

PUBLIC POLICY SOURCES

Number 76 / December 2003

The Unseen Wall

The Fraser Institute's 2003 Trade Survey

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Editing, design and typesetting: Kristin McCahon and Lindsey Thomas Martin

Printed and bound in Canada.

ISSN 1206-6257.

Date of issue: December 2003

Foreword

In 1980, two-way bilateral trade in goods and services represented about 40% of Canadian GDP. By 2000, that figure had nearly doubled to reach about 75%, valued at some CDN\$700 billion annually or \$2 billion every day.

Since September 11, 2001 and the slowdown in the US economy, growth in bilateral trade has not kept pace with the impressive average of more than 10% per year over much of the 1990s. The impact of enhanced security at the border has added to increased concern about the efficacy of serving the North American market from the Canadian side of the border. Combined with inevitable congressional and administrative protectionism in the face of the US recession, these factors suggest that a return to the robust post-FTA/NAFTA numbers will require, at a minimum, serious government attention to remaining and new barriers and impediments.

Even setting aside security concerns, cross-border movement of goods, while generally free, remains subject to an astonishing array of customs and regulatory requirements. These can be divided into two broad categories: those intended to discriminate in favour of either Canadian or US producers and those that are the incidental result of regulations aimed at other objectives. The first represents the residual elements of traditional trade-liberalization negotiations, and includes such measures as tariffs on some agricultural products, remaining restrictions on government procurement, trade remedy laws, and similar measures.

The second involves a wide range of measures that reflect the increasing complexity of modern economies and the response of governments to demands ranging from consumer protection to environmental stewardship. The cross-border effect of the first can be addressed with the traditional approach but would benefit from some new ideas. The second requires an intense program of cooperation to identify those regulations that no longer serve any useful public purpose, those that can be implemented and administered on a basis that limits or eliminates the impact of differences between Canadian

and US regulations and those for which these differences are profound and important. Only the latter may need to continue to create any substantive barriers to trade but on a much more limited basis than is the case today.

Administration of the physical border continues to involve a dense array of laws and procedures that condition trade and investment decisions. These include costs of compliance and the potential costs created by delays, not to mention infrastructure and administrative costs for the two governments. In the words of Trade Minister Pierre Pettigrew, the government needs “to keep pace with the demands and expectations of businesses on both sides of the border who rely on just-in-time delivery and easy access to markets,”¹ and move beyond current programs and approaches.

Both intergovernmental agreements and the pressures of silent integration have accelerated regulatory convergence and narrowed regulatory differences but they have neither eliminated existing differences nor discouraged new—often small—differences from emerging in regulatory design, objectives, implementation, and compliance, imposing costs and maintaining distortions to the better operation of the two economies.

Managing deepening integration and an increasingly complex relationship requires that the two governments assess the capacity of current institutional and procedural frameworks to iron out differences, reduce conflict, and provide a more flexible basis for adapting to changing circumstances.

Regulatory differences are now the mainstay of border administration, while institutional capacity is critical to effecting greater regulatory convergence. Appreciating the extent to which these issues are interrelated is critical to unraveling how Canada and the United States can work together to pursue their mutual interest in a more open and more secure North American economy.

This survey of firms that export from Canada to the United States provides valuable information on how those on the front lines of Canada’s trade with the United States

view at least some of the barriers they face in exporting to the United States. While such surveys have important limitations, which the authors acknowledge, its results tend to confirm information I have gleaned from other sources.

The trauma of September 11 and recent rough patch in relations between Canada and the United States create both a threat and an opportunity. This survey deals with the threat to Canada's economic well-being potentially arising from any weakening of Canada's access to the US market. The opportunity involves pushing forward with deeper trade integration with the United States, not merely to forestall the immediate threat but also to secure, broaden, and deepen Canada's access to US markets over the long-term. I hope Canada seizes the opportunity.

Note

Pettigrew, Pierre (2002). "The Canada We Want in the North America We Are Building." Address at the 8th Annual Canadian-American Business Achievement Award and International Business Partnership Forum, Toronto (October 16). <http://webapps.dfaite-maeci.gc.ca/minpub/Publication.asp?FileSpec=/Min_Pub_Docs/105546.htm>.

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Executive Summary

Over the past two years, The Fraser Institute has surveyed Canadian companies about the incidence of non-tariff and non-quota trade barriers that companies operating in Canada face when exporting goods and services to the United States. For this study, we classified informal trade barriers under three headings:

- 1 discriminatory regulations and policies on health, product packaging, and environmental conservation;
- 2 cumbersome customs clearance and inspection procedures; and
- 3 policies on domestic content requirements, particularly “buy national” policies.

A series of spats over the last year between Canada and the United States combined with ugly comments about the United States from high-profile Canadians raised questions about whether these developments would have a negative impact on Canada’s access to the US market.

“Yes,” is the overwhelming response of those on the front lines of Canada’s trade with the United States. More than nine of 10 of the Canadian exporters who responded to the survey said relations between Canada and the United States have deteriorated over the last year, and two-thirds of those respondents said it had damaged their ability to export to the United States.

This could develop into a serious economic problem for Canada. A third of everything produced in Canada is exported to the United States. Canada’s US trade surplus alone is equal to almost 10 % of Canada’s economy. In this age of just-in-time delivery and integrated plants on both sides of the border, it would only take a change in border regulations to throw tens of thousands of Canadians out of work.

Many believe Canada-US relations have improved in recent months but this survey shows how quickly relations can deteriorate and how that can have a negative effect on Canadian trade, at least in the eyes of those actually exporting into the United States.

Highlights

Characteristics of the survey

- 500 companies were surveyed; 107 firms responded, a 21.4% response rate.
- Very small to very large exporters are represented in the survey, from companies with US exports of \$10,000 to those exporting \$2 billion worth of goods.
- Responding firms represented a broad range of dependence on the US market, with US exports representing from 0.5% to 100% of company sales.
- Companies were classified in the following sectors: agriculture/fishery, automotive, consumer goods, defense/aerospace, energy/mining, forestry, industrial goods/materials, machinery and equipment, and other.
- Respondents were queried about three types of barriers: discriminatory regulation, border delays, buy-national policies.
- A number of other questions were asked, including assessment of Canada-US relations, the effect of relations on trade, firms’ responses to barriers to exporting into the United States, and the effectiveness of various trade organizations in influencing trade policy or resolving trade disputes.

Results of the survey

- 72% of respondents in the 2003 survey reported facing unofficial trade barriers, a huge increase from the 45% who reported facing such barriers in the 2002 survey.
- Consistent with this response, 96% of respondents said Canada-US relations have worsened over the last 12 months.
- 67% of those who said relations had worsened said this had negatively affected their ability to export into the US market.
- Responses varied from sector to sector: 100 % of defense/aerospace firms, for example, said US buy-national policies formed a barrier to trade; the automobile sector reported the fewest barriers, with 45% of respondents saying they faced no unofficial barriers.
- The survey indicated important economic losses for Canada: for example, 13% of firms facing discriminatory regulations and 8% of firms challenged by buy-national policies withdrew from the US market, while 12% of firms facing buy-national policies opened up US production facilities.
- US government officials and US industry associations were judged to have the greatest impact on US trade policy.
- 72% of respondents found the NAFTA dispute settlement mechanism either very or somewhat effective; 57% found the WTO mechanism very or somewhat effective.

Recommendations

- Harmonize regulatory standards to eliminate use of discriminatory regulations.
- Improve Canadian security measures to alleviate border delays related to security concerns.
- Launch negotiations to broaden and deepen NAFTA, with an emphasis on developing a more effective and speedy dispute settlement mechanism. Also negotiate clauses to eliminate buy-national and buy-local policies on both sides of the border.
- Initiate discussions about developing a customs union with the United States.
- Improve Canadian diplomatic leadership. Canada must always be free to disagree honestly with the United States but mindless anti-Americanism carries a cost.

Free Trade Confronts the New Protectionism

Over the past two years, The Fraser Institute has surveyed Canadian companies about the incidence of non-tariff and non-quota trade barriers that companies operating in Canada face when exporting to the United States. The survey reveals largely unseen problems affecting Canadian exporters and may also be a harbinger of more problems to come. The type of trade barriers examined here are used on both sides of the border but this study gives a Canadian perspective on cross-border issues by surveying only Canadian exporters. The survey focuses on three broad categories: discriminatory regulations, cumbersome border inspections, and domestic content requirements.

Valued at about \$700 billion a year, trade between Canada and the United States forms the largest bilateral trading relationship in the world. Goods exports alone equal a third of Canada's GDP (gross domestic product). Even more remarkably, Canada's US trade surplus in goods almost equals 10% of Canada's GDP.

These staggering statistics underline the importance of maintaining a healthy relationship between the two countries. Many thousands of Canadians could be thrown out of work if, for instance, security concerns led to tighter border controls, or a renewed bout of US protectionism boosted buy-America sentiment, or even a reaction to anti-Americanism in Canada caused the United States to increase its use of the type of trade barriers examined here.

In this world of just-in-time delivery, a simple change in border regulations or the attitudes of customs officials could inflict severe damage on the Canadian economy. Administrative measures alone—without any legislative action from Congress—could destroy tens of thousands of jobs in Canada. As a trading nation, Canada's prosperity and its relatively high standard of living are dependent upon market access beyond its national borders.

As this survey of Canadian exporting firms will show, the majority of respondents believe not only that relations between Canada and the United States have wors-

ened but also that this worsening of relations has damaged their ability to sell into the US market.

A deterioration in trading relations between Canada and the United States would be devastating for Canada's economy. In 2002, Statistics Canada reported that 83.7% of Canadian exports were bound for the United States and that Canada's trade surplus with the United States stood at whopping \$92 billion (Statistics Canada 2003). Curiously, many of those most opposed to free trade with the United States have argued that the United States would never dare hamper cross-border trade because the United States is too dependent on Canadian trade. This appears to be incorrect, as exports to the United States accounted for 38% of Canada's GDP while exports from the United States to Canada accounted for 3% of American GDP.

By examining trade barriers that could easily become more prevalent, this study provides Canadian policy makers with important information. Given that both Canada and the United States use such barriers but that it is Canada that is accumulating trade surpluses, the best way to ward off future growth of such barriers on the US side of the border is to work cooperatively with the United States on its legitimate concerns rather than deride them as some Canadian Parliamentarians seem inclined to do.

As well, rather than leaving trade issues on the back burner, the Canadian government should seek to develop a more comprehensive trade agreement with the United States and move more aggressively on the security file to prevent lengthy inspections on low-risk goods and travelers at border crossings.

A concern for the future

Anecdotal evidence suggests that relations between Canada and the United States are now improving from the lows of the spring and summer of 2003. Next year's trade survey will provide evidence on whether this perception is matched by reality as seen through the eyes of Canadian exporters. However, this would not be cause

for complacency. This survey indicates that relations between Canada and the United States can deteriorate rapidly with negative trade affects. Moreover, the memories of problems between the Canada and the United States, even if submerged, will endure, potentially leaving Canada more vulnerable if problems resurface. This only emphasizes the need for Canada to tend to our relations with our southern neighbour.

Economic growth through free trade

Free trade is an important determinant of prosperity and economic growth. Trade barriers limit the free flow of goods, services, and investment across national borders and shield inefficient industries from foreign competition. Through free trade, countries can boost productivity from increased competition and allow a rational allocation of resources to occur throughout the economy (Law and Mihlar 1998).

A study that examined data from developing nations over the period from 1970 to 1990 found that those with open trade policies registered economic growth at an average rate of 4.5% annually, compared to only 1% among those with closed borders (Sachs and Warner, 1995). Also, studies conducted on the causality between exports and economic growth (Tao and Zestos 1999; Dutt and Ghosh 1996; Ghartey 1993) point strongly towards export growth as a significant factor or determinant of the GDP growth countries have experienced in the past.

The Great Depression highlighted the danger that economic protectionism posed to the health of the global economy. High tariffs were imposed on imports and trading nations such as Canada and the United States suffered greatly. To avoid the calamity of punishing trade wars and high tariffs, Canada and many other countries have become parties to trade agreements to improve market access and to establish common rules to govern trade.

The new protectionism

The General Agreement on Tariffs and Trade, signed following the Second World War, greatly reduced tariffs and liberalized trade among its member countries. How-

ever, as firms moved to take advantage of international markets newly opened through multilateral trade agreements, they were often greeted by what appeared to be an opaque and ever changing menu of regulations and other government-imposed obstacles that effectively formed a hidden wall and reduced their access to foreign markets.

Freer trade, paradoxically, is likely to increase the prevalence of non-tariff, non-quota trade barriers. With lower official trade barriers, special interests, including protectionist industries and inflexible trade unions, have sought to restrict competition by lobbying their respective governments to impose obstacles on foreign competition. According to public-choice theory, the few who will gain a lot will always lobby harder for their advantage than the many who will lose a little. In the case of trade, economic protectionists have the most to gain by erecting trade barriers.

The General Agreement on Tariffs and Trade (GATT) was put in place on January 1, 1948 primarily to reduce the large legacy of trade protectionism, particularly tariffs, left behind by the Second World War. Revisions and extensions to the GATT were conducted through lengthy processes of international negotiation called “rounds.” Commitments by contracting parties under GATT to eliminate tariffs gradually would help to liberalize trade but at the expense of domestic firms who had always relied on such measures to protect themselves at home from international competition.

Thus, as the first five rounds of GATT negotiations (1949–1967) helped to liberalize trade by reducing the most visible of trade barriers (import tariffs), other obstacles to trade assumed greater importance both to exporters (who had to overcome them) and to import-competing manufacturers (who had been exposed to foreign competition by tariff cuts). The Kennedy Round of GATT negotiations (1964–1967) marked the shift of the focus of GATT from tariffs to non-tariff trade barriers, with the inclusion of the Antidumping Code in the GATT text.

Following the Kennedy round, GATT officials undertook an exhaustive survey of non-tariff barriers, cataloguing some 800 such barriers. Canada and Canadians played key roles in this work. In 1968, the Canadian government surveyed Canadian business interests about the

barriers they faced in trade, an effort supplemented by Canadian trade officials in embassies abroad.

This provided important information for GATT's work. It was disseminated by top Canadian officials like Percy Eastham, who chaired GATT's sub-group on technical barriers, and Peter Clark, who chaired GATT's budget committee and was the first Canadian member of the Textiles Surveillance Body. Both Clark and Eastham performed crucial roles in developing world trade structures. (For a more complete discussion of this and of Canada's long history as a trading nation, see Hart 2002.)

The OECD was pursuing similar work through its Trade Committee, particularly in the area of government procurement policies (Hart 2002). In 1968, the United Nations Conference on Trade and Development (UNCTAD) secretariat, primarily using information being generated by GATT and the OECD, developed a classification of non-tariff barriers capable of being instituted with trade-distorting intent (UNCTAD 1969; see exhibit 1).

Type I barriers include measures—like quantitative restrictions, quotas, export subsidies, antidumping duties and countervailing charges—that are officially recognized and explicitly designed and implemented to restrict trade. In this study, we focus not on Type I barriers but on “unofficial,” or Type II, barriers and, more precisely, on Type IIB barriers, since Type IIA barriers, limits on marketing, are extremely rare in the United States.

Type IIB barriers are usually notionally implemented to meet some other policy target and thus are not “officially” trade barriers. But, in meeting their policy target, they distort trade flows. For this study, we classified informal trade barriers under three headings:

- 1 discriminatory regulations and policies on health, product packaging, and environmental conservation;
- 2 cumbersome customs clearance and inspection procedures; and
- 3 policies on domestic content requirements, particularly “buy national” policies.

Exhibit 1: Classification of Non-Tariff Barriers by the United Nations Conference on Trade and Development (UNCTAD 1969)

Type I—Commercial-policy measures designed primarily to protect import-competing suppliers from foreign competition

Group A—Measures working through quantitative restraint

These include import quotas; import licensing requirements; import prohibitions (embargoes); state trading designed to protect import-competing suppliers; discriminatory government procurement policies; domestic-content regulations; and export restrictions.

Group B—Measures working through increased costs and prices

These include advance import deposit regulations; anti-dumping duties and countervailing charges; credit restraints on imports; fiscal benefits for, and subsidization of, import-competing industries; and discriminatory internal transport charges by carriers under government influence.

Type II—Measures designed to deal with problems not directly related to commercial-policy questions but that are from time to time employed for trade-restrictive ends

Group A—Measures affecting marketing

These include quantitative marketing restrictions and restrictions on the use of communications media.

Group B—Other measures

These include product packaging, labeling, and mark-of-origin requirements; health and safety regulations; safety and industrial standards; border-tax adjustments; excise taxes; customs classification, clearance, and valuation procedures.

Each of these types of barriers will be discussed in turn, with examples within North America to demonstrate their widespread use. As a form of shorthand, this paper occasionally refers to these barriers as “unofficial” rather than the more accurate, but more awkward, “non-quota, non-tariff” barriers. The use of “unofficial” is not meant to imply, for example, that regulations that may restrict trade are not formally sanctioned by government but rather that their “official” purpose is typically not related to trade. Examples below show how environmental regulations and border procedures that are not officially designed to limit trade may nonetheless do so, either intentionally or unintentionally.

The distinction between “official” and “unofficial” barriers also applies, to some extent, to “buy-local” policies, which are not instituted at the border to restrict trade inflows but rather imposed on the buyer to give advantage to domestic producers. As well, such policies may not be aimed at international trade but rather at giving local or regional producers an advantage over producers in another part of the country.

(1) Discriminatory regulations and policies on health, packaging, and conservation

Regulations can become a barrier to trade and “discriminate” against imports either incidentally, when they are aimed at another objective (e.g., environmental protection) or intentionally, when they are deliberately designed to discriminate against imports in favour of domestic production. In other cases, the motivations may be mixed. A regulation may be largely motivated to meet some legitimate concern but effective lobbying by domestic interests may lead to the inclusion of elements that effectively limit imports.

Used under the guise of health and safety or environmental protection, discriminatory regulations are attractive to protectionist firms and governments. The lack of uniform regulations or commonly accepted standards among trading nations in many cases allows governments to use regulations in a discriminatory manner. Foreign exporters face even greater problems as these regulations and policies vary from one level of government to another and this creates a labyrinth of regulations that exporters must comply with to enter foreign markets.

An example of a trade-restricting environmental regulation occurred in 1992 when the Ontario government imposed a recycling tax of 10¢ per can on aluminum beer cans. At that time, over 80% of beer produced by Canadian companies in Ontario was sold in bottles while most US beer exported to Ontario was sold in aluminum cans (Rugman et al., 1999: 41–42). The government believed that glass bottles were more environmentally friendly than aluminum cans and that glass created less pollution during the recycling process. However, aluminum soft drink and juice cans that were primarily produced by Canadian companies were exempted from the recycling tax (Rugman et al. 1999). The regulation meant that US beer producers had to absorb a higher cost in selling their products in Ontario and were placed at a competitive disadvantage vis-à-vis the domestic beer producers.

Although some progress has been made in controlling the use of discriminatory regulations under agreements of the World Trade Organisation (WTO) on sanitary and phytosanitary (SPS) measures and technical barriers to trade, more work needs to be done. These agreements were meant to allow governments to protect the health of consumers, animals, and plants against known dangers and potential hazards while avoiding the use of health and safety regulations as protectionism in disguise. The SPS measures employ the use of scientific justification and risk assessment of standards in deciding whether or not a measure for sanitary (animal, including human) or phytosanitary (plant) protection is discriminatory (WTO 2002). In addition to the use of scientific justification, the agreement on technical barriers to trade focuses on ensuring that technical standards, product packaging or labeling requirements that apply to product, process, or production methods, and testing or certification procedures set in countries are not more burdensome than necessary to attain a legitimate objective. However, The Fraser Institute’s survey suggests that discriminatory regulations still remain a problem for Canadian exporters. Recent confusion resulting from the outbreak of Bovine Spongiform Encephalopathy (BSE or “Mad Cow Disease”) has also brought attention to health and safety standards being used in a discriminatory manner to protect local beef producers in countries such as Japan (Kotler 2003).

(2) Cumbersome customs clearance and inspection procedures

Cumbersome customs clearance and inspection procedures also pose a trade barrier to firms entering foreign markets. Time-wasting and unreasonable inspection procedures may cause products to deteriorate; firms may current and future sales if they are not able to meet just-in-time delivery targets.

For example, in 1995, Maine's potato growers experienced a crop failure and potato farmers from neighbouring New Brunswick and Prince Edward Island seized the export opportunity and made up for the shortage. Between December 1995 and January 1996 the US Department of Agriculture suddenly increased the number of inspections Canadian potatoes entering Maine had to go through and denied several truckloads of Canadian potatoes entry into the United States. The border inspections were increased in response to lobbying by Maine potato growers fearful that their Canadian counterparts were encroaching on their domestic market.

Prior to 1995, US Customs officials had relied on work undertaken by Canadian inspectors to grade Canadian potatoes. After a fungus was found in one potato field in the province, the US government banned all potatoes from Prince Edward Island. Subsequent restrictions imposed on potatoes being exported from Prince Edward Island into the United States were more cumbersome than necessary for any legitimate reasons of health and safety. They included limiting the entry of potatoes from Prince Edward Island to one US border point; requiring thorough documentation on the origin of all exports of such potatoes; and restricting the province-to-province movement of potatoes from all other Canadian provinces to 50-pound bags (USA Today 2001). These restrictions were imposed regardless of the fact that Canadian scientists had conducted 9,777 soil tests and none revealed any trace of the fungus outside of the one affected farm.

(3) Policies on domestic content requirement

Through domestic policies on procurement and local content requirements, governments can easily favour domestic industries over foreign ones. Each year, governments around the world award trillions of dollars worth of contracts for goods and services ranging from defense appropriations to highway construction.

Buy-national policies typically impose domestic content requirements on firms bidding on government contracts. Regulations such as the *Buy American Act* of 1933 compel government agencies in the United States to give a preference margin of 50% to domestic firms in the award of defense contracts and a margin of 14% in non-defense contracts. This affects the ability of foreign producers to be treated in a non-discriminatory manner. Buy-national policies can effectively ban lower-cost imports or make foreign bidders uncompetitive. The added cost of this form of protectionism is ultimately borne by taxpayers.

Exporters from certain foreign countries may be exempted from the restrictions placed by buy-national policies owing to memoranda of understanding or the provisions in particular trade agreements. Under the provisions of NAFTA, Canadian exporters of goods and services were exempt from the restrictions placed by the *Buy American Act* against non-US producers and were to receive nondiscriminatory treatment in evaluation with domestic offers for US federal agencies. However, many protectionist regulations remain such as the *Berry Amendment*, which has put foreign competitors at a disadvantage when competing for US defense-related contracts.

How do firms deal with these unofficial trade barriers?

Firms are known to generally respond to trade barriers using corporate strategies, political strategies or both (Rugman et al., 1999). Common strategies include:

- appeal using either the WTO or NAFTA dispute settlement mechanisms;
- change product and production methods to comply with regulations;
- hire a US agent or broker;
- lobby US government officials to alter a decision instead of (or prior to) launching a formal appeal;
- withdraw from the protected segment of the US market;
- open up conforming facilities in the United States to avoid problems at port of entry;
- change ports of entry used.

2003 Trade Survey

Although the exports to the United States have fallen from a high of \$359 billion in 2000 to \$346.9 billion in 2002 (Statistics Canada 2003), they still accounted for 83.7% of total Canadian exports, roughly equivalent to a third of Canada's GDP, even without considering spin-off effects. Market access to the United States is very important.

The Fraser Institute's 2003 Trade Survey examined five key questions.

- 1 Do Canadian exporters face unofficial trade barriers while exporting to the United States and, if so, what type of barriers do they face?
- 2 Do some industries face greater unofficial trade barriers than others? What action do they take to overcome them?
- 3 Which US stakeholder groups and dispute settlement bodies can influence trade policies?
- 4 Do Canadian exporters believe that relations between the Canadian and American governments have deteriorated? If so, has this affected Canada's trade?
- 5 What effect have NAFTA, the events of September 11, 2001, and events over the past 12 months that may have strained relations between Canada and the United States had on unofficial trade barriers?

Methodology of the 2003 Trade Survey

Target population and data collection

The target population of the Trade Survey comprises firms based in Canada that export to the US market. The trade survey was faxed to 500 exporters. The list is a sample taken randomly from the *Canadian Exporters Database*, Industry Canada's database of exporters to

the United States that includes small, medium, and large businesses from a wide variety of industries. The time frame of the survey was from mid-July to early September 2003, producing a current and representative sample of exporter opinion.

"Industry" serves as the unit of analysis in the present study. The classification of firms into industries is primarily based on the classification employed by Statistics Canada (North American Industry Classification System). Thus, industries in Canada engaged in exporting to the United States are classified into nine categories.

The questionnaire was five pages long, including the cover letter, and was self-administered. The final sample size on which data analysis was conducted was 107 firms, representing a 21.4% response rate. Most questionnaires were received by fax but some companies responded by regular mail, e-mail or telephone.

Seventy-five firms gave a dollar value for their exports to the United States: the range is from \$10,000 to \$2 billion annually. Businesses of all sizes were represented: 19 had exports under \$1million; 24 had exports of from \$1 million to \$10 million; 16 had exports of from \$10 million to \$100 million; and 16 had exports of \$100 million or more.

Eighty-four firms specified what percent of their sales were exported to the United States: this percentage ranged from 0.5% to 100%. For 33 of the firms, exports to the United States represent a third or less of their sales; for 24, exports to the United States represent more than a third but less than two-thirds of their sales; for 27, exports to the United States represent two-thirds or more of their sales.

Limitations of the 2003 Trade Survey

The most obvious limitation is the self-selecting nature of a survey sent out via fax. People affected by unofficial trade barriers may be more likely to respond than those

who are not. As well, Industry Canada's database did not always prove to be reliable. Eleven responses were from firms who informed us that they did not export to the United States. Finally, the trade survey was only sent to firms in Canada, which limits the survey to a Canadian perspective.

A careful examination of the results is thus required and, in the case of this study, can at least partially allay some of the concerns in that the results are consistent both internally and with information available from other sources. In our initial test survey in the summer of 2002, a majority of respondents—55%—said they had not encountered unofficial trade barriers. This suggests that firms responded whether or not they had encountered such barriers. As well, the increase in the number

of respondents in the 2003 survey who said they faced unofficial trade barriers—72%—is internally consistent with the belief of 96% of the respondents that Canada-US relations had worsened over the course of the year. And, this in turn is consistent with other reports of worsening relations between Canada and the United States over that period.

Moreover, wherever the results of the survey can be checked against other evidence, the results are consistent with that evidence. So, for example, respondents from the Defense and Aerospace sector report great difficulties with buy-American policies, as would be expected, while those from the Agriculture/Fishing sector reported a much less difficulty with buy-American policies while facing problems with discriminatory regulation and border delays.

Results of the Survey

Survey respondents by industry

Table 1 provides a breakdown by industry of survey respondents. Because some survey respondents operate in more than one industry, they can be listed in more than one industry category for the purposes of industry-specific questions regarding unofficial trade barriers. This applied to less than 10 conglomerate companies. More general questions that were asked in the survey were calculated by company response and were not divided by industry.

Table 1: Survey respondents by industry

Agriculture or Fishing Products	18%
Automotive Products	10%
Consumer Products	16%
Defense or Aerospace	8%
Energy or Mining	7%
Forestry Products	17%
Industry Goods and Materials	14%
Machinery and Equipment	7%
Other	4%

Companies facing unofficial trade barriers

On the question of unofficial trade barriers, 72% of respondents who exported to the United States said that they had faced unofficial trade barriers. A remaining 28% said they did not. This marked a dramatic rise in the incidence of unofficial trade barriers encountered by this year's survey respondents compared to those in the 2002 survey. The 2002 survey found that 55% of respondents did not face unofficial trade barriers while 45% did (figure 1).

Of the 72% of respondents who faced unofficial trade barriers, 35% said they had faced Buy-American type policies on government procurement, 33% faced unreasonable border delays, and 33% said they faced discriminatory regulations that restricted market entry. Respondents could indicate that they faced more than one category of trade barrier. Figure 2 shows the breakdown of unofficial trade barriers by industry.

The numbers from figure 1 reveal that unofficial trade barriers are a common problem across all industries. The incidence of unofficial trade barriers on an industry basis show that the Automotive and Energy/Mining sectors are less affected than firms in the Defense/Aerospace,

Figure 1: Unofficial trade barriers

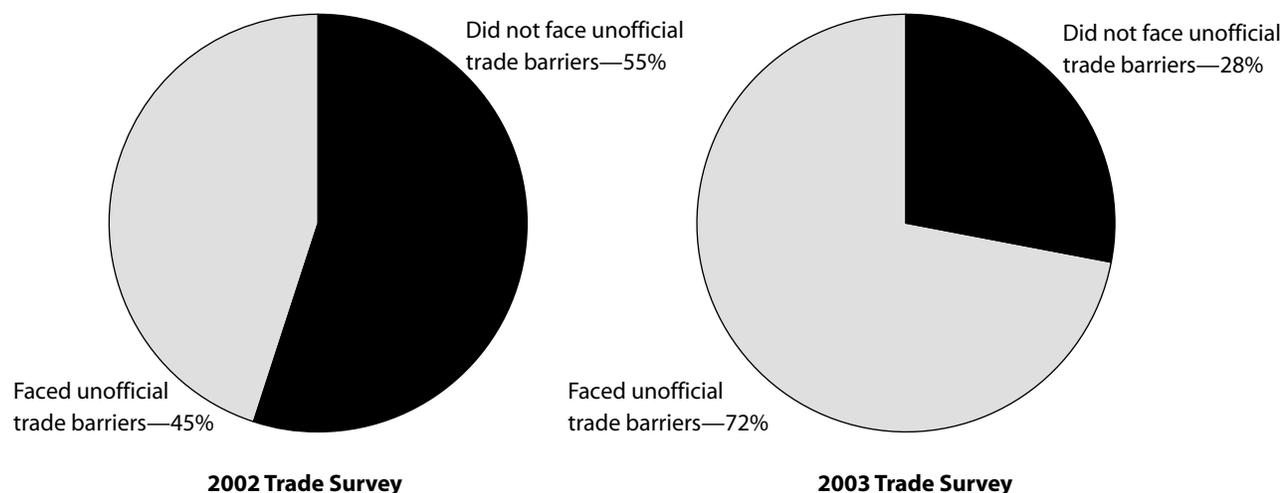
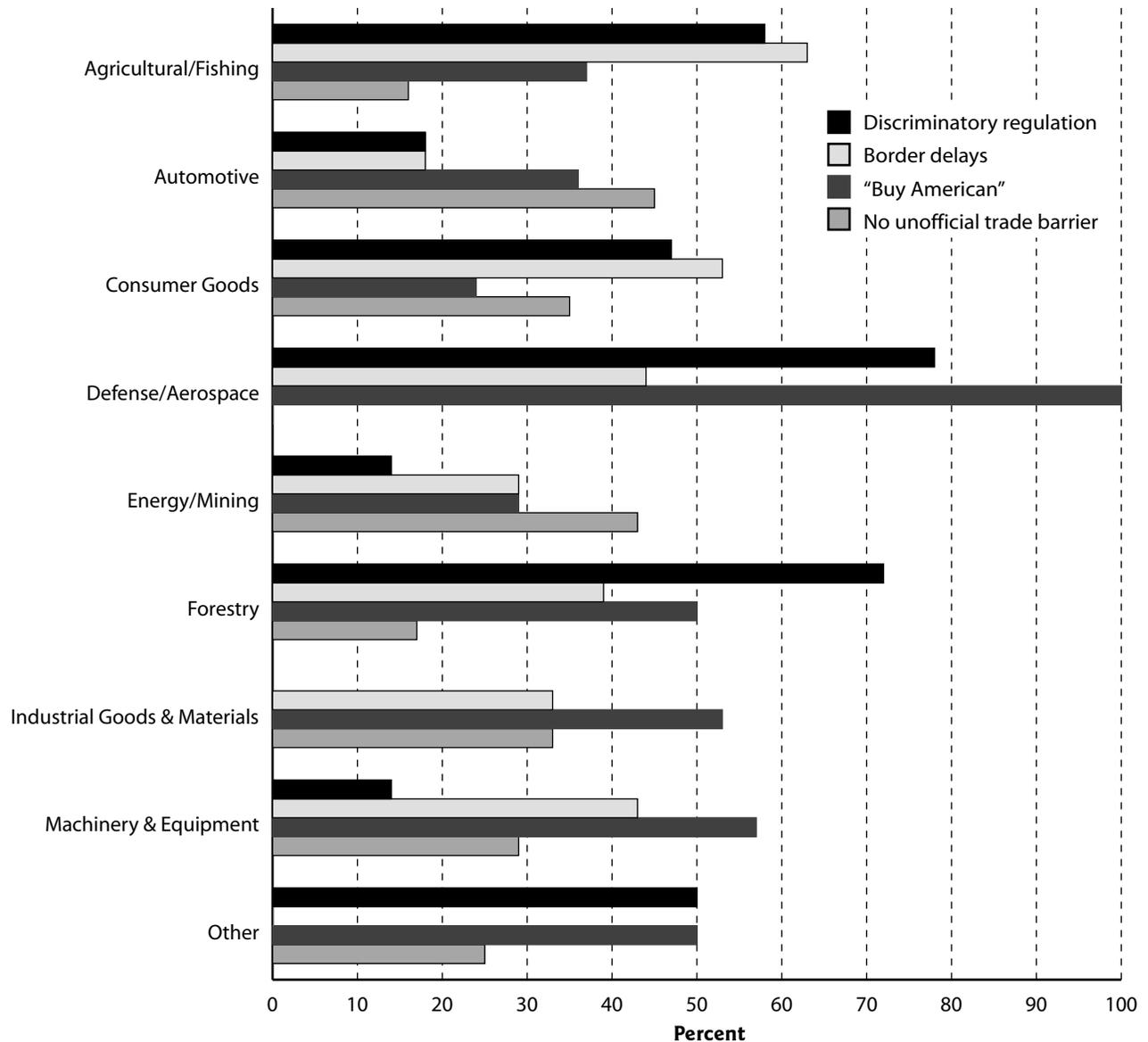


Figure 2: Unofficial trade barriers by industry, 2002 and 2003

Forestry, and Agricultural/Fisheries industries, which appear consistently to confront unofficial trade barriers.

Discriminatory regulations and unreasonable border delays are identified as the greatest problem for those in the Agricultural/Fisheries industry and the Consumer Goods industry while 45% of respondents in the Automotive sector say they faced no unofficial trade barriers.

All nine respondents in Defense/Aerospace sector say they face an unofficial trade barrier in the form of restrictive policies on government procurement. This suggests that government procurement remains heavily politicized and that governments are not opening up their bidding practices to true competition.

The Energy/Mining industry reports few unofficial trade barriers while responses from the Industrial Goods and Materials sector and firms in the Machinery and Equipment sector were evenly divided between border delays and Buy-American preferences.

Over 70% of respondents from the Forestry industry identify discriminatory regulations as a problem for their exports to the US market. The forestry industry has suffered in recent years from a cool US economy and from American tariffs placed on softwood lumber after an investigation was conducted by the United States Department of Commerce on Canadian provincial stumpage fees.

Discriminatory regulations

Just over two-fifths, 41%, of respondents say they faced discriminatory regulations. The survey queried respondents about which types of discriminatory regulation they faced. Figure 3 shows the breakdown of the types of discriminatory regulations indicated by those who say they faced discriminatory regulation. Because firms can face several types of discriminatory regulation, respondents were permitted to tick off more than one type.

The breakdown shows that marking, labeling, or packaging requirements, and US technical and industrial regulations pose the greatest regulatory obstacles for exporters. Discriminatory environmental regulations, however, were not identified as a problem for Canadian exporters. In the “other” category, regulations, such as the US *Small Business Act*, were noted. Some respondents from the Forestry industry mistakenly listed the softwood lumber dispute as an example of a discriminatory regulation. Although, American anti-dumping and countervailing duties have increased costs for Canadian forest producers, they do not constitute an example of a discriminatory regulation.

Border delays

Of the 41% respondents who say they faced unreasonable border delays, 10% say that the border delays caused

product deterioration and 47% believe that border delays restrict their ability to sell to the US market. On the other hand, 43% of respondents who face border delays did not say these delays cause either product deterioration or reduced their ability to sell into the United States. The survey asked how much sales revenue was lost or foregone because of delays at the border but most respondents indicated that it was impossible to calculate the amount they had lost due to border delays.

US government procurement

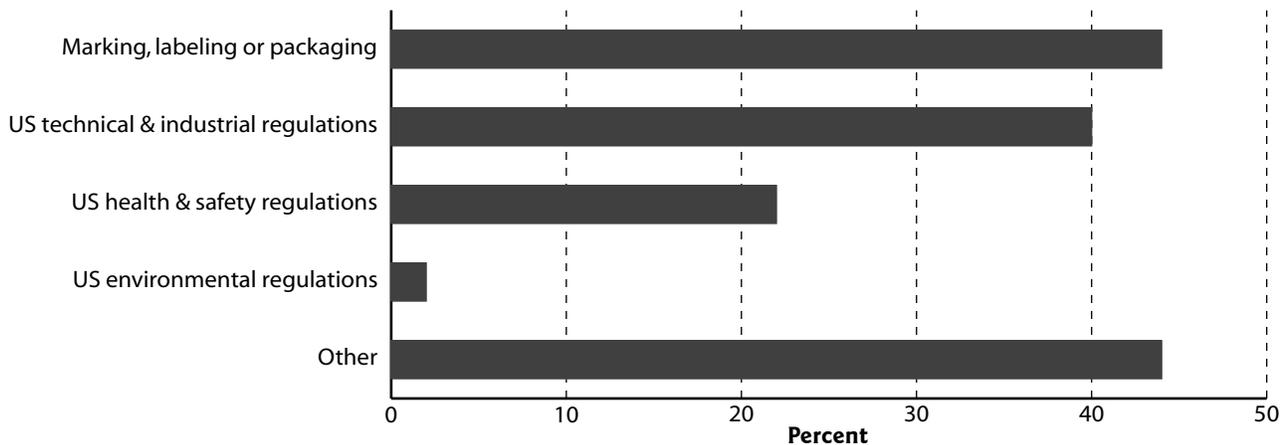
“Buy American” type policies governing government procurement are identified as a problem by 46% of respondents. Table 2 shows at which level of government respondents felt discrimination had occurred.

Table 2: “Buy American” Policies by Level of Government

Federal Government	65%
State Government	31%
Municipal Government	12%

The US federal government was singled out as the biggest culprit for using Buy-American type policies to discriminate against Canadian bidders for government contracts.

Figure 3: Breakdown of discriminatory regulations faced by respondents



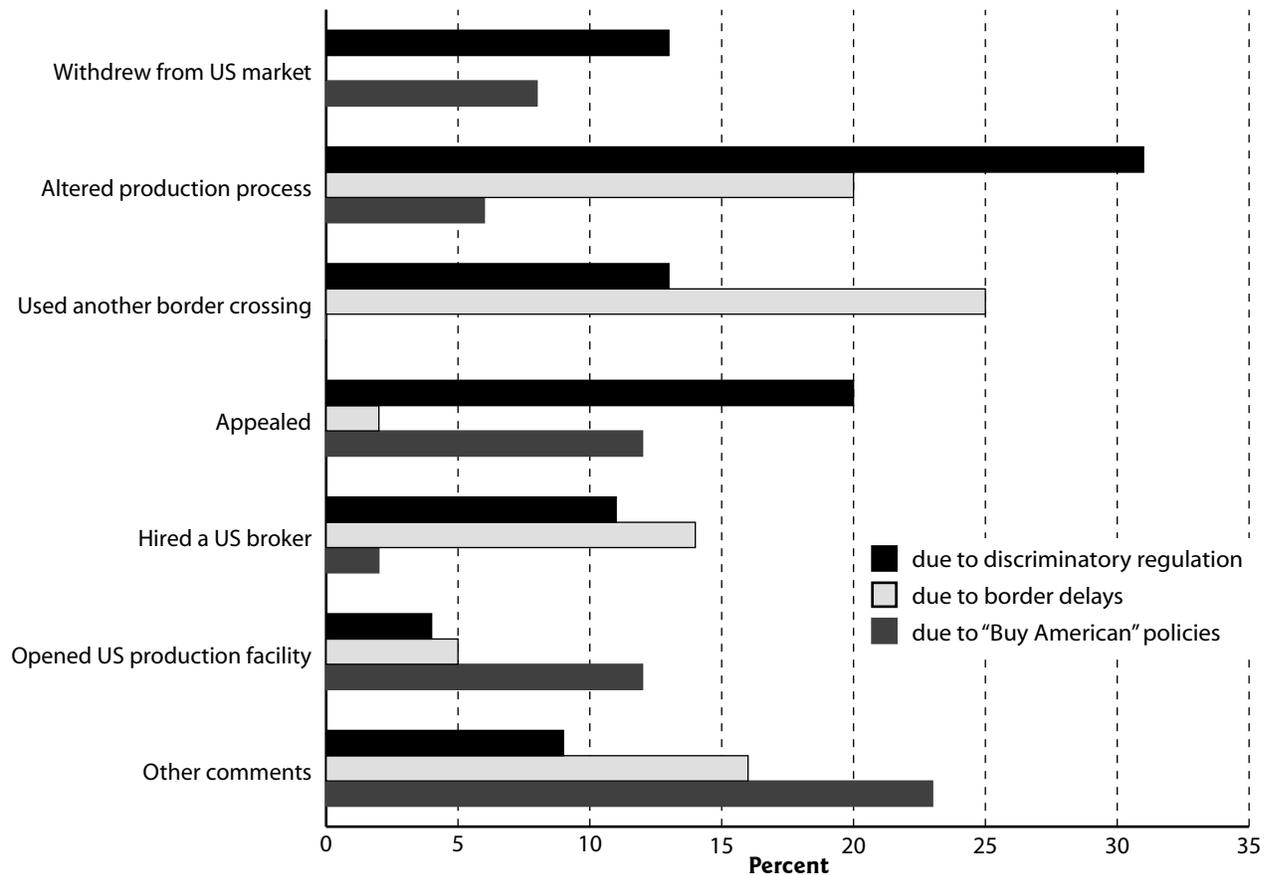
Action taken to regain access to US market

After determining what kind of unofficial trade barriers companies in Canada faced when exporting to the US, we asked the affected companies what they did to overcome these barriers. Figure 4 shows which actions were taken to tackle certain types of unofficial trade barriers. It reveals that the most common action taken by exporters in Canada when faced with unofficial trade barriers is to alter their production process to conform to US requirements. The major cause for this action was discriminatory regulations and border delays. Twenty-five percent of respondents who faced unreasonable border delays used another border crossing to avoid the problem. Over 20% appealed against discriminatory regulations while 13% of those who faced discriminatory regulations simply withdrew from the US market. Of those who faced Buy-American preferences for government procurement, over 10% said they opened up production facilities in the US and another 10% said they appealed.

These data also highlight some particularly serious problems—13% of those who faced discriminatory regulation and 8% of those who had problems with buy-American policies simply withdrew from the US market, reducing wealth production and job creation in Canada. Similarly, 4% of those facing discriminatory regulation, 5% of those facing border delays, and 12% of those facing buy-American policies shifted production to the United States, again reducing Canadian job and wealth creation. Alternating production processes and even legal appeals, two other routes for companies facing unofficial trade barriers, can impose large costs on firms. Even choosing another border crossing can be costly if it affects the timeliness and cost of delivery.

Strategies noted under “other” for businesses affected by restrictive government procurement policies ranged from hiring a US sales force to hiring former US government officials to lobby on their behalf. Of those who answered “other” for action taken to regain access to the US market, many said they simply had to deal with border delays as a new cost of doing business.

Figure 4: Action taken to regain access to the US market



Importance of trade bodies

In this section, we asked survey respondents to weigh the importance of different groups and trade bodies in helping them to influence policies affecting trade between Canada and the United States. They were asked if the influence was (a) very important, (b) somewhat important, or (c) not important. For the dispute settlement bodies, respondents were asked if they felt that the trade dispute bodies were (a) effective, (b) somewhat effective or (c) not effective. Responses for this section were taken for a company as a whole and not divided by industry.

The results from figure 5 reveal that labour unions and environmental non-governmental organizations were viewed as “somewhat” to “not important” while US government officials and US industry associations were identified as very important in influencing Canada-US trade policies. US government officials were selected by 66% of respondents as being very important to bilateral trade policy

When rated by effectiveness, the NAFTA dispute settlement mechanism was seen as either “very effective” or “somewhat effective” by 72% of respondents compared to the 57% who selected the WTO dispute settlement mechanism. This suggests that both provide benefits for Canadian exporters though the benefits from NAFTA have been greater.

NAFTA

However, this does not mean that NAFTA has completely fulfilled its promise. The survey asked respondents whether they “strongly agreed,” “somewhat agreed,” “somewhat disagreed,” or “strongly disagreed” with various statements on NAFTA, US government contracts and Canada-US relations.

Figure 6 shows the responses to the statement: “Access into the US market is more difficult than I expected it to be given the provisions of NAFTA.” Nearly two-thirds of respondents agreed that access into the US market is more difficult than they expected despite the signing of NAFTA; 36% disagreed with the statement.

Figure 5: Importance of trade-related bodies

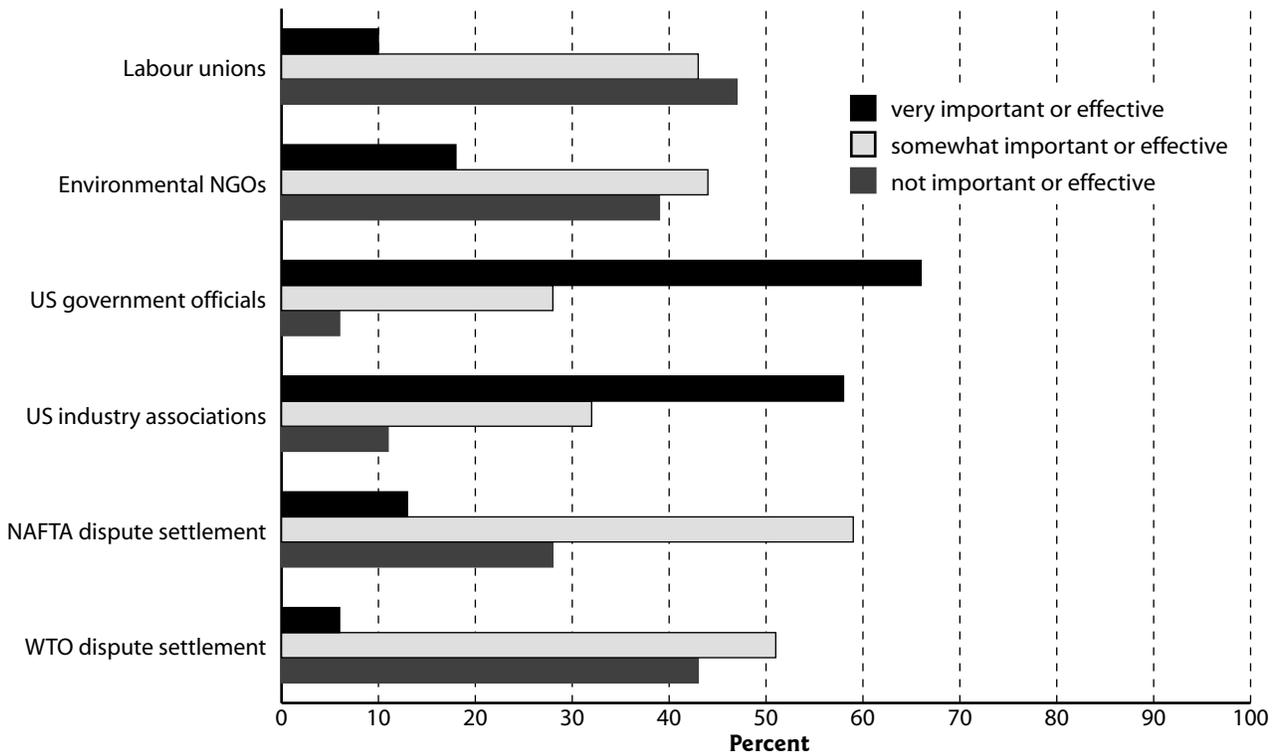
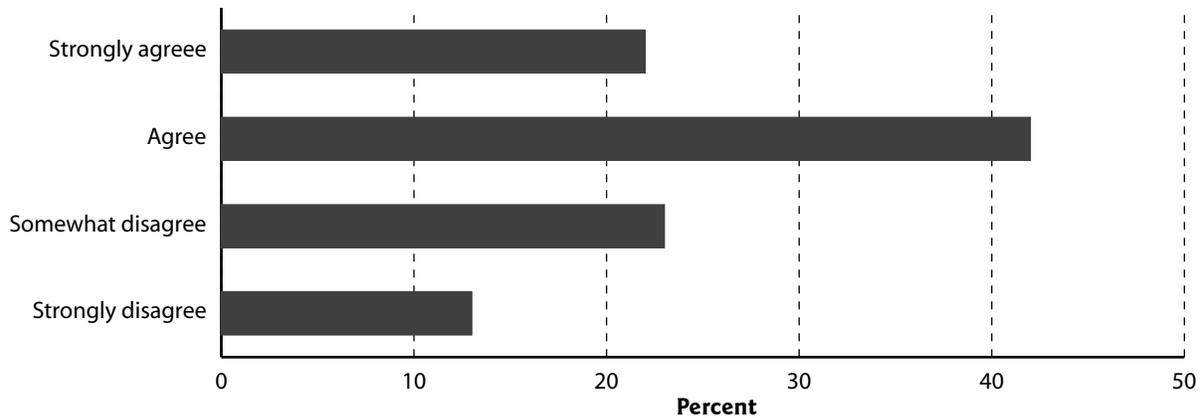


Figure 6: Access to the US market is more difficult than I expected it to be given the provisions of NAFTA

US government contracts

Figure 7 shows the response to the statement: “I am treated as fairly as my US competitors when bidding for government contracts in the US.” The answer to this question was split: 42% agreed or strongly agreed that they were treated in a non-discriminatory manner when bidding for government contracts in the US; 59% disagreed with this statement, and believed that were not treated as fairly as their US competition.

Canada-US Relations

Figure 8 shows the response to the statement: “Relations between the Canadian and American governments have deteriorated over the past 12 months.” A very large majority of respondents, 96%, agreed with this statement.

Those who thought relations had deteriorated were asked to respond to the following statement: “Deteriorating Canada-US relations have negatively affected my ability to sell in the US.” Figure 9 reveals that just over two-thirds of respondents, or 67%, thought that deteriorating Canada-US relations had negatively affected their ability to sell in the US market while 18% strongly disagreed with this statement, and 15% somewhat disagreed.

Those who thought relations had deteriorated were asked to respond to the following statement: “Deteriorating Canada-US relations have affected the US response to the SARS and/or BSE crises in ways negative to

Canada’s trade.” As figure 10 shows, 88% of respondents agreed with this statement. A remaining 12% disagreed with the statement.

Effect of NAFTA, September 11, 2001, and events over the past 12 months on unofficial trade barriers

The survey also asked respondents about their view of how the incidence of unofficial trade barriers had changed over time, from NAFTA, to September 11, 2001, to the “last 12 months,” that is, from mid-summer 2002 to mid-summer 2003.

Worrying results

These results point to one surprise and a cause for concern. First, the surprise. As noted earlier, one would expect freer trade to lead to an increased use of unofficial barriers as once protected sectors sought to maintain some level of protection. However, despite numerous queries about changes in unofficial trade barriers, the vast majority of respondents found no change in their use after the implementation of NAFTA. The remaining respondents were about evenly split between those who thought that the use of unofficial trade barriers had increased and those who believed it had decreased.

The worrying trend concerns developments over the last 12 months. One would have expected virtually all barriers to sharply increase after September 11, 2001 and

Figure 7: I am treated as fairly as my US competitors when bidding for government contracts in the United States

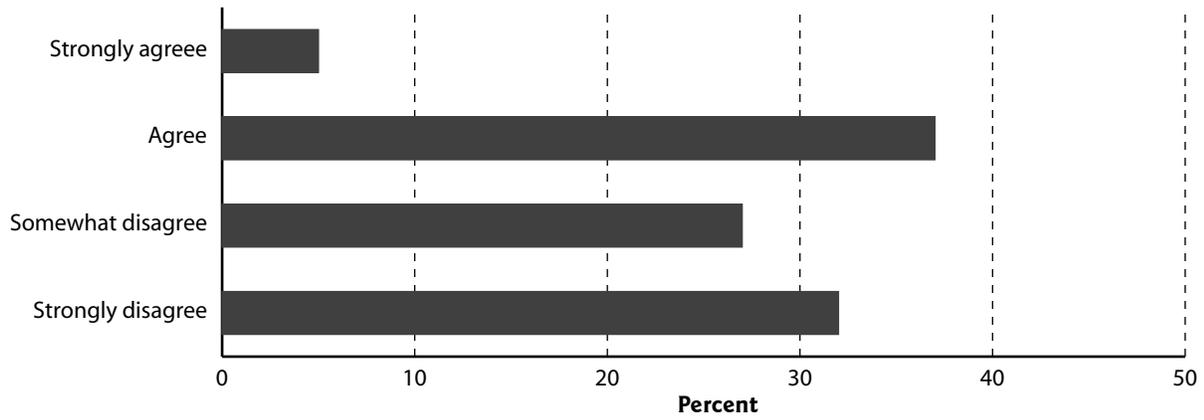


Figure 8: Relations between the Canadian and US governments have deteriorated over the past 12 months

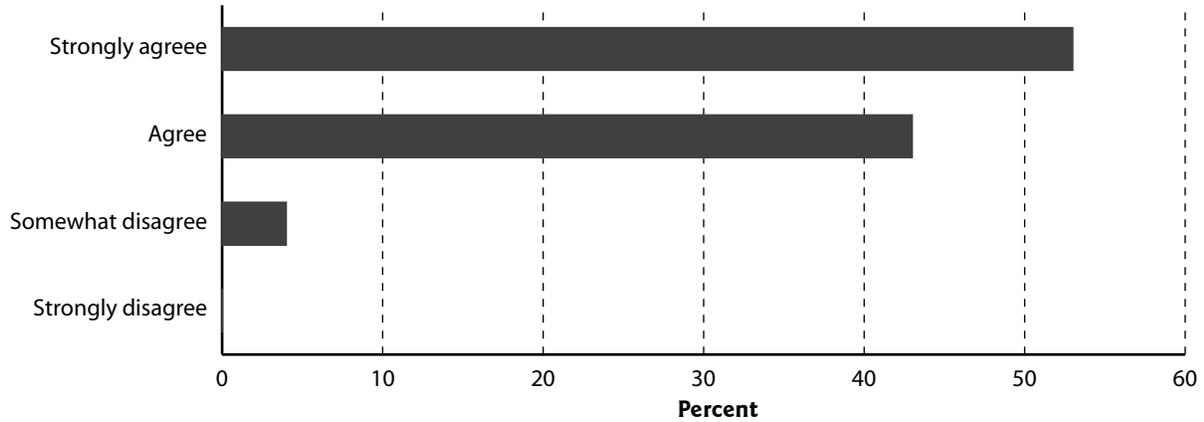


Figure 9: Deteriorating Canada-US relations have negatively affected my ability to sell in the US.

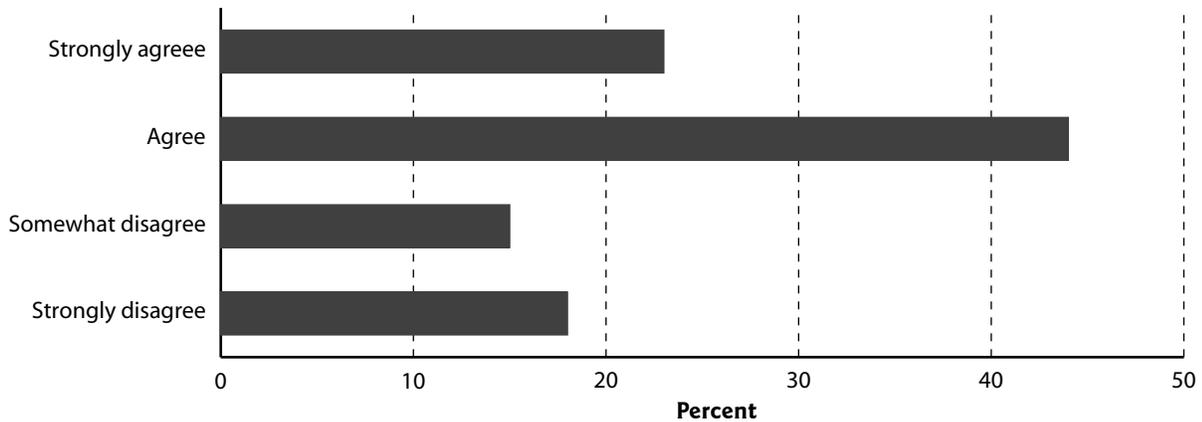
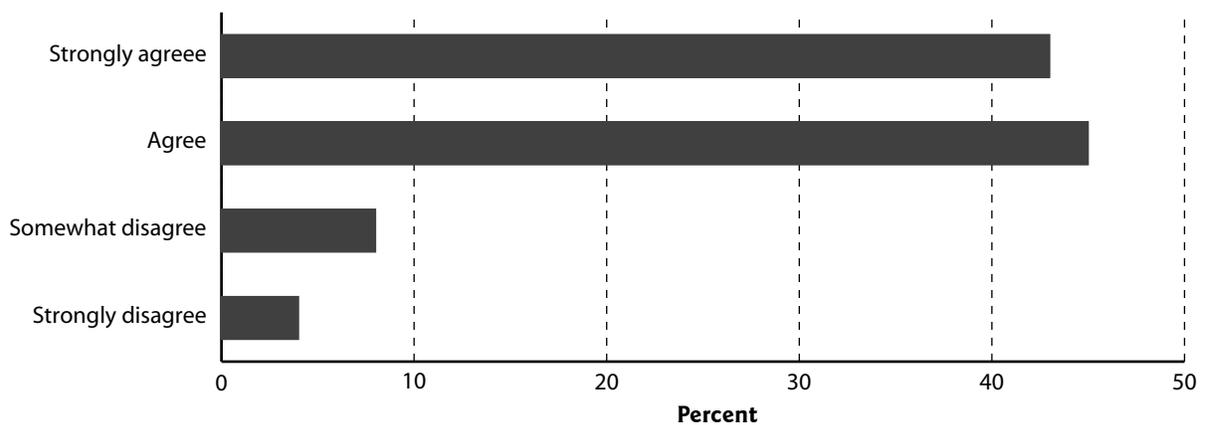


Figure 10: Deteriorating Canada-US relations have affected the US response to the SARS and/or BSE crises in ways negative to Canada's trade.



then begin to decrease as the trauma of the terrorist attacks wore off, though perhaps not to their former level due, for example, to increased security measures. However, respondents found that barriers had continued to increase over the last 12 months. This is consistent with the opinion of a majority of respondents that Canada-US relations have deteriorated and that this has had a negative affect on Canadian trade.

Regulatory changes

Respondents were asked: "What effect did NAFTA, September 11th, and events over the past 12 months have on discrimination due to US packaging, marking or labeling regulations?" Figure 11 reveals that respondents felt that discrimination due to US packaging, marking, or labeling regulations decreased somewhat following NAFTA and increased somewhat after September 11, 2001 and have increased again over the 12 months from the summer of 2002 to the summer of 2003. For all three time-periods, a majority of respondents felt there was no change in the incidence of regulatory trade barriers that their businesses faced.

Respondents were also asked: "What effect did NAFTA, September 11th, and events over the past 12 months have on discrimination against your exports under US health and safety regulations?" As reflected in figure 12, most survey respondents did not think the discrimination increased or decreased under US health and safety standards over time. However, 21% of respondents thought that discrimination had increased follow-

ing September 11, 2001 while 20% thought they had increased over the preceding 12 months.

Border delays

Respondents were asked: "What effect did NAFTA, September 11th, and events over the past 12 months have on delays to your exports at US border crossings." Figure 13 reveals that 15% of survey respondents felt that there was a decrease in delays to their exports at the border following NAFTA, while only 8% felt that delays increased following NAFTA. Most respondents felt that NAFTA had no effect on delays. However, 79% of survey respondents felt that export delays increased after September 11, 2001 and 60% thought that delays were still increasing during the past 12 months.

It is worth highlighting a worrying result from these numbers, which is consistent with other results but even more striking. One would have expected border delays to increase dramatically after September 11, 2001 due to immediate security concerns and then decline afterward. The fact that 60% of respondents believe they increased again over the last 12 months supports respondents' majority belief that Canada-US relations have worsened over recent months and that this has adversely affected their ability to sell into the US market.

Government contracts

Respondents were also asked: "What effect did NAFTA, September 11th, and events over the past 12 months have on discrimination when tendering for government contracts

Figure 11: What effect did NAFTA, September 11th, and events over the past 12 months have on discrimination due to US packaging, marking or labeling regulations?

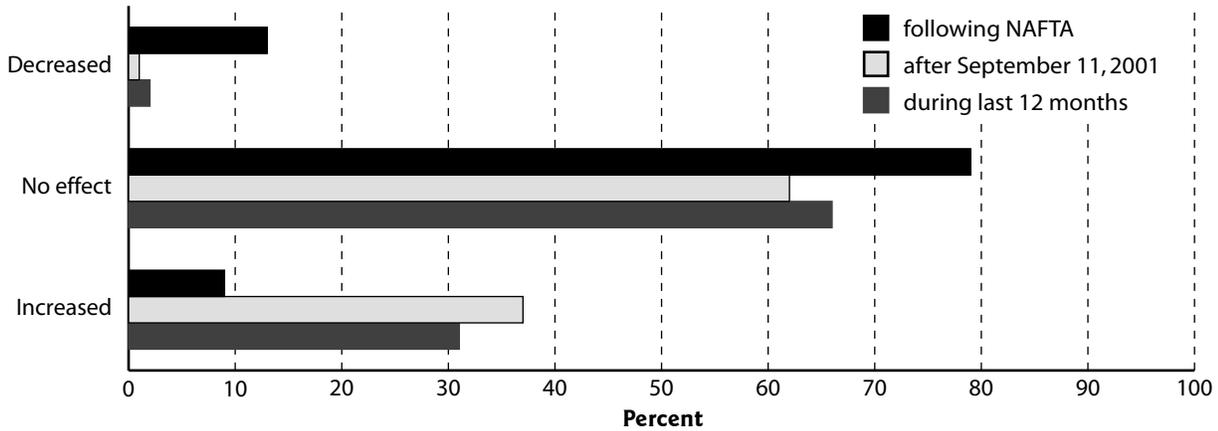


Figure 12: What effect did NAFTA, September 11th, and events over the past 12 months have on discrimination against your exports under US health and safety regulations?

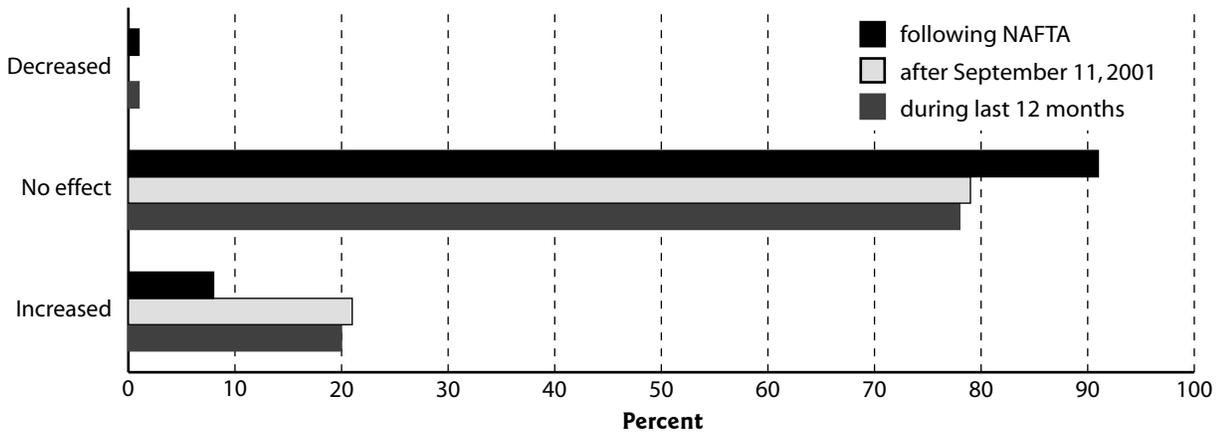
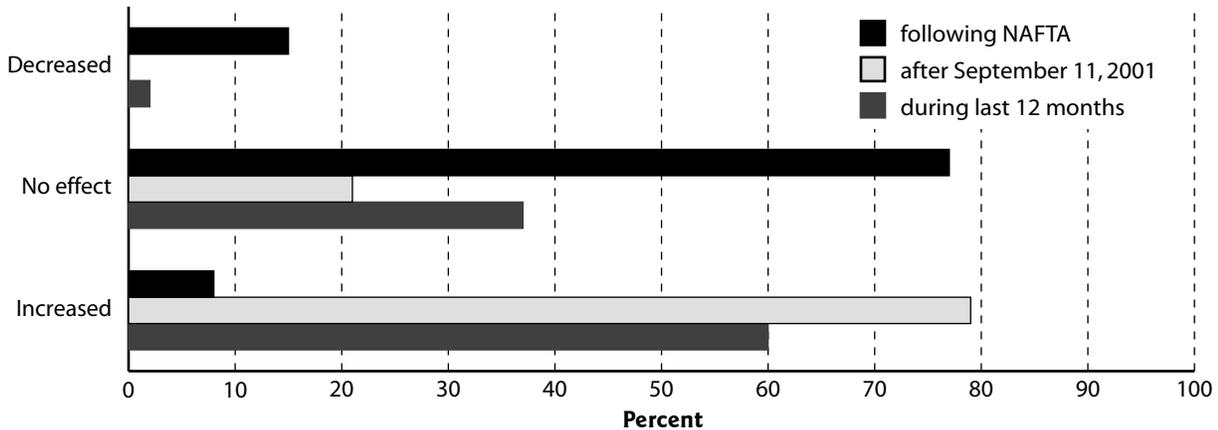


Figure 13: What effect did NAFTA, September 11th, and events over the past 12 months have on delays to your exports at US border crossings?



in the US?” From figure 14, it is clear that most respondents felt that there had been no effect upon discrimination when tendering for government contracts in the US. However, a quarter of the respondents thought discrimination worsened after September 11, 2001 and a third of respondents, believe it worsened over the last 12 months.

Other domestic policies

Finally, respondents were asked: “What effect did NAFTA, September 11th, and events over the past 12

months have on restrictive effects of other domestic policies on my exports to the US?” Figure 15 shows that almost 50% of respondents thought the use of “other” US domestic policies to restrict trade increased after Sept 11, 2001. Nearly 60% of respondents believed it worsened over the last 12 months. About the same number of respondents felt the use of other restrictive trade policies increased as decreased following NAFTA. The great majority believed that no change had occurred.

Figure 14: What effect did NAFTA, September 11th, and events over the past 12 months have on discrimination when tendering for government contracts in the US?

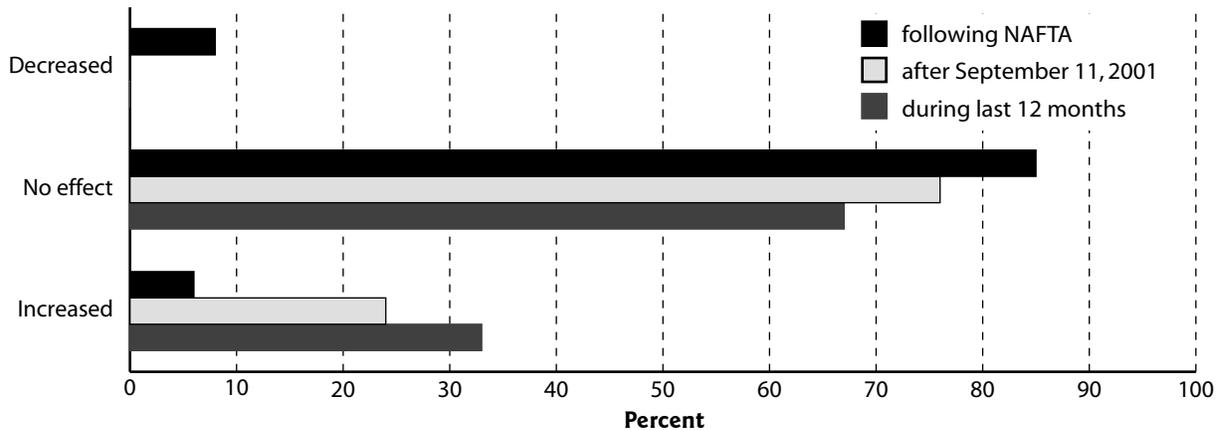
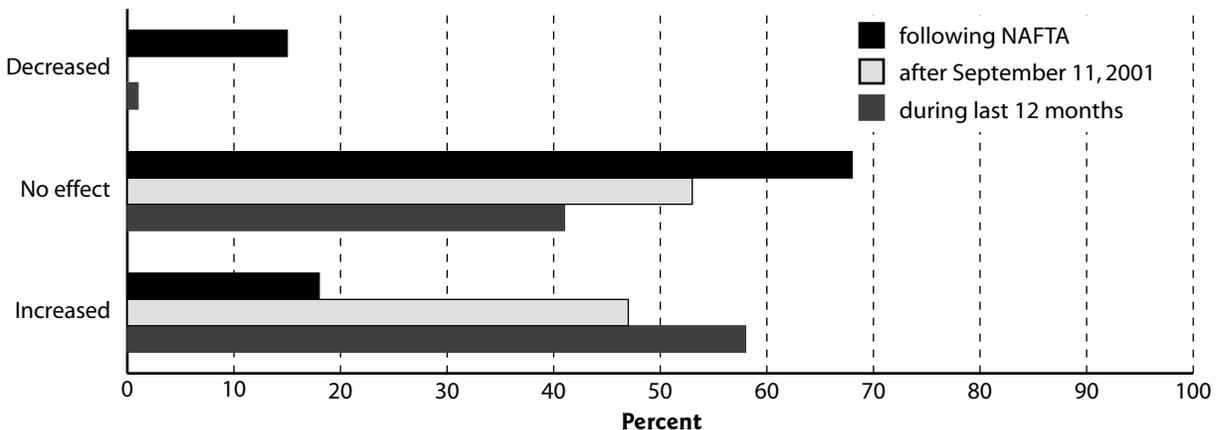


Figure 15: What effect did NAFTA, September 11th, and events over the past 12 months have on restrictive effects of other domestic policies on my exports to the US?



Conclusions and Recommendations

The Fraser Institute's 2003 Trade Survey shows that unofficial trade barriers remain a serious impediment for Canadian exporters to the United States. They affect exporting companies in a wide range of industries and occur in all three categories of unofficial trade barriers. This study shows that all sectors surveyed already experience some form of informal trade barrier. The Defense/Aerospace industry was found to be the most vulnerable to unofficial trade barriers while the Automotive sector was the least affected.

The survey also shows where Canadian exporters feel the greatest influence can be brought to bear in policies affecting Canada-US trade. The evidence suggests that more effort should be directed towards US government officials and industry associations to promote freer trade. While respondents saw NAFTA as a somewhat more effective dispute-settlement body than the WTO, more work will need to be done in both trade bodies to reduce unofficial trade barriers.

The "Buy America" attitude may well have become more prevalent due to what appears to be increased levels of patriotism in the United States and antagonism towards Canada. Survey respondents overwhelmingly felt that relations between the two neighbours had deteriorated over the past 12 months. A majority thought that this deterioration had hurt their ability to sell in the US market and affected the US response to SARS or BSE in ways negative to Canada's trade. Clearly, policy makers in Ottawa and in Washington should note that damaging bilateral relations can have a harmful effect on exports between the two countries.

By tracking the rise and fall of unofficial trade barriers since NAFTA, the survey shows that the incidence of unofficial trade barriers increased following September 11, 2001 and in the past twelve months. It is interesting to note that a number of respondents who said trade barriers went up after September 11, 2001 did not say they went back down in the past twelve months. One would expect that after such an event, barriers such as

border delays would go up temporarily but would come back down over time to more normal levels. The survey responses suggest that this is not the case. In some cases, unofficial trade barriers such as discrimination when tendering for government contracts actually rose more in the past twelve months than they did immediately after September 11, 2001.

Policy recommendations and options

The trade shows that more needs to be done to combat the increasing use of unofficial trade barriers between Canada and the United States. There are a number of steps that could help reduce trade discrimination and waiting times for businesses in Canada looking to export into the US market.

- 1 Harmonize regulatory standards.** To avoid uncertainty and confusion about regulations that can be used in a discriminatory manner, Canada and the United States should seek to establish common standards and further pursue the recognition of equivalency among different regulatory standards in the two countries. This could avoid confusion for exporters and reduce the risk of governments using health and safety or the environment as a guise for economic protectionism.
- 2 Negotiate a broadening and deepening of NAFTA,** with an emphasis on developing an even more effective and speedy dispute-settlement mechanism. Also negotiate clauses to eliminate buy-national and buy-local policies on both sides of the border.
- 3 Negotiate a customs union.** By jointly establishing a common external tariff, the Canadian and American governments could eliminate the expensive paper work involved with rules-of-origin

requirements. This would reduce costs and make exporting less complicated while speeding up cross-border shipping.

4 Expand customs pre-clearance. Both governments have made progress in this area through the Smart Border Action Plan. The FAST program (Fast and Secure Trade) for low-risk commercial traffic and the NEXUS program for low-risk travelers should be expanded and aggressively marketed.

5 Enhance North American security. Better enforcement of areas under Canadian sovereignty is needed to prevent terrorist groups from using Canada as an entry point into the United States. More security at Canada's ports of entry would reduce a "Fortress America" strategy from excluding Canada. If

Canada does not become more serious about security, it risks suffering from significantly longer delays at the border. Because of the US focus on security, increased sensitivity to this question in Canada may help the Canadian case in other trade negotiations.

6 Re-new Canadian diplomatic leadership. The survey reveals that damaged Canada-US trade relations can hurt exporters' bottom line. Canada must always be free to disagree with the United States but mindless anti-Americanism carries a cost. Smoother relations with the United States and a renewed commitment to continental free trade would help businesses on both sides of the border. Better relations could also allow Canadian exporters to be treated more fairly when bidding for government contracts in the United States.

Appendix—Form Used for the Survey

THE FRASER INSTITUTE 2003 TRADE SURVEY

All Responses Will Be Kept Confidential

This survey examines three types of unofficial trade barriers:

- (1) Discriminatory use of regulation to restrict entry;
- (2) Unreasonable border delays;
- (3) “Buy American” type policies governing government procurement.

1a. Does your business export to the United States?

- Yes
- No If no, thank you for your time. Please disregard this trade survey.

b. What percentage of your 2002 sales were exports to the US? _____

c. What was the approximate value of your 2002 exports to the US? _____

2. Under which industry grouping would you classify your business? Please indicate which of the following unofficial trade barriers your firm may have encountered (check as many as apply):

Industry	Discriminatory Regulations	Border Delays	“Buy American” Type Policies
<input type="checkbox"/> Agriculture / Fishing Products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Automotive Products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consumer Goods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Defense / Aerospace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Energy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Forestry Products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Industrial Goods and Materials	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Machinery and Equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Mining	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you have not encountered any trade barriers, please skip to question 7.

3. If discriminatory regulatory trade barriers have been used against your exports to the US market, please check the appropriate box.

- Marking, labeling, or packaging. US technical and industrial regulations.
 US health and safety regulations. US environmental regulations.
 Other, please specify _____

4. If your business has experienced unreasonable border delays, have they:

- Caused product deterioration.
 Restricted your ability to sell into the US market.
 Approximately how much sales revenue was lost or forgone? _____

5. If US governments have discriminated against your business through “Buy American” type policies, at what government level(s) has this occurred?

- Federal Level State Level Municipal Level
 If your answer is yes for any, please explain in the area below.

6. What did your business do to regain access into the US market? Please check all applicable boxes.

<i>Action Taken</i>	<i>Discriminatory Regulations</i>	<i>Border Delays</i>	<i>“Buy American” Type Policies</i>
<input type="checkbox"/> Withdrew from the US market due to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Altered production process due to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Used another border crossing due to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Appealed against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Hired a US broker agent due to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Opened up conforming production facilities in the US due to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Other _____ due to	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. From your trade experience, how would you weight the importance of the following entities on their ability to influence policies affecting trade between Canada and the United States?

- | | | | |
|-----------------------------|---|---|--|
| Labour Unions | <input type="checkbox"/> very important | <input type="checkbox"/> somewhat important | <input type="checkbox"/> not significant |
| Environmental organizations | <input type="checkbox"/> very important | <input type="checkbox"/> somewhat important | <input type="checkbox"/> not significant |
| US Government Officials | <input type="checkbox"/> very important | <input type="checkbox"/> somewhat important | <input type="checkbox"/> not significant |
| American Industry Assc. | <input type="checkbox"/> very important | <input type="checkbox"/> somewhat important | <input type="checkbox"/> not significant |
| NAFTA dispute settlement | <input type="checkbox"/> very effective | <input type="checkbox"/> somewhat effective | <input type="checkbox"/> not effective |
| WTO dispute settlement | <input type="checkbox"/> very effective | <input type="checkbox"/> somewhat effective | <input type="checkbox"/> not effective |

To what extent do you agree or disagree with the following statements? Please check the appropriate answer.

8. Access into the US market is more difficult than I expect it to be given the provisions of NAFTA.

- strongly agree somewhat agree somewhat disagree strongly disagree

9. I am treated as fairly as my American competitors when bidding for government contracts in the US.

- strongly agree somewhat agree somewhat disagree strongly disagree

10. Relations between the Canadian and American governments have deteriorated over the past 12 months.

- strongly agree somewhat agree somewhat disagree strongly disagree

If you answered "strongly agree" or "somewhat agree" in question 10, please answer the following two questions.

11. Deteriorating Canada-US relations have negatively affected my ability to sell in the US.

- strongly agree somewhat agree somewhat disagree strongly disagree

12. Deteriorating Canada-US relations have affected the US response to the SARS and/or BSE crises in ways negative to Canada's trade.

- strongly agree somewhat agree somewhat disagree strongly disagree

COMMENTS: _____

Concerning your access to the US market, what best describes the effect of NAFTA (implemented in January 1994), September 11 and events over the last 12 months that may have strained Canada-US relations?

Please check the appropriate option.

13. Discrimination due to US packaging, marking or labeling regulations:

Following NAFTA	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Post-September 11	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Last 12 months	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased

14. Discrimination against my exports under US health and safety regulations:

Following NAFTA	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Post-September 11	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Last 12 months	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased

15. Delays to my exports at US border crossings:

Following NAFTA	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Post-September 11	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Last 12 months	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased

16. Discrimination when tendering for government contracts in the US:

Following NAFTA	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Post-September 11	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Last 12 months	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased

17. Restrictive effects of other domestic policies on my exports to the US:

Following NAFTA	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Post-September 11	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased
Last 12 months	<input type="checkbox"/> decreased	<input type="checkbox"/> no effect	<input type="checkbox"/> increased

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Acknowledgments

The authors would like to thank Joel Webber, Managing Director, Supply Chain Advisors, LLC, and Mark Mullins of The Fraser Institute for reviewing this paper and making valuable comments. We would especially like to thank Michael Hart, Simon Reisman Professor of Trade Policy, Carlton University, for his valuable comments and insightful Foreword. The Fraser Institute's Darlene Savoy made our task much easier through her skills in data management. The authors remain fully responsible for errors or omissions.

