

Canada - United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada - États-Unis
Section canadienne

**Report of the Canadian Parliamentary Delegation respecting
its participation at the 66th Annual Meeting of the Midwestern
Legislative Conference of the Council of State Governments**

Canada-United States Inter-Parliamentary Group

Indianapolis, Indiana, United States of America

July 17 -20, July 2011

Report

DELEGATION MEMBERS AND STAFF

From July 17-20, 2011, the Honourable Art Eggleton, P.C., Senator, and Mr. Jeff Watson, M.P., Vice-Chair, represented the Canadian Section of the Canada-United States Inter-Parliamentary Group at the 66th Annual Meeting of the Midwestern Legislative Conference (MLC) of the Council of State Governments in Indianapolis, Indiana. The delegation was accompanied by Mr. Mohamed Zakzouk, Advisor to the Canadian Section.

THE EVENT

The MLC, which meets annually, is a regional association of state legislators from 11 U.S. states, and includes provincial legislators from four affiliate Canadian provinces (see Appendix). The purpose of the MLC is to foster regional intergovernmental cooperation in the U.S. Midwest through the consideration of common problems, the exchange of information and ideas, the sharing of knowledge and experience, and – as appropriate – the pursuit of collaborative efforts to improve state government.

DELEGATION OBJECTIVES FOR THE EVENT

Canada and the 11 MLC states share a mutually beneficial relationship. According to recent figures, more than 1.6 million jobs in the 11 MLC states rely on Canada-U.S. trade. Annual merchandise trade between Canada and these states was recently valued at about US\$197 billion: about US\$81 billion was exported from these states to Canada, while they imported more than US\$116 billion from Canada. Recent data suggest that, in a recent 12-month period, Canadians made more than 4.4 million visits to the MLC states and spent more than US\$1.3 billion, while residents of these states made more than 2.9 million visits to Canada and spent more than US\$1.4 billion.

The IPG aims to find points of convergence in respective national policies, to initiate dialogue on points of divergence, to encourage the exchange of information and to promote better understanding among legislators on shared issues of concern. Members of the Canadian Section of the IPG meet regularly with their federal counterparts and, in recent years, have attended meetings of governors and state legislators. At these events, Canadian delegates take the opportunity to engage in the conversations that will help to achieve the Group's objectives, and to communicate the nature and scope of the bilateral relationship.

Members of the Canadian Section found the 2011 Annual Meeting of the MLC to be a valuable opportunity to discuss the numerous opportunities for Canada and the U.S.

Midwest to collaborate on improving regional trade links and establishing perimeter security. Furthermore, members of the Canadian Section benefited from presentations focused on a variety of policy areas, including economic growth, healthcare and education. Feeling that members of the Canadian Section were able to achieve their objectives for the event, the Canadian Section intends to attend future annual meetings of the MLC to continue its work in advocating Canadian interests in the U.S. Midwest.

ACTIVITIES DURING THE EVENT

During the 2011 Annual Meeting of the MLC, the following plenary and concurrent sessions took place:

- Economic Gardening
- The Changing Dynamics of Electric Generation
- Electric Transmission in the Midwest: Expanding Capacity, Enhancing Reliability and Assessing Costs
- Nuclear Energy: Safety, Security, Storage and the Future of Nuclear Power
- The Use of Alternative and Renewable Energy Sources: Where We Are Now and Where Technology Can Take Us
- Medicaid Reform/Cost Containment
- Long-Term Care
- Health Insurance Exchanges
- U.S.-Canada Integrated Supply Chains
- Implementation of the Canada-U.S. Perimeter Security Agreement
- Moving Toward a Comprehensive Government Procurement Accord
- Agriculture's Environmental Challenges: Separating Myth from Reality
- State Responses to Animal Rights Activists
- Ethanol and Commodity Prices: The Economic Impact
- A Path to Growth: Economic Gardening Models and Pilot Programs
- Regional Collaboration on Economic Development Policies
- Health Care: The Challenge of Balancing Concerns about Access, Quality and Costs
- Local Government Ethics: The Potential Role of States in Improving Financial Disclosure and Accountability
- Moral Conscience vs. Federal Preemption: Lessons from Indiana's Effort to Defund Planned Parenthood
- America at a Crossroads: Today's Critical Policy Making Challenges and Opportunities
- America at a Cross Roads: Perspectives from the Midwest
- The Crossroads of America – Finding the Midwest's Future through its Past
- Strategies for Improving the Performance of State Election Systems

- Collective Bargaining and Public Employee Labor Law
- Long-term Strategies for Financing State Transportation Infrastructure
- Addressing the Shortage of Health Care Workers: How to Expand the Number of Professionals in your State
- Improving Schools Locally and Collaboratively: A Case Study from Indiana
- Leading the Way – The States’ Role in Transforming K-12 Education
- E-12 Education Finance
- College and Career Readiness
- Putting Quality Teachers in the Classroom
- Patchwork Midwest: What Demographics Tell Us about the Fabric of the Midwest
- The Beltway and Beyond
- Midwestern Higher Education Compact Report
- An Economic Long View: What Can We Learn from the Past?
- Building a Stronger Midwest: Growing Together through Regional Cooperation.

This report summarizes the plenary and selected concurrent discussions that occurred at the meeting.

U.S.-CANADA INTEGRATED SUPPLY CHAIN

Mark Cooper, Director, U.S. Department of Commerce

- The nature of the global economy has changed; exportation to global markets is essential for economic success.
- The gross domestic product (GDP) of Brazil, Russia, India and China, the “BRIC” economies, is rising rapidly. For example:
 - China’s GDP surpassed the GDP of France and of the United Kingdom in 2005 and of Germany in 2008, and is projected to surpass the GDP of Japan by 2013 and of the United States between 2030 and 2040.
 - India’s GDP is projected to surpass the GDP of France and of the United Kingdom by 2015, of Germany by 2020, of Japan by 2025 and of the United States between 2040 and 2045.
- About 95% of the world’s consumers live outside U.S. borders. The United States could benefit from additional export opportunities.
- Small and medium-sized enterprises (SMEs) are the engine of the U.S. economy and need to participate in global markets. The most dynamic growth comes from firms with fewer than 20 employees that export.
- Exports support 12 million U.S. jobs, and export-oriented jobs pay over 18% more than the U.S. national average.

- A willingness to travel is essential for doing business globally. In-person communication is necessary to establish trust and maintain close business relations.
- U.S. businesses should take advantage of the *North American Free Trade Agreement* (NAFTA), and should consider Canada and Mexico as strategic export markets.

Corinne Pohlmann, Vice-President, National Affairs, Canadian Federation of Independent Business (CFIB)

- In Canada and the United States, SMEs represent 98% to 99% of businesses, employ 50% to 60% of the working-age population, and produce about half of the GDP in each country.
- About 76% of Canadian SMEs do not export to the United States, 16% export only goods, 4% export only services, and 4% export both goods and services.
- About 51% of Canadian SMEs do not import from the United States, 42% import only goods, 5% import both goods and services, and 1% import only services.
- SMEs that trade with the United States typically do not export and import on a regular basis. One bad experience could discourage an SME from pursuing international trade in the future.
- In a CFIB survey conducted in 2008-2009, survey respondents identified “border and trade rules” among the most burdensome federal regulations.
- SMEs are often unaware of the programs available to help improve their trade across the Canada-U.S. border.
- Legislators could improve the business environment for SMEs in Canada and the United States by:
 - making border and trade programs and policies more relevant and accessible to SMEs, including through measures that facilitate importing and exporting processes for low-risk, small-volume traders
 - simplifying and harmonizing regulations and paper work in Canada and the United States
 - improving customer service and communication with small businesses by providing readily accessible information in easy-to-understand language.

Bernard Swiecki, Director of Market Analysis, Center for Automotive Research

- Canada is signing free trade agreements with a number of markets around the world. The Canadian economy is more globally competitive when the North American market is as efficient and well-integrated as possible.
- North American vehicles are at a disadvantage compared to foreign vehicles due to inefficiencies at the Canada-U.S. border. For example, because North

American vehicles often have to cross the border more than once during manufacturing, 4,000 North American-produced vehicles would undergo 28,000 customs transactions at the Canada-U.S. border, while 4,000 foreign vehicles would undergo only one transaction at a port of entry.

- The consumer ultimately pays the price for the added costs that result from border delays and inefficiencies.
- Michigan is especially vulnerable to border delays. For example, in 2010, New York State had far fewer delays associated with crossing the Canadian border.
- Adding a second crossing between Michigan and Ontario would improve the overall efficiency of trade between Canada and the United States.
- The automotive industry has the highest multiplier effect of any manufacturing industry in the United States. For every job created in the automotive sector, 10 jobs are created in the U.S. economy.

IMPLEMENTATION OF THE CANADA-U.S. PERIMETER SECURITY AGREEMENT

Eric Miller, Senior Policy Advisor (Industry), *Embassy of Canada*

- It is difficult to over-estimate the importance of the Canada-U.S. border for North America's economy. Canada represents the top trading market for 35 of the 50 U.S. states.
- On February 4, 2011, Prime Minister Stephen Harper and U.S. President Barack Obama issued a declaration on a shared vision for perimeter security and economic competitiveness between Canada and the United States.
- Canada and the United States will develop a joint action plan that will set out a range of initiatives in four key areas of cooperation:
 - collaborating to address threats before they reach North America, by improving intelligence and information sharing, and by conducting joint threat assessments to support informed risk management decisions;
 - pursuing creative solutions to manage the flow of people and goods between Canada and the United States, by investing in modern infrastructure and technology at the busiest ports of entry;
 - building on existing bilateral law enforcement programs to develop the next generation of integrated cross-border law enforcement operations in order to identify, assess and interdict persons and organizations involved in transnational crime; and
 - working to prevent, respond to and recover from physical cyber disruptions of critical infrastructure and to implement a comprehensive cross-border approach to strengthen the resilience of North America's cyber infrastructure.

- The goal of the joint action plan is not to eliminate the Canada-U.S. border, but rather to improve the management of the common border as well as to streamline programs and develop a plan to ensure the ongoing modernization of border infrastructure.
- Canada and the United States have a shared responsibility for the safety, security and resilience of North America in an increasingly integrated and globalized world.

HEALTH CARE: THE CHALLENGE OF BALANCING CONCERNS ABOUT ACCESS, QUALITY AND COSTS

Senator Ron Grooms, State of Indiana

- Indiana operates a variety of Medicaid-funded initiatives tailored to different populations.
- Indiana's approximately \$1.9 billion in budgeted Medicaid spending for 2012 and 2013 represents 13.3% of the two-year state budget.
- The *Patient Protection and Affordable Care Act* (PPACA) mandates an expansion of Medicaid starting in 2014 so that any legal U.S. resident making up to 133% of the federal poverty income level will be eligible for Medicaid, unless she or he is eligible for Medicare.
- The Congressional Budget Office estimates that the national Medicaid expansion will bring about 17 million more people into the Medicaid program by 2021.
- In order to reduce the costs of the Medicaid system in Indiana, Governor Mitch Daniels' administration proposed substituting the Healthy Indiana Plan (HIP) for the PPACA's Medicaid expansion. Indiana will need permission from the federal government in order to implement this substitution.

AMERICA AT A CROSSROADS: PERSPECTIVES FROM THE MIDWEST

Ron Brownstein, Political Director, Atlantic Media Company

- The U.S. political system is undergoing a period of volatility.
- Partisanship has increased significantly since the 1960s, which has changed the political nature of the United States.
- The social and cultural diversity of the United States is not expected to change in the near future.
- U.S. politicians face the challenge of building working majorities for effective change in the United States.

Dr. Erin Goss, Jack A. MacAllister Chair in Regional Economics, Creighton University

- The U.S. economy is slowing down.
- In order to achieve full economic recovery in the United States, the housing sector must recover, which is not likely to happen in the near future. Government intervention in the housing market has not been effective.
- Raising corporate tax rates is not good policy. Market forces are most effective in determining the success of businesses.
- The manufacturing sector is expected to play a major role in U.S. economic growth.
- Many international students do not work in the United States after graduating from U.S. colleges and universities. The retention of an educated workforce is a requirement for economic competitiveness.

Mr. William Testa, Vice President and Director of Regional Programs, Federal Reserve Bank of Chicago

- Spending cuts by government are not good for the economy.
- Reduced financing for community colleges is not good policy at a time when retraining is needed to improve the future prospects of economic growth in the United States.
- The Midwest has a significant manufacturing industry that exports large amounts of manufactured products to global markets.
- Creating jobs and training a qualified workforce should be priorities for the U.S. government.
- The retention of local expertise is a problem in a globalized world. Many college graduates choose to leave the U.S. Midwest in order to seek employment elsewhere.

Mr. Dartanian “Doc” Warr, Regional Vice President, RUAN

- The aging workforce is one of the main obstacles to economic growth in the U.S. Midwest.
- Fewer people are interested in certain kinds of jobs, such as truck driving.
- The U.S. government should focus on technology as a key area of investment to improve economic growth in the United States.

Mr. David Yepsen, Director, Paul Simon Public Policy Institute, Southern Illinois University Carbondale

- Community colleges are one of the best places for states to invest.
- The manufacturing industry is critical to the U.S. Midwest.

- Facilitating an international workforce is key to economic development. Furthermore, embracing a diverse workforce is important. For example, homophobia is counterproductive to economic growth.
- In order to improve telecommunications, the government must move forward on improving broadband connections as soon as possible.
- The lack of risk-taking is one of the greatest obstacles facing economic growth in the U.S. Midwest.

LEADING THE WAY – THE STATES’ ROLE IN TRANSFORMING K-12 EDUCATION

Ms. Sarah Brown Wessling, High School Teacher, Johnson County High School, Iowa, and 2010 National Teacher of the Year

- Teachers operate in a space between the ideals of teaching and the reality of the classroom. This space should be embraced by teachers and viewed as a learning opportunity, rather than as a learning gap.
- It is important for teachers to make use of positive and innovative learning spaces. For example, at Google, the café is considered the most important working space: good food brings people together where they can share ideas in a constructive environment, and thereby be innovative.
- Every student has a different learning style and should be approached as an individual “case study.”
- The process of teaching and learning is not always efficient.
- In order to foster growth and constructive learning, students need to have permission to fail. They need to be allowed to practise without penalty.
- Achievement and enlightenment are not the same thing. Achievement can be attained only by action, not by words.
- Society’s obsession with perfection precludes innovation. Failure should be considered an opportunity, rather than a mistake.

PATCHWORK MIDWEST: WHAT DEMOGRAPHICS TELL US ABOUT THE FABRIC OF THE MIDWEST

Dante Chinni, Director of PatchworkNation.org

- The U.S. two-party political system leads to social and cultural stereotypes that do not account for the immense diversity of the United States.
- A community can sometimes have less in common with the dominate stereotype of the state in which it is located than with other communities in different states.
- Patchwork Nation segments the United States into 12 sociocultural community types in an effort to move beyond the “red” and “blue” stereotypes, while at the

same time avoiding an overly complex or detailed portrayal of diversity in the United States.

- The major trends in the U.S. Midwest include:
 - a large number of “Service Worker Centers,” where many people are experiencing economic challenges and often lack health insurance; and
 - a large number of “Emptying Nests,” characterized by an aging population, with a high percentage of “boomers” or retirees living on fixed incomes
- “Emptying nest” communities are expected to experience significant changes in the next decade.
- “Service Worker Centers” and “Emptying Nests” were the most affected by the economic downturn.
- While conservative by nature, “Service Worker Centers” have seen dramatic political swings in the past few elections. These communities will likely be critical in the 2012 presidential election.
- Between 2001 and 2005, the number of manufacturing jobs has declined in 11 of the 12 U.S. community types identified by Patchwork Nation.
- The United States is experiencing long-term economic changes that will not affect all communities equally.
- The culture and politics of the United States is expected to change within the next 10 years. Populist movements are expected to rise and the sociocultural splits in the 12 Patchwork Nation community types are expected to shift.

AN ECONOMIC LONG VIEW: WHAT CAN WE LEARN FROM THE PAST?

John Steele Gordon, Business and Financial Historian

- The United States has been the world’s largest economy since the late 19th century, the centre of the global financial system since World War One, and the world’s leading military power since World War Two.
- The United States entered a financial crisis of “epic” scale in 2008, which caused a number of economic and social issues, including rising unemployment.
- The United States is rapidly approaching World War Two levels of debt.
- The United States has experienced many recessions in the past; some caused long-term impacts and others were followed by swift recoveries.
- The United States was “born in debt and financial distress” by having to fight Great Britain.
- The U.S. Civil War is the greatest “existential” crisis the United States has ever experienced. The war was also a great economic crisis.
- There are only three ways for a government to raise money: taxing, borrowing and printing money. The U.S. government has used different methods to raise money in previous economic crises.

- The recovery from the 2008 crisis has been slow.
- In order to improve the current economic situation, the U.S. government must signal definitively that it is moving to put the government's "fiscal house" in order. The inability of a government to live within its means is at the heart of the U.S. economic issue.

Respectfully submitted,

Hon. Janis Johnson, Senator,
Co-Chair,
Canada-United States Inter-
Parliamentary Group

Gord Brown, M.P.
Co-Chair,
Canada-United States Inter-
Parliamentary Group

Appendix

STATES IN THE MIDWESTERN LEGISLATIVE CONFERENCE

Illinois

Indiana

Iowa

Kansas

Michigan

Minnesota

Nebraska

North Dakota

Ohio

South Dakota

Wisconsin

AFFILLIATE CANADIAN PROVINCES IN THE MIDWESTERN LEGISLATIVE CONFERENCE

Alberta

Manitoba

Ontario

Saskatchewan

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	the 66 th Annual Meeting of the Midwestern Legislative Conference (MLC) of the Council of State Governments
DESTINATION	Indianapolis, Indiana, United States of America
DATES	July 17 – 20, 2011
DELEGATION	
SENATE	Hon. Art Eggleton, P.C., Senator
HOUSE OF COMMONS	Mr. Jeff Watson, M.P., Vice-Chair
STAFF	Mr. Mohamed Zakzouk, Advisor
TRANSPORTATION	\$4,629.16
ACCOMMODATION	\$1,460.97
HOSPITALITY	\$Ø
PER DIEMS	\$714.48
OFFICIAL GIFTS	\$Ø
MISCELLANEOUS/REGISTRATION FEES	\$1,060.43
TOTAL	\$7,865.04