

## INFORMATION BULLETIN

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**SUBJECT: Higher Border Costs**

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In an age of international terrorism and illegal immigration, a well-functioning border is vital for homeland security. For the United States and Canada, however, it is also vital for national prosperity, for each is the other's largest trading partner, and much of that trade is in intermediate goods that support the bi-national production of finished products, most notably autos. Roughly 400,000 individuals cross the border every day, many with deadlines for delivering cargo or reporting to work. This trade and travel supports jobs throughout both countries.

Since 9/11, however, security concerns have trumped economic ones, leading to delays and higher costs for the cross-border movement of people and goods. Several initiatives have attempted to address these problems, most notably the U.S.-Canada Smart Border Action Plan and the Security and Prosperity Partnership. They have achieved some success, but the unfortunate reality is that the border today remains a source of considerable user frustration and economic drag. This report focuses on the policy process itself and on the conditions that shape its outcomes. In particular, it argues that progress requires taking greater account of the variety of ways in which the border is used by different categories of users in different places.

There are four geographically distinct corridors or "gateways" along the U.S.-Canada border: the Cascadian gateway in the Pacific Northwest, the Great Lakes gateway in the Midwest, the extensive Rural gateway in less populated areas, and the continent spanning Perimeter gateway. Each requires a different mix of technology and infrastructure to respond to unique regional conditions.

There are also five identifiable types of U.S.-Canadian border users: Commercial

shippers, energy shippers, regular commuters, amateur travelers, and, of course, illicit border crossers. Each is found in varying degrees within the four border regions, further enriching the heterogeneity of the border. Yet the post-2001 border strategy has emphasized uniformity, with one-size-fits-all rules that ignore this diversity, and at times have falsely equated conditions at the U.S.-Canadian border with those at the more difficult U.S.-Mexican border.

At present, borderlands communities have no channel for regular input on key policy issues, and regional differences are often overlooked by “one border” rules and programs that result in uneven performance. Some categories of U.S. border users have seen their specific needs addressed, but much more could be done to improve communications and to customize policy implementation. Moreover, the U.S. government agencies concerned with economic flows and those responsible for national security could do far more to reconcile their competing purposes in a fashion that optimizes security and prosperity.

President Obama acknowledged during his visit to Ottawa in February 2009 that too often in the past, the United States has “taken Canada for granted,” allowing problems to fester and opportunities to work together to be lost. Such an opportunity now exists, and not only because there is a new administration in Washington and a new willingness on the part of the Canadians to think boldly about working with the U.S. The current recession has hit the auto industry with particular force, and the auto industry is both the biggest component in U.S.-Canada trade and a prime example of the bi-national integration of North American manufacturing. The “Detroit Three” U.S. auto makers depend on an efficient border, as does Michigan, the state with the nation’s highest unemployment rate. More generally speaking, for many American firms to remain competitive in the global economy, their extensive Canadian supply chains and just-in-time inventory systems must function well, and the current recession makes this an opportune moment to tackle any problems occasioned by the border.

The keys to making the best use of this opportunity are to partially decentralize border policy management and thereby enable problems to be identified and resolved with greater precision and sensitivity to regional concerns. If these process improvements are undertaken by the Obama administration, the underbrush of concerns that fragments responses from regions and user types and bedevils the U.S.-Canadian border could be cleared away, and a path toward an inclusive consensus on the future of the U.S.-Canadian frontier could emerge. In short, the time is right for instituting reforms that will resolve particular problems and open the door to a broader dialogue about a “new frontier” for the 21st century, a truly modern border that could be a place of innovation and serve as a model for progress on the management of other borders. With that in mind, this paper recommends the following:

- Create and engage a state-level Homeland Security Network;

- Ensure that performance evaluations of Customs and Border Protection Port Directors and other local representatives of the federal government include assessments of their efforts to develop relationships with local governments and stakeholder groups;
- Emulate the 30-point U.S.-Canada Smart Border Action Plan on a local level;
- Empower local federal officials in ways that ensure greater lateral communication and resource-sharing without recourse to Washington;
- Adopt a Total Quality Management (TQM) model of continuous process improvement at the border;
- Congress should authorize funds for a Border Security Pilot Project Challenge Fund to test new ideas;
- Publicly adopt a two-speed approach to the Canadian and Mexican borders;
- Reform but do not abandon the Security and Prosperity Partnership;
- Form a U.S.-Canada or North American Joint Infrastructure Planning Commission.