

Free trade for consumers stops at the border

Mark Milke

Anyone over the age of 30 will remember how a trip to the United States was once a painful experience for one's wallet. Think back to how often the Canadian dollar was low relative to US currency. For much of the 1980s and 1990s, the Canadian buck often traded at a substantial discount to its American counterpart. The all-time low came in the new millennium. In early 2002, one Canadian dollar could buy just 62-and-a-half American cents.

Our currency has been better off as of late partly because of relatively more prudent federal budgets since the mid-1990s, though this

is only relative—budgets are still stuffed with unnecessary and wasteful spending. It also helps that Canada had no banking crisis, has better control of its debt, and has highly sought after natural resources. This is why the Loonie hit an all-time high in November 2007, at US \$1.10 (or now, as I write, about US \$1.04).

Cost-wise, shopping and vacationing in America is pleasant for Canadians, but the caveat is that such bliss only lasts until one returns to the border. Then, the long line up and eventual interrogation over how many bottles of beer and other purchases begins. Free trade at the macro-level between Canada and the United

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Consumers still get hassled on even the smallest purchases

States began officially in 1989, but 22 years later, consumers at the border still get hassled over even the smallest purchases.

For Canadians, any time we cross the 49th parallel and return within 24 hours, we can be charged for duties and taxes right away (the federal government has no exemption for short visits). That's unlike Americans who, in the first two days, can buy and bring back \$200 worth of Canadian goods before they must hand over their credit card to US customs. Over two days, the exemption is \$800.

It's a different border experience for us. Not only do Canadians get hit with duties and taxes on same-day trips, we're also subject to lower exemption limits on longer stints abroad. After one day, our "exemption" at the border is a mere \$50; between two and seven days, Canadians can bring back \$400 worth of goods before the customs cash register begins to ring.



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After one week, Canadians have a \$750 exemption on most goods. (The exception, as always, is for beer, wine, and spirits where different rules apply; Ottawa and the provinces insist on their pound of tax and duty flesh for anything beyond a few bottles of wine and slightly more beer).

Even American policy makers have noticed how badly Canadians are treated on these miserly exemptions. When I last wrote on this in January 2011, I suggested both the US and

Canadian governments stop hassling shoppers for total purchases of less than \$1,000. (It would be nice to have an unlimited exemption, but perhaps we should expect the government to start with baby steps.)

Moreover, that tax-and-duty free amount should apply regardless of the time spent abroad.

In a wonderful coincidence, someone down south was already thinking the same thing.

Border guards should concentrate on real threats



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According to reporter Bill Curry, and courtesy of a recent Access to Information request, two American politicians, Senator Kirsten Gillibrand and Congressman Bill Owens wrote federal Finance Minister Jim Flaherty last July. They also requested a \$1,000 exemption for consumers on both side of the border.

Gillibrand and Owens promise to press the US government to let visiting Americans buy \$1,000 worth of Canadian “stuff” duty- and tax-free if Ottawa does the same for Canadians.

But the hold-up is Flaherty, who resists, citing “competitiveness issues.”

That’s weak. Two decades after Ottawa and Washington signed a free trade agreement, it’s long overdue to bring consumers directly in on the deal. Ottawa can start by not engaging in penny-pinching border protectionism. Canadian retailers can and will survive and compete. Also, it’s not as if they didn’t benefit from American shoppers when the Canadian dollar was low.

It’s always a bad idea for governments to dampen trade by getting protectionist with consumers via pesky and chintzy border exemptions. It’s a tad ironic the best advocates for Canadian consumers are two American politicians and not Canada’s own federal finance minister. Conservatives in Ottawa preach competition and free trade around the world; they should step up to the policy plate at home and respond positively to the American overture.

There’s one last and not inconsequential angle to all this: border security. The point of border guards in 2011, on both sides of the 49th parallel, should be to focus on threats to both countries, and not on my 80-year-old mother’s minor purchases in Bellingham, Washington... or someone’s sixpack.

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Mark Milke is the director of Alberta Policy Studies at the Fraser Institute. He also manages the Fraser Institute’s Centre for the Study of Property Rights.



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