

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 Council of State
Governments - 64th Annual Meeting of the
Midwestern Legislative Conference**

**Canada-United States Inter-Parliamentary Group
Overland Park, Kansas, United States of America
August 9 - 12, 2009**

Report

Members of the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG) attended the 64th Annual Meeting of the Council of State Governments' Midwestern Legislative Conference. A wide variety of topics were discussed including border issues, energy and the "Buy American" policy.

The Border

A central focus of the Conference dealt with Canada-United States issues including:

- The border barometer;
- The shared border of the future; and
- "Buy American"

The Border Barometer

Delegates at this session were given an overview of border operations and where we are today regarding the flow of goods and people across the shared border. As the IPG delegates are well aware, Canada is the most important export market for the United States and vice-versa. The economies of the two countries are highly integrated and any inefficiencies hamper our integrated economies and reduce our global competitiveness. A renewed effort to reduce border-related inefficiencies is important during this time of economic crisis.

A quick overview showed the delegates that over the past eight years:

- Trans-border truck traffic is flat or declining;
- Trans-border tourist traffic is declining;
- Wait times have increased (slower for truckers than in 2002);
- The trucking industry is underutilizing Free and Secure Trade (FAST); and
- While there are 117 points of entry on the Canada-U.S. border, 85% of the traffic moves through five border points.

Furthermore, the perception of a "thickening" of the border has tended to dampen personal travel between the two countries. The ideal border inspection regime heightens security, imposing little or no added burden in terms of delay or cost. Presenters told the conference that post 9/11 security regimes are not yet close to that idea, with negative economic impacts persisting for both countries.

The presenters explained to the delegates that we have to "rethink" how we manage the border in the future. Three concepts were put forward by presenters as to how this might be accomplished:

- The border should be viewed as a "shared" problem and be jointly managed through a bi-national approach;
- There should be increased use of regional capacity/organizations to address border issues; and
- There should be a strategic perimeter approach to border security.

It was also stressed that the Canada-U.S. border was very different from the U.S.-Mexico border and that policies designed for the southern border do not work on the northern border.

Shared Border of the Future

Participants were told that Canada and the United States share a special relationship that is built on common values based on a long history of cooperation, family ties, and friendship. In addition to this strong relationship, our shared border facilitates the largest bilateral trading relationship in the world, with \$1.6 billion in two-way trade and 300,000 travelers crossing the border on a daily basis. Thirty-seven of the fifty U.S. states rely on Canada as their largest export market. Major benefits flow from this relationship, including 7.1 million jobs in the U.S. and 3 million in Canada. This unparalleled cooperation has the potential to move our economies back in the right direction.

However, it was also pointed out that traffic between the two countries has decreased and some tensions exist. Canadian and U.S. business communities express growing concern over what has been called the “thickening” of the border. A “thick” border, which is associated with new or increasing fees and inspections, uncertainty over onerous wait times, layers of rules and regulations from different departments, and infrastructure impediments adds up to an expensive border. While Europe moves towards a more integrated border environment, our borders are moving in the opposite direction – the competitive advantage created by North American Free Trade Agreement (NAFTA) is eroding. A sense of frustration exists within the Canadian and U.S. business communities regarding the fact that many practical measures e.g., border agencies on both side of the border should work more closely together that could reduce border-related costs have yet to be taken.

Delegates also learned that the Canadian Chamber of Commerce and the U.S. Chamber of Commerce have provided both governments with some short-term, practical recommendations to reduce border costs and to increase the competitiveness of their industries. The recommendations include:

- Canadian and U.S. governments should enhance their marketing efforts of the NEXUS program to reach a target of 1 million participants.
- Canadian and U.S. governments should continue to expand preclearance programs at Canadian borders and extend preclearance programs at land borders and ports;
- Increase staffing, training and hours of service at border crossings; and
- Enhance the use of technology to speed up and secure the border.

The current economic climate amplifies the urgent need for action and the Chambers believe their recommendations offer a practical way of achieving a more fluid border for the movement of goods and people.

“Buy American Policy”

At the meeting, members of the Canadian Section of the IPG continued their efforts regarding the “Buy American” provisions, and explained to state legislators from the Midwest – as they have done at other meetings of state legislators as well as governors

– the harmful effects that these provisions in the *American Recovery and Reinvestment Act (ARRA)* are having for both countries. While these provisions ensure that US federal procurement occurs in a manner consistent with that country's international trade obligations, US state and municipal governments are not bound by international trade agreements reached at the federal level, and can spend ARRA funds in a manner that limits the extent to which Canadian exporters are able to participate as suppliers. With some groups in Canada, including the Federation of Canadian Municipalities (FCM), , adopting "Buy Canadian" resolutions and similar measures, there is a danger that businesses – and jobs – in both countries will be negatively affected by such protectionist measures as "Buy American" and "Buy Canadian" provisions, thereby potentially harming the mutually beneficial trade relationship that Canada and the United States share; the bilateral relationship is valued at about \$694 billion annually. As an example of Canadian action, the June 2009 FCM resolution said:

Be it further resolved that FCM support municipalities who choose to adopt procurement policies which favour free trade by ensuring that local infrastructure projects...procure goods and materials required for the projects only from companies whose countries of origin do not impose trade restrictions against goods and materials manufactured in Canada.

Members of the Canadian Section of the IPG will continue, in future meetings with federal and state legislators as well as with governors, to press for free and fair trade between our countries.

U.S. delegates understood Canada's message and agreed that the last thing both countries needed was a trade war. They also agreed that much more education was required at the federal level to ensure that legislators understood the potential impact of the "Buy America" policy. The Midwestern Legislative Conference went further by noting that it is important for Canada and the United States to maintain their commitment to keeping their respective markets open and accessible to Canadian and American producers of goods and services as this advances the goal of North American competitiveness and will help strengthen the economic structure within both countries. To this end, the delegates passed the following resolutions:

- that the Midwestern Legislative Conference (MLC) encourages local, state and provincial governments to adopt open procurement policies within our region and between our two countries;
- that the MLC undertake concerted efforts to build regional awareness and appreciation for the mutual benefits of the open two-way trade system that exists between Canada and the United States; and
- that this resolution be submitted to appropriate federal, state and provincial governments.

Canadian delegates from the Canada-United States Inter-Parliamentary Group strongly support these resolutions.

Energy

The discussion on energy focussed on bi-national energy trade and how it impacts the U.S. Midwest. The energy trade relationship between Canada and the U.S. was summarized by the following:

- Two-way trade in energy was \$100 billion in 2007;
- Cross – border direct investment in energy is approximately \$90 billion;
- Canada is the lead supplier to the U.S. exporting 1.8 million barrels of oil per day to the U.S.; and
- Canada provided 82% of all U.S. natural gas imports.

In addition, over one-half of Canadian exported crude oil to the U.S. goes to the midwest market creating economic growth in the region through new investments in refinery, pipeline expansions, and job opportunities for local residents. The economic impact on the region was summarized in the following points.

- Increased crude oil supply from Canada allows the upper midwest to be at the front of the supply chain, rather than at the rear of the Gulf Coast supply chain;
- Canadian crude oil provides a secure, stable North American crude oil supply for midwestern refineries;
- Expanding the natural gas pipeline network and natural gas storage facilities provides flexibility for needed supply during “peaking” time periods for both sides of the border;
- Canadian jobs are created through energy development and related activity. U.S. jobs are created by refinery and pipeline infrastructure investments and by regional manufacturers of heavy equipment used in the Canadian oil sands; and
- For every dollar of direct investment spent on construction related activities, another dollar is spent indirectly in the local economy.

In spite of the economic impact of the energy trade, presenters also noted that there are challenges to future development. These include:

- Inconsistent and often conflicting federal, state and provincial regulations;
- Complex, time consuming and duplicative agency permitting processes;
- Market challenges such as capital constraints and low, volatile commodity prices; and
- Environmental challenges and stakeholder opposition to North American fossil fuel energy development.

In the discussions, some possible solutions were put forward as to how these challenges could be met:

- Advance cross border cooperation and regulatory streamlining;
- Develop more predictable and timely project approval regulatory regimes;
- Enhance cross border mobility for workers;
- Encourage communications between U.S. and Canadian regulators to share best practices and develop consistent approaches; and
- Engage stakeholders as early in the process as possible to identify and solve problems at an early stage of a project’s lifecycle.

Conclusions

The Canadian members of the IPG found the discussions informative and provided them with an opportunity to express their viewpoints on energy and the U.S. – Canada trade relationship. They stressed that energy relationship is very important to both countries and that they must work together to ensure that impediments to growth are reduced. They were particularly pleased with the support that the Midwestern Legislative Conference gave to keeping the Canadian and U.S. markets open and accessible and that a resolution was passed in support of this.

Respectfully submitted,

Hon. Jerahmiel Grafstein, Q.C., Senator
Co-Chair
Canada-United States
Inter-Parliamentary Group

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

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	Council of State Governments - 64th Annual Meeting of the Midwestern Legislative Conference
DESTINATION	Overland Park, Kansas, United States of America
DATES	August 9-12, 2009
DELEGATION	
SENATE	Ø
HOUSE OF COMMONS	Mr. Randy Hoback, M.P. Mr. Jim Maloway, M.P.
STAFF	Mr. Jim Latimer, Acting Executive Secretary Mr. John Christopher, Analyst
TRANSPORTATION	\$3,590.82
ACCOMMODATION	\$2,643.16
HOSPITALITY	\$Ø
PER DIEMS	\$1,285.50
OFFICIAL GIFTS	\$Ø
MISCELLANEOUS/REGISTRATION FEES	\$2,091.78
TOTAL	\$9,611.26