

Business and government leaders on both sides of the Canada-U.S. border are working to make an admirable economic relationship even stronger. Today's hot topics: border security and infrastructure, energy and North American competitiveness.

Borderline Business

By Randall Anthony Mang

IT'S HARD TO FATHOM, BUT THE fact is more than \$1.8 billion worth of goods and services flow between Canada and the U.S. each day. Despite occasional trade disputes and diplomatic foibles, Canada-U.S. trade has been a boon to both nations. Since NAFTA's implementation in 1989, bilateral trade – responsible for millions of jobs on both sides of the border – has tripled, rising to nearly \$680 billion in 2004 alone.

The focus now is on how North Americans can prosper even more from this relationship.

Minister of International Trade David Emerson says, "A bold part of our government's agenda is to re-establish a respectful, constructive relationship with the United States. Canadians are going to be better for it."

Emerson is among those who urge that a strong North American economic platform is increasingly vital.

"We are committed, along with our NAFTA counterparts, to focus on how we can strengthen North American competitiveness. We have to develop North American supply chains – cross-border supply chains and clusters – that create efficiency for our industries and allow us to take on the world's most competitive economies."

Perrin Beatty, president and CEO of [Canadian Manufacturers & Exporters](#), says border efficiency is a bottom-line issue. "We need a seamless, if not invisible, border between Canada and its largest trading partner."

He notes that while efforts made by Canadian and American governments, businesses and citizens since 9/11 have resulted in more secure and better-managed borders, "serious problems still remain."

Scotty Greenwood, executive director of the Washington-based Canadian-American Business Council, sees particular risk

in the Western Hemisphere Travel Initiative, new U.S. legislation that will eventually require American and Canadian citizens to present passports or other secure travel documents at the border.

"People are viewing this as a people-flow issue, but in fact it could seriously hamper commerce, especially truck traffic," says Greenwood. "The (WHTI) must be carefully implemented, along with appropriate infrastructure, to avoid any negative impact."

[Canadian Chamber of Commerce](#) president and CEO Nancy Hughes Anthony pulls back the lens further, asking, "At the border, why are we still asking people to count litres of wine? If the issue is more about security than commercial protection, then let's focus on that. We can learn from the European experience and employ intelligent solutions.

"I genuinely believe that governments and the business community accept the difficulties of security. But we can't allow these concerns to be the death knell of this huge and great relationship." >>

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Regulatory waves

Nowhere else are Canada-U.S. border issues more amplified than at the Detroit-Windsor crossing – the gateway through which 30 per cent of all North American trade flows.

While most debate focuses on the need for new bridge and tunnel crossings, Canadian businessman Blair McKeil, president of tug, barge and shipping firm **McKeil Marine Limited**, says ferrying trucks and other cargo could be a bigger part of the solution to ease border congestion.

“We have barges trading on the Great Lakes that carry the equivalent of 400 truckloads on a single shipment,” notes McKeil, “and others that could shuttle 10,000 tractor trailers per week between Windsor and Detroit to help alleviate congestion at that border crossing.”

And yet, McKeil vessels chartered by the U.S.-based **Detroit Windsor Truck Ferry** presently run at only 50 per cent of their capacity, a result of regulatory burden.

Detroit Windsor Truck Ferry vice president Gregg Ward says Canadian rules require new short-sea shipping operators to pay for all customs services on a cost-recovery basis – a cost burden not faced by existing bridge and tunnel operators. A U.S. Harbor Maintenance tax levied on U.S.-bound cargo is another disincentive.

“Governments have said they will remove these barriers, but they have not,” says Ward. “Truckers are not social engineers. They make decisions on a basis of cost and speed.”

McKeil says with regulatory and other barriers removed border waterways offer a ready means to help address border congestion.

Perrin Beatty says, “We need to be much more creative about how we handle borders in North America. Otherwise, one layer of new and costly regulations will simply get piled upon the last one.”

A new world order?

Energy is fast emerging as a major redefining force in the Canada-U.S. relationship. “The former elephant and mouse charac-

terization is quickly becoming a thing of the past,” says Scotty Greenwood. “The U.S. is a net energy importer. Canada is a net exporter, and a much safer and more reliable partner than many of our suppliers.”

The opening of the Alberta Office at the Canadian Embassy in Washington, D.C., is a sign of this new dynamic.

“This office reflects a transition from very strict bilateral discussions to one of relations and discussions at several levels: federal-to-federal, state-to-province and province-to-federal,” says Murray Smith, Alberta’s representative in Washington. He notes, “Premier Klein recently had his fourth visit with Vice President Cheney, reinforcing the point that the U.S. values the oil sands and understands that the province owns the resource.”

Greenwood says she wants to see members of all sectors of the economy contribute to dialogue on expanding oil sands production. “Producers as well as users – the major industries that drive the economy and create jobs – need to broaden the dialogue about what the needs are and what needs to be done.”

The (even) bigger picture

Efforts to strengthen North America’s global competitiveness through stronger trilateral economic integration are advancing. In June, the leaders of Canada, the U.S. and Mexico created the North American Competitiveness Council (NACC), a body comprised of private-sector chief executives from all three countries. The NACC has been asked to provide advice to the national leaders on how to build on the success of the Security and Prosperity Partnership (SPP).

The NACC met for the first time in August 2006 and agreed to pursue three priorities in the short term: border crossing facilitation (including security, infrastructure, transportation, logistics and customs procedures); regulatory convergence; and energy integration. The NACC is expected to present its recommendations to leaders in advance of a North American summit slated for 2007. □

Don Drummond

Senior Vice President and Chief Economist
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Q&A

How do you characterize the Canada-U.S. trade relationship?

Very few countries have such a singular, interdependent economic relationship. In 2005, 84% of our exports went to the U.S., and upwards of 55% of our imports came from U.S. We need to continue building on that strength.

In what areas does Canada need to improve its economic performance?

We should strive to improve our productivity – to achieve a per-person GDP output more comparable to the U.S.’s – while maintaining our higher quality of life. As well, more Canadian companies should consider exporting to the U.S. It’s close, huge and rich – a lucrative marketplace. Presently, nearly 50% of Canada’s exports are due to only 50 Canadian companies.

What may Canadian companies learn from TD’s U.S. expansions?

We found opportunities in the U.S. that don’t exist in Canada – for example, to buy and consolidate smaller banks. When we invested in TD Banknorth, an institution listed by Forbes as the best-managed bank in U.S., we kept its U.S. management team. We’ve made an investment in an American bank; we’re not running an American bank.

How are TD’s U.S. investments performing?

Major dividends are flowing to Canada from our investments in TD Banknorth and TD Ameritrade, including jobs created in Canada – even more than we anticipated.

