by business leaders.

The American and Mexican governments helped fund a "Future of North America 2025" series of expert meetings which looked at challenges regarding labor mobility, energy, environment, security, competitiveness, and border infrastructure. While this report was government-funded, the governments will not be bound by its proposals which are set to come out in 2008.

At the Montebello Summit in August 2007, the three leaders highlighted four achievements to illustrate the fruits of their "deepening dialogue within North America," while "respecting each nation's sovereignty" (Montebello, 2007). The three governments completed agreements for four areas: joint planning to deal with the threat of avian and pandemic influenza, a regulatory framework to work on differing product standards and regulations, a strategy for intellectual property rights, and an agreement on energy science and technology cooperation.

The summit identified five objectives. First, the parties aim to find compatible regulatory approaches consistent with public health and safety in order to strengthen North American competitiveness. The first industries targeted are the chemical, automotive, transportation, and information and communication sectors. Tied to this effort is the pledge to work together rather than separately to curtail product counterfeiting and piracy. Second, the parties are trying to find ways to strengthen inspection, certification, and best practices to address the safety of imported foods and products. Given the growing concern about the safety of products from Asia, it is imperative that the three NAFTA countries coordinate their response on product standards rather than risk letting different national reactions become another trade barrier among them. Third, the parties want to create an integrated approach to energy security, the economy, and climate change (an example of the latter being energy efficiency standards for household products, and auto fuel efficiency standards). A fourth initiative calls for more cooperation in border management, with a short-term focus on such aspects as baggage inspection for air travel, screening for

radiological and pandemic threats, and law-enforcement coordination. The governments appear to be still a long way from the NACC's call for overall smart and secure borders. The final point calls for more preparation and planning in emergency management.

President Bush has invited his counterparts to attend the fourth North American summit on April 21 and 22, 2008, in New Orleans. A combined ministerial meeting on security and competitiveness issues was held in February to prepare for the summit. American officials have made it clear that the SPP is meant to extend beyond the Bush administration. In fact, the US administration "is looking for ways to make it more productive" (author interview).

Political Challenges to the SPP

Recently, the Security and Prosperity Partnership has become the object of myths and conspiracy theories. In Canada, the SPP has raised criticism from the economic and cultural nationalists in the Council of Canadians, including Maude Barlow. They allege that the SPP offers the United States a channel to encroach on Canadian sovereignty and gain access to such resources as water (Council of Canadians, 2007a; 2007b). Other protest groups pile on the allegations including that the SPP will secretly negotiate a single currency (see www.canadianactionparty.ca). The arguments, including the demands and petitions to stop all SPP talks, bear an "uncanny resemblance to the rhetoric" used during the debates over the Free Trade Agreement, and later NAFTA (Aquino, 2007). A study published by the Centre for Canadian Policy Alternatives in 2006 calls the SPP "a back door way" that business is keen to open in order to achieve deregulation by means of harmonizing Canadian standards down to US levels, a so-called "race to the bottom" (Lee and Campbell, 2006). The authors see the SPP as an instrument by which the Canadian government would "sacrifice its policy autonomy and regulatory philosophy, and unilaterally adopt US standards."

In the US, several news programs, including *Lou Dobbs Tonight*, and various blogs have raised the specter that the SPP is a secret government-to-government plan to form a North American union akin to the European Union. Rumors about a NAFTA super-highway including an integrated road, rail, and pipeline corridor connecting the three economies keep surfacing, even though no part of the SPP talks or mandate includes such a project. Ironically, Canadian and American truckers who spend hours in line-ups at the Ontario-Michigan border would wish there was such a plan for mega infrastructure improvement. However, as a result of this myth peddling, several American state legislatures have passed resolutions condemning the

SPP (www.stopspp.com; Corsi, 2007a). Incredibly, one American analyst predicts the imminent loss of American sovereignty to a North American Union (Corsi, 2007b).

Others believe that the Bush administration is using the SPP as a vehicle to normalize the inflow of illegal migrants from Mexico (Edwards, 2007). The fear that American border controls will be weakened as a result of trilateral harmonization of border procedures is not illogical, but in the case of the SPP is unfounded. Indeed, while there is an enormous problem of illegal entry, drug smuggling, and violent incidents on the Mexican border, there is also a very large legal and orderly flow of people and goods between Mexico and the United States. It is the latter component of the cross-border flow the SPP addresses and it does so without replacing enhanced border security measures.

Rising opposition in the United States House of Representatives to the SPP is worrying. Several Congressmen have spoken out against the SPP. One appropriation bill regarding the Department of Transportation has been held up by moves to tie expenditures to more transparency in SPP negotiations and planning (Anderson and Sands, 2007: 31). Also, the rising concern in Congress over product safety and standards for imported goods (mainly from Asia) will likely affect the product standards talks in the new Regulatory Cooperation Framework launched at the 2007 summit (Zhang *et al.*, 2007). Just as Congressional measures against Japan in the 1980s risked Canada-US trade, so the gathering storm on product standards may well sideswipe the trilateral talks. Finally, the SPP is facing further hazards in the run-up to the November 2008 elections, as several presidential candidates are calling for more protectionism and the renegotiation of NAFTA, rather than lower barriers to trade.

Some Canadian critics have taken the fact that the SPP does not aim for a new treaty or create new institutions as proof that there must be a hidden agenda. However, all SPP plans and results (as well as facts versus myths) are posted on dedicated SPP websites in all three countries (http://www.spp-ppsp.gc.ca/menu-en.aspx?lang_update=1). Also, the NACC's recommendations in February 2007 and its *Report to Leaders* in August of that year were posted publicly on the Internet. It would take extraordinary skill indeed for three governments and 19 working groups composed of countless officials across various departments and agencies to maintain a hidden agenda for over three years. Moreover, the regular process of government decision making also applies to SPP. If a new regulation emerges from the SPP agenda, it will be published in the *Canada Gazette* and there will be time for consultation before a final decision can be reached. Moreover, the objective in regulatory cooperation is to build on each other's capacities not just in research and development, but in testing as well. The aim for the future is to find ways of sharing costs and eliminating duplication. Rather than this leading to a "race to the bottom," such cooperation may actually improve standards and procedures.

Many critics conveniently use the study conducted by the Council on Foreign Relations in 2005 (*Building a North American Community: Report of an Independent Task Force*) as well as the regular North America Forum conferences as further proof that there must be a hidden agenda. Admittedly, these ambitious schemes for more North American integration form the perfect decoy for the protectionists and economic nationalists. The Independent Task Force on the Future of North America was chaired by prominent former politicians and called for a North American Community (Council on Foreign Relations, 2005). Robert Pastor, one of the vice chairs of the task force, has argued for close parallels between European and North American institutions and integration (2004).

While many ideas raised in *Building a North American Community*, such as an annual trilateral summit, correspond with the SPP agenda, the fact remains that the actual objectives and mandate of the SPP negotiations begun in Waco and strengthened in Cancun are completely separate from the futuristic and academic studies. The SPP talks are pragmatic and issue-oriented. When critics take the goals of the Independent Task Force and transfer them to the actual SPP, they create a convenient and plausible straw man which can be publicly attacked with ease in both Canada and the United States. These attacks are starting to hurt. When the report, *The Future of North America 2025*, conducted by three think tanks including the Conference Board of Canada, comes out, the hype is likely to increase dramatically. While the US and Mexican governments have partially funded this “long vision” exercise, they are, in our view, not going to follow its path in the foreseeable future, if ever. However, fear-mongering in the media and on blogs has got some of the public equating the two.

In the wake of the Montebello Summit, one Canadian commentator declared the SPP “dead” and “defunct” (Ibbitson, 2007). Another analyst stated recently that the SPP has “collapsed under a heap of conspiratorial rubbish” (Bristow, 2008). But the SPP is far from dead. It has a low profile currently, but talks among officials on both security and competitiveness are proceeding (author interview). Its critics may have tarnished the “SPP brand,” but the precise areas of its work—to follow where NAFTA left off and to do so by incorporating post-9/11 security criteria as well as public safety and quality of life issues (pandemic illnesses and food safety) are key Canadian interests. Moreover, the technocratic, low-level method rather than lofty treaty-making route is easy to belittle but much more difficult to replace. Therefore, what is needed first is “to demystify the SPP for the public” (Prentice, 2007). Part of the demystification involves outlining Canada’s clear interests and measuring SPP outcomes.

Canada's Interests in the SPP

One premier trade expert has noted that, "Canada-US integration had been driven largely by the pull of market forces: proximity, consumer choice, investment preference, and firm behavior" (Hart, 2006: 13). However, these market forces are increasingly bumping into ceilings that prevent further growth and competitiveness. The FTA and NAFTA raised the ceiling in the 1980s and 1990s. But the free flow of trade has not reached its full potential. Canada's current challenge is to deal with the choking effect of a plethora of standards, regulations, border controls, and overall security issues that are putting a strain on export growth and raising costs on the transportation of commodity and goods exports, which comprises over 70 percent of our trade. When companies have to certify products twice, and then comply with two levels of border procedures, their transaction costs rise. To paraphrase a comment made by Ambassador Michael Wilson, the border is increasingly choking "the goose that laid the golden egg" (Wilson, 2007).

The objective of the SPP talks is very much in Canada's economic interest and will benefit North American competitiveness. With 51 percent of total exports to the United States going out by truck, and 77 percent of imports from the United States coming in by truck in 2006, low-cost border crossing should be an integral part of Canadian policy (Transport Canada, 2006). In terms of overall NAFTA merchandise trade (nearly \$900 billion in 2007), truck-borne trade accounted for 62 percent of the total value (Villareal and Lake, 2007: 4). Regulatory differences on processing customs manifests, security documents, and procedures are a proven barrier to cross-border trade. Also, regulatory differences on either side of the border for identical products impose an artificial cost on production that is rendering North American business less globally competitive.

As a result of a strong dollar, lagging productivity rates, and weaker US consumer demand, Canada's trade with the United States is not growing at as strong a rate as it was after the FTA and NAFTA agreements. In 2007, Canada's exports to the US only grew by 3.5 percent (largely in the energy sector) while Chinese exports to the United States grew by 11.7 percent (McMullen, 2008). Canada's manufacturing sector can ill afford the unnecessary extra costs associated with product, regulation, and border controls.

For the Canadian government, the SPP is not the most effective, parsimonious, or elegant method of advancing its agenda, but at the moment it is the only option. More treaties, for example on a common external tariff or customs union, and more refined dispute settlement mechanisms are not in the offing in the near future. The

SPP boosts existing Canada-United States talks on a variety of bilateral issues by providing more political leadership and tighter deadlines driven by annual summits.

Since the attacks of September 11th, the Canadian government has invested almost \$10 billion on improving security (Prentice, 2007). In addition, industry has invested considerably by enrolling in the various expedited border programs measures, such as the Customs-Trade Partnership Against Terrorism (C-TPAT) and Free and Secure Trade (FAST). In these programs, businesses and individual employees, such as truck drivers, submit to a background security check and also set up a secure process for moving goods from the manufacturing plant to their destination. Just how much value this money has bought in terms of a streamlined border is difficult to measure, but the evidence is not reassuring. Volume growth, lack of sufficient infrastructure, and a shortage of border control staffing, as well as new security measures all cause border delays. By some count, the United States chooses the convenient bottleneck of the border to administer 400 different regulations and statutes; Canada administers 100 statutes and regulations in the same way (Hart, 2006).

A summary of various studies and surveys conducted on border costs after 2001 puts the waiting, processing, and security measures costs at 2 to 3 percent of total trade:

- ▶ A KPMG survey of 165 cross-border carriers in 2002 found a 20 percent increase in processing time between mid-2001 and mid-2002. Half of this increase was due to congestion; the other half to increased security measures (KPMG, 2002).
- ▶ An extensive study sponsored by the Michigan Department of Transportation in 2003 found that current border management and trade policies cost the Canadian and American economies between US \$7.52 billion and \$13.3 billion, with \$10.3 billion as mid-range. Just over 60 percent of this cost is absorbed by Canadian companies. This cost amounts to 2.7 percent of United States merchandise trade in 2001 (\$382 billion) and 4.02 percent of total truck trade (Taylor *et al.*, 2004).
- ▶ A 2005 study commissioned by Transport Canada found that following the September 11, 2001 security measures, the costs for the Canadian trucking industry of crossing the United States border ranged from \$179 to \$406 million, with \$290 million as mid-range. The \$290 million figure is about 4 percent of the \$8 billion trans-border trucking revenue in 2003 (Transport Canada, 2005). A follow-on study in 2007 found that border costs for the trucking sector had gone up slightly to the \$252 to \$439 million range (Transport Canada, 2007).
- ▶ A study conducted in 2005 of small business exporters in Southern Ontario and Western New York found that businesses with annual export revenues under \$10 million spent on average 2.7 percent of their gross revenue on

cross-border security regulations, a 24 percent increase over their pre-9/11 expenditures (MacPherson and McConnell, 2005).

- ▶ A study of trade volume and border costs, which included interviews with 60 companies and associations that use the border regularly, found that while volumes appear not to have been affected by post-9/11 security measures, costs have risen. The study estimates that the direct costs of the new security measures are equivalent to 2 percent of cross-border trucking revenue (Goldfarb, 2007a: 14). The study also found that border delays have been mitigated somewhat since 2006 as a result of a slowdown in the automotive sector and the addition of more border staff at key border crossings. A related study found that some companies have shifted from “just-in-time” delivery to stockpiling inventory on either side of the border and pre-shipment. Both practices have led to losses in efficiency (Goldfarb, 2007b: 7).

How Canada Can Benefit by Using the SPP to Reduce Trade Barriers

The paragraphs below offer snapshots of selected Canadian trade and regulatory interests and the relevance of the SPP framework in trying to reduce the costs they face.

Inspection fees

In 2007, the perceived threat of bioterrorism caused the United States Department of Agriculture (USDA) to put an inspection fee on all air, rail, and truck cargo coming into the United States, whether the cargo is related to agriculture or not, to recover the cost of increased inspections. This fee even applies to shippers enrolled in C-TPAT and FAST. The fee is anticipated to cost the air industry \$55 million, the rail industry \$9 million, and United States and Canadian trucking firms \$17 million. This is a tax of more than \$80 million on Canadian border users in the first year alone (Wilson, 2007). Besides the fee, transporters have the extra cost of paperwork and time in secondary processing (Brooks, 2007: 8). Rather than pursuing a bilateral, science-based, and risk-centered “smart” approach, USDA has simply added an across-the-board statute and fee on border crossings. The SPP aims to find bilateral, risk-based approaches, coupled with more regulatory convergence, in order to avoid such unilateral initiatives.

Cross-border trucking

Both the US and Canada are experiencing a shortage of truck drivers, which together with more security requirements raises the already high cost of cross-border trucking. Independent drivers and smaller firms are especially affected by these high costs. In Canada, many recent immigrants avoid traveling across the border because of its stringent security measures. Many do not want to go through the intrusive FAST or NEXUS tests. The SPP might enable both countries to determine common security criteria for truckers. Currently, several SPP groups (Transportation and Business Facilitation, Border Facilitation and Cargo Security, and Traveler Security) are addressing these problems.

Different standards

There remain a variety of different standards for truckers and trucks, including differences over hours of service and substance testing for the drivers, as well as insurance, common weight, and truck size standards, which make Canadian container trucking into the United States more expensive than it need be (Brooks and Kymlicka, 2007: 3). Just as the SPP has helped with the negotiation of an “open skies” air cargo agreement, so it could help bring about an “open roads” trucking agreement between Canada and the United States.

Border infrastructure

The Transportation Border Working Group (Transport Canada, 2005) identified a total of \$13.3 billion of needed border infrastructure on some 224 projects in 2003, partially to create an Automated Commercial Environment (Brooks and Kymalick, 2007: 7). The lion’s share of the work is to be in Ontario and the Maritimes. In addition, new security measures such as FAST, as well as pre-clearance, and shared and integrated customs facilities, are key to these improvements as they help speed up border crossings. Many of these projects are moving at a glacial pace. The SPP process provides the political pressure necessary to speed them up.

Rules of Origin

Filing Rules of Origin (ROO) paperwork is one of the most cumbersome regulatory tasks at our shared border. Administering compliance with the ROO has been calculated to add one percent to the costs of exports (Kunimoto and Sawchuk, 2006). Eventually, Canada and the United States should adopt a common external tariff, as well as negotiate all third party free trade agreements jointly rather than separately

(Robson, 2007). Meanwhile, as will be shown below, the SPP has sped up agreement about easing foreign content restrictions or waiving ROO from a growing list of products. In other words, the SPP talks on ROO are incrementally moving the US and Canada towards a *de facto* common external tariff, sector by sector. Progress has been helped by the fact that on most third country imports, Canadian and American tariffs are already within a few percentage points of each other.

Economic, social, and administrative regulations

The Canadian Federation of Independent Business estimated the cost of economic, social, and administrative regulations to Canadian businesses in 2005 at 2.6 percent of GDP (Hart, 2006: 4). While there are no estimates of the cost to trade as a result of the many divergent regulations imposed on businesses by government (and some regulations and divergences actually offer opportunities for trade), given that Canada's total trade amounts to 51 percent of our GDP, we must expect the impact to be significant. Michael Hart argues that small regulatory differences are costly and wasteful for all sides, but especially so for Canada, and that Ottawa should adopt a "take charge approach" in pushing for regulatory compatibility and mutual recognition of standards by making information sharing between the two countries the normal practice when new regulations are considered (Hart, 2006). The SPP is a vehicle with which to pursue this approach. The government of Canada should start the practice of information sharing and persuade the United States government to reciprocate so that both governments would have to prove why they need a new, divergent standard.

Regulatory differences

Because much Canada-US trade in the automotive, equipment, machinery, and plastics sectors takes place as part of a cross-border manufacturing process, fewer regulatory differences will translate into lower costs, will multiply throughout the production chain, and will improve the global competitiveness of these sectors. Furthermore, compatible product standards will allow for longer production runs and will lower the overall cost of production, as happened when Canada adopted American auto emission standards (Mirus, 2001: 52). In many areas in the automotive sector, such as anti-theft devices and bumper standards, further standardization would benefit the Canadian industry (Van Praet, 2007). In the SPP, technical talks among agency regulators together with detailed advice from industry identify such areas.

Food standards

Thirty-three percent of Canadian food exports are to the United States. Compatible standards and mutually recognized regulations are obviously crucial to this trade. The example provided by the common Canada-United States-Mexico science- and risk-based approach to BSE, which began in 2005 and is now grouped under SPP, is the way to proceed on general animal and plant health standards. Joint or integrated inspection regimes for meat plants and other food processing facilities is a logical next step. Just as integrated border enforcement teams on both sides of the border work on law enforcement issues, integrated inspection teams could help create a *de facto* single or compatible regulatory area for cattle and beef; plants and production facilities, rather than borders, would become the enforcement points of harmonized regulations.

Container security

Current infrastructure investment in Canada to facilitate the flow of Asian imports through both east and west coast ports in Canada to big consumer areas in the United States should also aim for efficient container security checks as well as rail and truck border-checks (Hodgson and Goldfarb, 2007). A single Canadian-American security regime and joint processing locations would lower overall costs, and would thus improve the competitiveness of Canadian transporters to the United States and vice versa.. Canada and the United States have recently agreed on reciprocal recognition of containers used for the transportation of dangerous goods. This working group is now under the SPP and offers an opportunity to extend the regime to containers for all products.

Measuring the Results of the SPP

The SPP clearly promises to advance Canadian interests in the short run—as Canada is the bigger exporter in the current relationship—and will benefit all three countries in the long run, but the question is whether it has done so. The SPP is full of pledges, promises, future strategies, and (recycled) action plans. This section lists only the concrete agreements that involve Canada; it leaves out specific Mexico-US agreements. Several Canadian-American negotiations, such as the open skies agreement on air cargo, were well under way before the SPP came about. However, as the SPP has become the new framework under which these negotiations were placed, I list them under SPP outcomes. The list below is compiled from the websites of the three

countries and several interviews conducted with Canadian officials and covers the period from 2005 to 2007.

- ▶ Canada-United States agreement to enable the simultaneous exchange of information between national laboratory networks (PulseNet) to deal with the spread of infectious disease.
- ▶ Canada-United States agreement to increase compliance data sharing, staff exchanges, and joint training for cross-border pipelines.
- ▶ Harmonization of air navigation standards.
- ▶ Expansion of pilot projects in NEXUS, the joint customs and immigration program agreed to by the United States and Canada for pre-approved and low-risk travellers.
- ▶ Canada-United States exchange of officers in the National Targeting Center (NTC) in the United States and the National Risk Assessment Centre (NRAC) in Canada. (These centres take part in collecting data on travellers and assessing risks in terms of the terrorist threat..)
- ▶ Joint United States Coast Guard-Transport Canada verification of vessels entering the St. Lawrence seaway.
- ▶ Liberalized rules of origin for exporters of household appliances, precious metals, and various machinery and equipment parts so that these products can qualify as duty free. These liberalized rules are estimated to apply to \$30 billion in trade by May 2006.
- ▶ Canada-United States legal agreement to promote the exchange of information and scientific personnel as well as joint studies and projects in energy, science, and technology.
- ▶ Further liberalization of NAFTA rules of origin that by 2008 will reduce export-related transaction costs covering approximately another \$70 billion in trade beyond the 2006 target (Emerson *et al.*, 2007).
- ▶ Canada-United States agreement to a reciprocal recognition of container security regulations used in dangerous goods transportation.
- ▶ Canada-United States mutual recognition of testing and certification for telecommunications equipment.
- ▶ Canada-United States “open skies” air cargo transportation agreement.
- ▶ Canada-United States pilot project to share information on refugee and asylum claimants based on a comparison of fingerprint records.
- ▶ Canada-United States agreement on “Recommended Standards for Secure Proof of Status and Nationality to Facilitate Cross-Border Travel.”
- ▶ Canada-United States five-year program to harmonize automated commercial information systems that screen the security of cargo.
- ▶ Trilateral harmonized energy performance standards for household appliances and consumer products.

- ▶ Trilateral recognition agreement on licensing and certification of architects, thereby enhancing cross-border trade in professional services.
- ▶ Scientific- and risk-based coordinated approach to BSE, agreed to by animal health officials.

The Value of the SPP Process

In addition to the outcomes listed above, the SPP process itself is of value. It offers Canada long-term, regular access to US (and Mexican) decision makers. For example, in the Regulatory Cooperation Framework agreed to in 2007, officials will work to streamline regulations and make the process of creating new regulations more compatible. This process will provide increased transparency about each others' rule-making procedures, and will allow for joint evaluation and analysis of regulatory issues. One goal of the process is to use international standards to reduce redundant testing and certification, consistent with WTO obligations (Anderson and Sands, 2007: 28). In another process, Canada and the United States are developing mutual assistance arrangements for cross-border public health emergencies. SPP will also be the process in which Canada and the United States can modernize the procedures for temporary entry provisions for professionals under the NAFTA Commission.

Regular contact by officials in the various working groups tends to generate spill-overs in which success in one area may lead to efforts in another. The opportunity to influence the agenda in the complex and very competitive domestic American arena is itself important. The North American Competitiveness Council has helped in this regard by getting American businesses to appreciate the potential gains of product compatibility and regulatory convergence in cross-border trade and production. A structure of regular ministerial contact among the three states and cabinet-level coordination within each country on SPP issues may help move the relationship from *ad hoc*—when there is a problem—to regular cooperation, and may eventually prevent bilateral problems before they arise.

Annual leadership summits in North America help overcome political obstacles and set new goals. Given the complexity of finding regulatory convergence and standards compatibility, the bureaucrats need pressure and deadlines to keep the process from grinding to a halt. Also, the technical and political interaction at various levels within and among national governments may reduce the potential impact of certain lobbies in pursuing narrow national gain at the cost of trilateral progress.

Conclusion

The Security and Prosperity Partnership is perhaps one of the least glamorous multi-lateral initiatives under way today. Yet its lack of appeal belies its importance for North America and especially for Canada. This region has not seen any extension or deepening of its free trading regime since NAFTA came into force in 1994. In the first few years after the terrorist attacks of September 11, 2001, the Bush administration was mainly interested in enhancing security measures. But George W. Bush's initiative on SPP at the start of his second term has played a significant role in raising the profile of North American consultations. Not since Ronald Reagan had an American president invested so much new energy into North American cooperation. President Bush instructed three cabinet secretaries to hold annual meetings with their Canadian and Mexican counterparts. Assistant-secretaries in each department coordinated the efforts while National Security Council staff provided overall interagency coordination. At the same time, the Canadian (and Mexican) governments added further trade liberalization measures to the talks.

In the words of one Canadian official, "the SPP represents a type of 'aggressive incrementalism' rather than a big-bang approach" (as quoted in Ackleson and Kastner, 2005: 15). The SPP's expert-level "deepening dialogue" and broad range of ministerial input is helpful in finding greater efficiencies in trade and common security (Montebello, 2007). One SPP goal is to achieve more efficiency in the transactions between producers and consumers in North America while seeking more cooperation on health and environmental standards. Greater efficiency on border controls, on customs processes, on product standards, and on streamlined production processes is very difficult to achieve, and the SPP has only begun to make a small difference. Nevertheless, the SPP serves the overall goal of creating greater economies of scale, lowering trade barriers, and thus enhancing greater prosperity for consumers in all three countries.

The outcomes of the SPP as well as the new processes initiated to address specific Canadian economic and border security interests warrant continued strong support from all Canadian public and private sectors.

Interest in the SPP appears to have declined after the 2007 Montebello Summit. At the same time, the agreement has become a lightning rod for opposition groups. A lack of consistent support among politicians and perhaps too low a profile have given fear-mongers a chance to turn public opinion against the agreement in several public debates. Canada will face a significant challenge after the Bush presidency to keep the SPP viable.

While the leaders at Montebello identified priorities for the 2008 summit and preparations are under way for it, the public profile of SPP is in decline and it seems unlikely that any new items are being added to its agenda. The Joint Statement of the ministers released in late February 2008 showed few new initiatives (US Department of Commerce, 2008). Therefore, the SPP or its successor requires renewed commitment from the leaders. This agreement is important because of the practical problems it solves and its importance should be explained to the public. The benefits and goals of the SPP needs to be communicated better. The partnership also needs to deliver more, both in terms of competitiveness and in terms of streamlined security regulations, so that the public can begin to understand the benefits. The recommendations below address important areas of needed change.

Recommendations

1) Define SPP or its successor as a process for creating a North American Standards and Regulatory Area (NASRA), but not a North American (political) union

Unlike the member states of the European Union, the governments and publics of the three North American countries have no interest and no plans to form a political union. Yet the call by various think tanks and conferences for a North American community broadly comparable to the European Union model, including a continental legal system, has skewed public perception of North American cooperation. This misunderstanding has made the far more pragmatic SPP struggle for legitimacy.

The governments of the three countries need to better explain the value of the SPP process. It must be clear that this is not a process that will lead to a type of supra-national union, as has occurred in Europe.

Some officials recently involved in the SPP negotiations now say that “SPP as a brand is bust” (author interview). All along, the Security and Prosperity Partnership has been a working title. The time has come to re-brand the talks and give them a clear mandate. The three governments should articulate specific goals for the partnership, but clearly distance themselves from reports or books that call for common North American institutions or policies that the public associates with political union. Canada, which did not provide funding for the North America 2025 project, should ask both the US and Mexican governments to be cautious about financial support so that the public can begin to understand the limited and pragmatic nature of the talks and stop confusing the different agendas.

A North American Standards and Regulatory Area (NASRA) includes further economic integration beyond free trade while resisting the temptation of political or supranational arrangements. The SPP rightly rejects the “Fortress America” idea with fortified borders that restrict trade. It also rightly rejects the European solution of an end to internal borders, as represented by the 1985 Schengen Accord and the 1990 Dublin Convention. The SPP goal is compatible standards and convergent regulations so that most security and border processing can be accomplished away from the border. A single Canada-United States regulatory and standards zone should be the first goal, with progress toward extending this to Mexico dependent on the pace of market and security developments in that country.

A NASRA does not require that all areas of regulation and product standards be compatible. There will likely be areas where governments will make the case that national exceptions override trade or security benefits. However, just as in the free trade negotiations, the goal should be to make the area as comprehensive as possible to derive the greatest benefit for consumers and producers.

2) Keep the SPP as a working agreement among the executive branches, but provide it with a better communications strategy, and with more concrete results for competitiveness and streamlined security regulations, so that the public can begin to understand its benefits.

Some thoughtful analysts are rightly concerned that the low-key SPP talks are creating conspiratorial cannon fodder and that United States Congressional concerns about SPP are bound to slow down its progress. In response, they call for higher profile talks, including raising the SPP to the treaty level.

The debate between a step-by-step approach and a comprehensive agreement precedes the SPP by many years. Some experienced practitioners of Canadian-American relations call for a bold, comprehensive approach (Gotlieb, as quoted in Harris and Manning, 2007: 64). However, Canada first needs to amass the needed political capital in Washington. Such capital is crucial because the executive branch has thus far expressed little interest in a new treaty, while Congress is becoming more protectionist.

After the Cancun Summit, the Harper government devolved SPP responsibility from the Privy Council Office to individual government departments. Industry Canada and Public Safety and Emergency Preparedness Canada (PSEPC) are in charge of the prosperity and security files, respectively, while the Department of Foreign Affairs provides overall support and helps communicate SPP goals. After the Montebello Summit, Prime Minister Harper designated Industry Canada as the lead

coordinator, thereby signaling the importance of improved access to the US market and the need to bolster North American competitiveness. Responsibility by these departments, guided by an annual leadership summit, can still generate more SPP results. Given this focused leadership, quarterly meetings among ministers in charge of the commerce and industry departments might speed up SPP outcomes.

Some have called for a broadening of representation in the SPP talks to advocacy groups other than the North American Competitiveness Council (NACC). However, it is better that groups such as labor and environmental lobbies work with both government and business to develop best practices, rather than adding even more players to the crowded SPP talks. Targeted consultations, such as on food and product safety standards, as started by the Harper government, are useful in bringing further expertise to the technical discussions. Also, the various working groups on standards and regulations could consult with specific sector stakeholders.

3) Build a long term Canada-United States agenda on issues dealt with in the SPP

The challenge of including Mexico in talks on trade, security, and especially border issues remains formidable. On security, Mexico has generally created “a drag” on the talks (author interview). This is not likely to change soon, which means that Canada also needs to have a long-term strategy.

The reality is that Canada does not have enough political clout in Washington to create an altogether separate Canada-United States agreement immediately. Further, the American administration has to be sensitive to the political reality that Latino voters expect Congress and the Administration to treat Mexico as an equal North American partner. Thus, the three-shall-talk and two-can-walk principle in the SPP is the best short-term option for Canada as it seeks more regulatory convergence and standards compatibility.

Concomitantly, the Canadian government needs to prepare a longer-term strategy to regain bilateral standing with the US in North America on both security and prosperity issues, including separate Canada-United States annual summits in addition to the trilateral summit. To begin this process, the government will need to tell the Canadian public clearly and strongly why this undertaking is in Canada’s interest. It may take a Royal Commission, in the mold of the MacDonald Commission, to document and explain the threat to Canadian prosperity if we fail to deepen our trade and reduce the regulatory and security walls with the United States and eventually Mexico. The commission could also make the case for a larger, possibly treaty-based, regulatory, security, and product standards relationship.

As well as generating Canadian awareness and interest in a single regulatory and standards framework between Canada and the United States, along with a more

streamlined border, the Canadian government will need to develop considerable political influence with the American administration to put such a bilateral effort near the top of United States policy agenda. It is encouraging to see that Prime Minister Harper has indicated that on the “trade and security axis,” he is looking for “a fresh start with a new administration” (*National Post*, 2008). Such a strategy would require close collaboration on other issues of priority with the next US administration where our mutual interests are compatible.

4) Connect security and prosperity in the SPP so that economic cost becomes an essential part of the security calculation.

While the SPP has gathered together trade and security working groups, there is still no evidence that those groups are integrating costs and benefits to maximize outcomes. For example, when Public Safety and Emergency Preparedness Canada and the Department of Homeland Security failed to agree on a land pre-clearance pilot project between Ontario and New York in 2007, there was no obligation to weigh the benefits of divergent law-enforcement standards against the cost of cross-border trucking. The savings to American and Canadian businesses of reduced waits and more efficient border processing at that busy crossing would be considerable, and likely outweigh the benefits of keeping two separate security regimes.

During the process of setting new product standards, both governments should prove why there must be divergence between Canadian and American standards. Both governments should commit to reporting the commercial costs of divergent security regulations, and justify why divergent security measures must be maintained and at what cost.

5) Explore a larger role for the private sector in finding regulatory convergence and standards compatibility

The SPP was meant to combine trade and security, so that security measures could become “trade smart,” and trade measures security-proof. As the NACC has proved, the business sector has an important role. Given the constraints governments face, it is valuable to *explore* how business can *potentially* take a more proactive role. Four areas serve as an illustration:

- ▶ Given the effectiveness of NACC, the business advisory process could be expanded to add specific sectoral groups working under NACC’s direction that can identify high priority areas for SPP negotiations.
- ▶ Given the efficiency and security of electronic reporting, business is in a position to take on more customs and border functions traditionally done by government. Governments should consider giving business the responsibil-

ity to do pre-screening and electronic reporting, and more Customs Self Assessment (CSA), with government providing oversight.

- ▶ Privatizing some of the security and customs processes may be another venue to make these functions more cost effective and to accelerate cross-border standardization. As an example, the privatization of NAV Canada has made the Canadian air cargo transportation more competitive.
- ▶ Governments should consider giving business a limited mandate to negotiate across borders on best practices and compatible standards on a sectoral or regional basis. Governments would review these initial consultations and adjust them if needed before making them official policy.

6) Create a “Vision for a New Border”

As mentioned in the third recommendation above, the Canadian government must prepare for a long-term strategy with enough political capital to engage the United States in reforms that create a bilateral fast-track, but without jeopardizing the current mandate of the SPP. The most important of these reforms is a new or reinvented border. Unlike many in the European Union, both Canada and the United States want to maintain sovereign borders. At the same time, the traditional “undefended border” is no longer an option. Several studies have pointed out that we need to overcome the traditional border (Canadian Council of Chief Executives, 2004; Goldfarb, 2007). The fundamental problem with the Canada-US border is that it has become a convenient point for governments to administer a host of regulations and statutes. This is convenient for government, but costly to our economies. We need to rethink what economic and political benefits justify the traditional concept of a border. For example, Danielle Goldfarb has argued that import duties on goods from third party countries are fiscally irrelevant, and given the global production process are hardly a useful part of any industrial policy (Goldfarb, 2007: 21). On top of that, the border has become a static line of defense in the war on terrorism, but not necessarily a net gain in security for either country. Security against modern threats requires a deeper level of cooperation than border controls. At this point, this deeper level can only be achieved between Canada and the United States (not Mexico). A new border concept should be part of a negotiating package on a Canadian-American regulatory and standards area.

The vision of a “needs-based” border is founded on the premise that only tasks that cannot be done better or more efficiently *away* from the border should be done *at* the border. This vision includes:

- ▶ A gradual move toward a common external tariff by adopting the lowest tariff between the two, starting with industrial products, that will lead to the elimination of the Rules of Origin process.

- ▶ Gradual liberalization of temporary labor 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 all goods that comply on regulatory and security requirements.
- ▶ Mutually recognized security criteria for clearance for all people entering the two countries.
- ▶ A single, bi-national 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 (IBET) 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.
- ▶ A final layer of inspection and supervision at the border.

References

- Ackleson, Jason and Justin Kastner (2005). *The Security and Prosperity Partnership of North America*. Paper presented at the biennial meeting of the Association for Canadian Studies in the United States. Saint Louis (November 18). Digital document available at <http://fss.k-state.edu/research/conference/AcklesonKastnerACSUS-ARCS20051206.pdf> (accessed November 22, 2007).
- Anderson, Greg and Christopher Sands (2007). *Negotiating North America: The Security and Prosperity Partnership*. Hudson Institute (Fall). Digital document available at <http://www.hudson.org/files/documents/Hudson%20Negotiating%20North%20America%20FINAL.pdf> (accessed January 22, 2008).
- Andreas, Peter and Thomas J. Biersteker, eds. (2003). *The Rebordering of North America: Integration and the Exclusion in a New Security Context*. New York: Routledge.
- Bristow, Jason (2008). Canada-US Trade is About Competition: Another View. *Flin Flon Reminder* (January 7). Digital document available at http://www.cwf.ca/V2/cnt/commentaries_200801042239.php (accessed January 31, 2008).
- Brooks, Mary R. (2007). *Addressing Gaps in the Transportation Network: Seizing Canada's Continental Gateway Advantage*. Conference Board of Canada (October).
- Brooks, Mary R. and Stephen Kymlicka (2007). *Unfinished Business: A NAFTA Status Report*. Halifax: Atlantic Institute for Market Studies (May).
- Canadian Council of Chief Executives (2004). *New Frontiers: Building a 21st Century Canada-United States Partnership in North America*. Toronto: Canadian Council of Chief Executives. Digital document available at <http://www.ceocouncil.ca/publications/pdf/8502a13cf417d09eab13468e2a7c9f65/NewFrontiersNASPIDiscussionPaperApril2004.pdf> (accessed January 31, 2008).
- Canadian Council of Chief Executives. (2003). *Security and Prosperity: Towards a New Canada-United States Partnership in North America*. Canadian Council of Chief Executives (January). Digital document available at http://www.ceocouncil.ca/publications/pdf/716af13644402901250657d4c418a12e/presentations_2003_01_01.pdf (accessed January 31, 2008).
- Canadian Council of Chief Executives (2004). *New Frontiers: Building a 21st Century Canada-United States Partnership in North America*. Digital document available at <http://www.ceocouncil.ca/publications/pdf/8502a13cf417d09eab13468e2a7c9f65/NewFrontiersNASPIDiscussionPaperApril2004.pdf>.
- Canadian Council of Chief Executives [undated]. *Reinventing Borders*. Canadian Council of Chief Executives. Digital document available at <http://www.ceocouncil.ca/en/north/reinventing.php> (accessed January 22, 2008).

- Corsi, Jerome R. (2007a). Congress Debate Begins on North American Union. *WorldNetDaily.com* (September 25). Digital document available at http://wnd.com/news/article.asp?ARTICLE_ID=57817 (accessed January 22, 2008).
- Corsi, Jerome R. (2007b). *The Late Great USA: The Coming Merger with Mexico and Canada*. US: World Net Daily Books.
- Council of Canadians (2007a). *Leaked Document Reveals Bulk Water Exports to be Discussed at Continental Integration Talks*. Media Release. Council of Canadians (April 13). Digital document available at <http://www.canadians.org/media/water/2007/13-Apr-07.html> (accessed January 22, 2008).
- Council of Canadians (2007b). *Put the SPP to a Vote, Say Prominent Canadians*. Media Release. Council of Canadians (October 12). Digital document available at <http://www.canadians.org/media/DI/2007/12-Oct-07.html> (accessed January 22, 2008).
- Council on Foreign Relations (2005). *Building a North American Community: Report of an Independent Task Force*. New York: Council on Foreign Relations Press (May).
- D'Aquino, Thomas (2007). Is this NAFTA all over again? Promoting a Better Understanding of the SPP. *Focal Point*. Canadian Foundation of the Americas (August). Digital document available at http://www.focal.ca/publications/focalpoint/0701_e.asp (accessed January 22, 2008).
- Goldfarb, Danielle (2007a). *Reaching a Tipping Point? Effects of Post-9/11 Border Security on Canada's Trade and Investment*. The Conference Board of Canada. Digital document available at <http://www.conferenceboard.ca/documents.asp?rnext=2050>
- Goldfarb, Danielle (2007b). *Is Just-In-Case Replacing Just-In-Time?* Briefing. The Conference Board of Canada (June). Digital document available at <http://www.conferenceboard.ca/documents.asp?rnext=2050>
- Hufbauer, Gary C. and Jeffrey J. Schott (2004). *Deeper North American Economic Integration: A US Perspective*. CD Howe Institute Commentary No. 195 (January). Digital document available at <http://www.iie.com/publications/papers/hufbauer0104.pdf> (accessed November 23, 2007).
- Edwards, James R. (2007). *The Security and Prosperity Partnership: Its Immigration Implications*. Background. Washington, DC: Center for Immigration Studies (June).
- Ek, Carl et al., (2007). *Canada-U.S. Relations*. Congressional Research Service Report for Congress (May 15). Digital document available at <http://www.fas.org/sgp/crs/row/96-397.pdf> (accessed January 22, 2008).
- Emerson, David, Eduardo Sojo, and Susan C. Schwab (2007). *2007 NAFTA Commission Meeting Joint Statement*. Vancouver (August 14). Digital document available at <http://www.dfait-maeci.gc.ca/nafta-alena/JS-Vancouver-en.asp> (accessed January 22, 2008).

- KPMG (2002). *Report on the Survey of Canadian Commercial Carriers on Border Crossing Issues*. KPMG (June). Canada: KPMG.
- Harper, Stephen, George W. Bush, and Felipe Calderón (2007). *Joint Statement*. North American Leaders' Summit, Montebello, Quebec (August 21). White House. Digital document available at <http://www.whitehouse.gov/news/releases/2007/08/20070821-2.html> (accessed January 22, 2008).
- Harris, Mike and Preston Manning (2007) *International Leadership by a Canada Strong and Free*. Vancouver: The Fraser Institute.
- Hart, Michael (2006). *Steer or Drift: Taking Charge of Canada-US Regulatory Convergence*. The Border Papers. CD Howe Institute (March 2006). Digital document available at http://www.cdhowe.org/pdf/commentary_229.pdf (accessed January 22, 2008).
- Hodgson, Glen and Danielle Goldfarb (2007). Geography Confers a Gateway Advantage. *The Vancouver Sun* (October 23): A15.
- Ibbitson, John (2007). Say Goodbye to North America's Special Partnership. *Globe and Mail* (October 10): A13.
- Interagency Working Group on Import Safety (2007). *Action Plan for Import Safety: A Roadmap for Continual Improvement. Report to the President*. Washington, DC: Interagency Working Group on Import Safety (November). Digital document available at <http://www.importsafety.gov/report/actionplan.pdf> (accessed January 22, 2008).
- Lee, Marc and Bruce Campbell (2006). *Putting Canadians at Risk*. Canadian Centre for Policy Alternatives (September). Digital document available at http://www.policyalternatives.ca/documents/National_Office_Pubs/2006/Putting_Canadians_at_Risk.pdf
- MacPherson, Alan D. and James E. McConnell (2005). *The Economic Impacts of US Government Antiterrorism Policies and Regulations on Cross-Border Commerce Between Southern Ontario and Western New York*. Canada-US Trade Center, State University of New York at Buffalo (January).
- Manley, John P., Pedro Aspe, William F. Weld, and Andreas Rozental (2005). *Building a North American Community*. Council on Foreign Relations. Digital document available at <http://www.cfr.org/publication/8102/> (accessed December 20, 2007).
- McMullen, Alia (2008). China Tops US Exporter, *Financial Post* (February 15): FP1 and FP3.
- Mirus, Rolf (2001). After Sept. 11: A Canada-U.S. Customs Union. *Policy Options* (November).
- Natural Resources Canada (2007). *Trilateral Agreement for Cooperation in Energy Science and Technology*. Natural Resources Canada 66(a). Digital document available at <http://www.spp-psp.gc.ca/pdf/energ-en.pdf> (accessed March 12, 2008).
- National Post* (2008). "Two Years and Counting" (February 6): 17.

- Noble, John (2004). *Fortress America or Fortress North America?* Paper prepared for the IRPP Conference “North American Integration: Migration, Trade and Security.” Ottawa, April 1-2. Digital document available at <http://www.irpp.org/events/archive/apr04/noble.pdf> (accessed January 22, 2008).
- North American Competitiveness Council [NACC] (2007). *Building a Secure and Competitive North America. Report to Leaders.* August. Digital document available at <http://www.uschamber.com/NR/rdonlyres/e2hlgdvndhghqunbdaz2nb2i67bfh5ihc6zvuswzkktwggtsfh6pbrdeuvr5ththfdas7hy56l7tpozazrctux5md/NACCReporttoLeadersFINALAugust212007.pdf> (accessed March 12, 2008).
- Pastor, Robert (2001). *Toward a North American Community: Lessons from the Old World to the New.* Washington, DC: Institute for International Economics.
- Pastor, Robert (2004). North America’s Second Decade. *Foreign Affairs* (Jan/Feb).
- Prentice, Jim (2007). *Eliminating Impediments to Competitiveness.* Address to the US Chamber of Commerce, Washington, DC (October 30). Digital document available at <http://www.ic.gc.ca/cmb/welcomeic.nsf/503cec39324f7372852564820068b211/85256a5d006b972085257383006cdf79!OpenDocument> (accessed January 22, 2008).
- Railway Association of Canada (2005). *Railway Trends 2006.* Digital document available at www.railcan.ca/documents/publications/1349/2006_10_24_RAC_Trends_en.pdf (accessed January 31, 2008).
- Robson, William B.P. (2007). *Stuck on a Spoke: Proliferating Bilateral Trade Deals are a Dangerous Game for Canada.* e-brief. CD Howe Institute (August 16). Digital document available at http://www.cdhowe.org/pdf/ebrief_47.pdf (accessed January 31, 2008).
- Roy, Francine and Clarence Kimanyi (2007). Canada’s Changing Auto Industry. *Canadian Economic Observer* (May). Statistics Canada. Digital document available at <http://www.statcan.ca/english/ads/11-010-XPB/pdf/may07.pdf> (accessed January 22, 2008).
- Rudolph, Christopher (2007). *Prospects for Canada-US Cooperation on Immigration and Border Management: Can the European Approach Work in North America?* Paper presented at the Fraser Institute conference *Immigration Policy, Border Controls, and the Terrorist Threat in Canada and the United States.* Toronto, Ontario, June 28-29.
- Security and Prosperity Partnership of North America (2006). *Security and Prosperity Partnership of North America (SPP) Accomplishments.* Government of Canada (March 31). Digital document available at http://www.spp-ppsp.gc.ca/progress/accomplishments_03_06-en.aspx (accessed January 22, 2008).
- Security and Prosperity Partnership (2005a). *Framework of Common Principles for Electronic Commerce. Security and Prosperity Partnership* (June 27). Digital document available at <http://www.spp.gov/pdf/E-Commerce+Framework.pdf> (accessed January 22, 2008).

- Security and Prosperity Partnership of North America (2005b). *Report to Leaders* (June 27). Digital document available at http://www.spp.gov/report_to_leaders/index.asp?dName=report_to_leaders (accessed January 22, 2008).
- Taylor, John C. and Douglas R. Robideaux (2004). Canada-US Border Cost Impacts and their Implications for Border Management Strategy. *Horizons* 6, 3. Digital document available at http://www.policyresearch.gc.ca/page.asp?pagenm=v6n3_art_10 (accessed January 22, 2008).
- Tomson, Bill (2007). US Senators Try to Block Expansion of Canada Cattle Trade. *Dow Jones Newswire* (October 4).
- Transport Canada (2005). *The Cumulative Impact of US Import Compliance Programs at the Canada/US Land Border on the Canadian Trucking Industry*. Study conducted by DAMF Consultants Inc. and L-P Tardiff Associates for Transport Canada (May 24). Digital document available at <http://www.tc.gc.ca/pol/EN/Report/BorderStudy/Main.htm> (accessed January 22, 2008).
- Transport Canada (2006). *Transportation in Canada 2006*. Digital document available at <http://www.tc.gc.ca/pol/en/Report/anre2006/add/tableA2-1.htm> (accessed January 31, 2008).
- Transport Canada (2007). *Economic Analysis of Security Measures Affecting Transportation Stakeholders in Canada*. (September). Digital document available at www.tc.gc.ca/tcss/Security/TC-Security/executive_summary.htm (accessed February 28, 2007).
- US Department of Commerce (2008). *Joint Statement by Ministers Responsible for the Security and Prosperity Partnership of North America* (February 28). Digital document available at http://www.spp.gov/news/news_02282008.asp
- Van Praet, Nicolas (2007). Wild Ride Ahead, Automakers Tell Ottawa. *Financial Post* (September 21): FP5.
- Villareal, M. Angeles and Jennifer E. Lake (2007). *Security and Prosperity Partnership of North America: An Overview and Selected Issues*. Congressional Research Service, Report for Congress (August 2). Digital document available at <http://www.opencrs.com/document/RS22701/> (accessed January 22, 2008).
- White House (2006). *Security and Prosperity Partnership of North America Fact Sheet*. White House (March 31). Digital document available at http://www.spp.gov/factsheet.asp?dName=fact_sheets (accessed January 22, 2008).
- Wilson, Michael (2007). *Friends, Allies and Neighbours: Reflections on the Canadian-American relationship*. Luncheon speech to the Minnesota Chamber of Commerce and the Minnesota International Center. Minneapolis, Minnesota (June 13). Digital document available at <http://geo.international.gc.ca/can-am/washington/ambassador/070613-en.asp> (accessed January 22, 2008).

Zhang, Jane, John D. McKinnon, and Christopher Conkey (2001). White House Plan for Safety of Imports. *Wall Street Journal Online* (November 6). Digital document available at http://online.wsj.com/article/SB119432112401983655.html?mod=fpa_whatsnews (accessed March 12, 2008).

Acknowledgments

The authors wish to thank four anonymous (Canadian and American) reviewers who added excellent insights to the paper and made numerous corrections and additions. Any remaining errors are the responsibility of the authors.

About the Authors

Alexander Moens is a professor of Political Science at Simon Fraser University and a Senior Fellow at The Fraser Institute in Vancouver. He is the author of *The Foreign Policy of George W. Bush: Values, Strategy, Loyalty* (Aldershot, Hampshire: Ashgate Publishing, November 2004) as well as *Foreign Policy Under Carter* (Boulder: Westview Press, 1990). He contributes regularly to Canadian, American and European newspapers and has served in the Policy Planning Staff of Canada's Foreign Affairs Department and was a Visiting Fellow at the National Defense University. He is a researcher with the Council for Canadian Security in the 21st Century, and a Fellow of the Canadian Defense and Foreign Affairs Institute. Since 2002 he has been associated with The Fraser Institute as a Senior Fellow in the Center for Canadian-American Relations.

Michael Cust is an MA candidate in political science at the University of Waterloo and an intern in the Center for Canadian-American Relations at The Fraser Institute.

Publishing Information

Fraser Institute Digital Publications are published from time to time by The Fraser Institute (Vancouver, British Columbia, Canada) to provide, in a format easily accessible online, timely and comprehensive studies of current issues in economics and public policy.

Distribution

These publications are available from <http://www.fraserinstitute.ca> in Portable Document Format (PDF) and can be read with Adobe Acrobat® or with Adobe Reader®, which is available free of charge from Adobe Systems Inc. To download Adobe Reader, go to this link: <http://www.adobe.com/products/acrobat/readstep2.html> with your Browser. We encourage you to install the most recent version.

Ordering publications

For information about ordering the printed publications of The Fraser Institute, please contact the Publications Coordinator: e-mail: sales@fraserinstitute.ca; telephone: 604.688.0221 ext. 580 or, toll free, 1.800.665.3558 ext. 580; fax: 604.688.8539.

Media

For media enquiries, please contact our Communications Department at 604.714.4582 or e-mail: communications@fraserinstitute.ca.

Disclaimer

The authors of this publication have worked independently and opinions expressed by them are, therefore, their own, and do not necessarily reflect the opinions of the staff, supporters, or trustees of The Fraser Institute.

Copyright

Copyright© 2008 by The Fraser Institute. All rights reserved. No part of this publication may be reproduced in any manner whatsoever without written permission except in the case of brief passages quoted in critical articles and reviews.

ISSN

1714–6739

Date of issue

November 2007

Editing, design, and production

Lindsey Thomas Martin and Kristin McCahon

About The Fraser Institute

Our vision is a free and prosperous world where individuals benefit from greater choice, competitive markets, and personal responsibility. Our mission is to measure, study, and communicate the impact of competitive markets and government interventions on the welfare of individuals.

Founded in 1974, we are an independent research and educational organization with offices in Calgary, Montréal, Tampa, Toronto, and Vancouver, and international partners in over 70 countries. Our work is financed by tax-deductible contributions from thousands of individuals, organizations, and foundations. In order to protect its independence, the Institute does not accept grants from government or contracts for research.

菲沙研究所的願景乃一自由而昌盛的世界，當中每個人得以從更豐富的選擇、具競爭性的市場及自我承擔責任而獲益。我們的使命在於量度、研究並使人知悉競爭市場及政府干預對個人福祉的影響。

創辦於1974年，我們乃一獨立的研究及教育機構，在卡加利、滿地可、坦帕、多倫多及溫哥華均設有辦事處，並在超過七十個國家擁有國際伙伴。我們的工作得到不同人仕、機構及基金透過可免稅捐獻資助。為了保持其獨立性，本研究所不接受政府的撥款或研究合約。

Nous envisageons un monde libre et prospère, où chaque personne bénéficie d'un plus grand choix, de marchés concurrentiels et de responsabilités individuelles. Notre mission consiste à mesurer, à étudier et à communiquer l'effet des marchés concurrentiels et des interventions gouvernementales sur le bien-être des individus.

Fondé en 1974, notre Institut existe en tant qu'organisme indépendant de recherches et établissement éducatif. Nous avons des bureaux à Calgary, à Montréal, à Tampa, à Toronto, et à Vancouver, ainsi que des associés internationaux dans plus de 70 pays. Notre œuvre est financée par la contribution déductible d'impôt de milliers de personnes, d'organismes et de fondations. Pour protéger son indépendance, l'Institut Fraser n'accepte ni subvention gouvernementale ni recherche sous contrat.

Supporting The Fraser Institute

For information about how to support The Fraser Institute, please contact

- ▶ Development Department, The Fraser Institute
Fourth Floor, 1770 Burrard Street
Vancouver, British Columbia, Canada V6J 3G7
telephone, toll-free: 1.800.665.3558 ext. 586
e-mail: development@fraserinstitute.ca

Calgary

- ▶ telephone: 403.216.7175 ext. 227
fax: 403.234.9010

Montreal

- ▶ telephone: 514.281.9550 ext. 303
fax: 514.281.9464
e-mail: montreal@fraserinstitute.ca.

Tampa, USA

- ▶ telephone: 813.961.6543
fax: 636.773.2152
e-mail: Joyce.Weaver@fraserinstitute.org

Toronto

- ▶ telephone: 416.363.6575 ext. 232
fax: 416.934.1639

Vancouver

- ▶ telephone: 604.688.0221 ext. 586
fax: 604.688.8539