



**HOUSE OF COMMONS
CANADA**

TOWARDS A SECURE AND TRADE-EFFICIENT BORDER

**Report of the Standing Committee on Foreign Affairs and
International Trade**

**Report of the Sub-committee on
International Trade, Trade Disputes and Investment**

**Bill Graham, M.P.
Chair**

**Mac Harb, M.P.
Chair of the Sub-committee**

November 2001

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THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE

has the honour to present its

THIRTEENTH REPORT

In accordance with its mandate under Standing Order 108(2), your Committee established a sub-committee and assigned it the responsibility of examining the management of the border between Canada and the United States.

The Sub-committee submitted its Fifth Report to the Committee.

Your Committee adopted the report, which reads as follows:

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RECOMMENDATIONS

Recommendation 1:

That, when considering options to improve security and trade facilitation at the Canada-United States border, the Government of Canada remedy border concerns already in evidence before September 11. Ultimately, the goal should be to modernize border management to accommodate future security and trade needs.

Recommendation 2:

That the Government of Canada, following consultation with U.S. authorities, outline to Canadians its plans for co-operating with its North American partners to improve continental security.

Recommendation 3:

That the Government of Canada seek the commitment of the United States for a high-level “summit” of senior American and Canadian political leaders and officials to discuss border management issues. On the basis of these meetings, Canada and the United States should jointly undertake to develop and make public a revitalized bilateral border management plan that would render more efficient the cross-border flow of goods and services.

Recommendation 4:

That the Government of Canada examine the feasibility of constructing pre-clearance facilities for commercial traffic in the vicinity of heavily congested border-crossing points. As a necessary precursor to the development of these facilities for land crossings, legislation enabling pre-clearance at land borders should be introduced.

Recommendation 5:

That, following successful consultation with authorities in the United States and taking into account security considerations, the Government of Canada reactivate as soon as possible those programs (e.g., CSA, NEXUS, CANPASS) designed to improve border risk management and ease congestion. The NEXUS project should be expanded to all Canada-U.S. border crossings by the early part of 2002.

Recommendation 6:

That, in its upcoming December budget, the Government of Canada provide the additional resources necessary for customs and immigration officials active in security and border management, and for the necessary physical improvements to border operations.

Recommendation 7:

That the Government of Canada test and implement, where feasible, advanced technologies in its border processing operations. Concerns surrounding Canadians' privacy should be respected in formulating these plans.

Recommendation 8:

That the Government of Canada work with its U.S. counterparts to resolve the issues delaying the development of joint border facilities and to accelerate plans for their development in locations in which such implementation is cost-effective.

Recommendation 9:

That, in light of the evidence received, the Government of Canada assess the effectiveness of its internal mechanisms to coordinate the border management and security policies of Canada and take appropriate remedial action.

TOWARDS A SECURE AND TRADE-EFFICIENT BORDER

INTRODUCTION

The horrific terrorist attacks that occurred in the United States on 11 September 2001 caused serious adverse effects on the Canadian economy. One of the first signs of these — the sudden and lengthy backlog at the Canada-U.S. border — is the subject of this report. Individuals and goods were delayed while both countries wrestled with security concerns and subjected commercial and passenger traffic to systematic scrutiny. Certain companies heavily dependent on trade with the United States ceased factory production temporarily, affecting employment in the process.

Whereas prior to September 11 the facility of movement across the border had been largely taken for granted, the situation has now changed. With the U.S. government clearly intent on ensuring the security of its citizens from potential terrorist threats, concerns have been raised here in Canada that our southern neighbour will erect what would amount to a fence around its borders. Such a move would have a sharply negative impact on the heavily integrated North American economy.

It is only natural that the United States, given its current position as a target for terrorist activity, would desire to tighten security at its borders. In this context, Canada has the following challenges:

- ◆ to ensure that Canada has also taken tangible steps to address the issue of terrorism and security domestically and to stem the flow of potential terrorists from outside North America;
- ◆ to ensure that border security and trade efficiency needs are both met;
- ◆ to ensure that issues surrounding the trade efficiency of the border should not be relegated to the back burner given the costs of border delays to both economies.

In meeting these challenges, it is imperative that Canada and the United States develop a joint approach to the border. Canada cannot afford simply to react to unilateral decisions taken by our American counterparts. There is simply too much at stake.

It is clearly evident that the nature of the Canada-U.S. border is evolving quickly. Given the overwhelming importance of the border on trade and ultimately the overall Canadian economy, the Sub-committee thought it imperative to signal the urgency of a

resolution of border problems to policy-makers and to point to several practical suggestions that could facilitate trade across the border while ensuring security.

At the same time, we recognize that considerably more work needs to be undertaken to determine what the future of the border will look like and what Canada's ultimate position or status within North America ought to be. The Sub-committee is encouraged by the decision of the House of Commons Standing Committee on Foreign Affairs and International Trade to launch a more extensive and detailed review of Canada-U.S. relations in light of the new continental and global security challenges. It is our sincere wish that the information contained in this report will prove helpful in that Committee's important work.

THE IMPORTANCE OF A TRADE-EFFICIENT BORDER FOR BOTH CANADA AND THE UNITED STATES

“International trade is the lifeblood of the Canadian economy. The main arteries through which it flows are the bridges, highways and railroad tracks that span our southern border.” (Canadian Manufacturers & Exporters)

Exports of goods and services made up a staggering 45.6% of our GDP in 2000, up from 25% in 1991. In fact, Canada is the most trade-dependent economy within the G-7. Moreover, Canada and the United States are each other's largest trading partners, moving approximately \$700 billion in goods and services (as well as over 200 million people) across the border last year. When looked at on a daily basis, this exchange amounts to some \$1.9 billion worth of bilateral trade each day. At 11.4%, the average annual growth in two-way trade during the past decade has been impressive.

A full 86% of our merchandise exports are destined to the United States, with the Canadian market taking in a still considerable 25% of America's exports of goods. In fact, U.S. exports to Canada exceeded those to the European Union and Japan combined in 2000.

The majority of Canada-U.S. trade is concentrated in specific economic regions, reflecting geographical proximity as well as a certain complementarity in production. Figures provided to the Sub-committee by the Canada Customs and Revenue Agency (CCRA) reveal that in 1999, Ontario accounted for a full 61% of our exports to the American market and 63% of Canada's imports from the United States. Together, Ontario, Quebec and British Columbia represented 88% of exports and 90% of imports that year.

Another interesting statistic is that roughly 70% of bilateral trade (by value) is handled by trucks. Examined from the point of view of volumes, road transportation's share of the total declines to 56%, with the remaining 44% moved by rail. Railway operators have argued that they present fewer security risks because they have their own

police forces and use their trains on dedicated corridors, which are relatively simple to monitor. They have also not experienced the same degree of border congestion as have the trucking companies.

The majority of vehicle crossings occur along three borders: Ontario—Michigan, Ontario—New York, and British Columbia—Washington. In 1999, the largest number of border crossings (both trucks and cars) were reported at the Windsor—Detroit Ambassador Bridge, followed by the Windsor—Detroit Tunnel, the Peace Bridge (Fort Erie—Buffalo), the Blue Water Bridge (Sarnia—Port Huron), the Queenston—Lewiston Bridge (Ontario—New York), the Rainbow Bridge (Ontario—New York), the Douglas—Blaine crossing (British Columbia—Washington), the Pacific—Blaine crossing (British Columbia—Washington), Sault Ste. Marie (Ontario—Michigan), Lacolle—Champlain (Quebec—New York), Cornwall-Massena (Ontario—New York), and St. Stephen—Calais (New Brunswick—Maine). As well, the crossings between the prairie provinces and states are important trade corridors for grains and livestock.

With so much of Canadian economic output destined for the large U.S. market, maintaining a trade-efficient border with our American neighbours has become more vital than ever before. Whether Canada will be able to continue as a key part of the North American integrated economic system hangs in the balance.

THE PROBLEM WITH BORDER DELAYS

“This integration means that our industry is directly impacted by the events of September 11. In the days following those sad events, production at automotive plants was disrupted as parts shipments were delayed at the Canada-US border. This disruption was felt on both sides of the border — parts manufactured in Canada were unable to reach the U.S., and parts manufactured in the U.S. were unable to reach plants in Canada. These delays also impacted the delivery of finished vehicles to the American dealer network. ” (Canadian Vehicle Manufacturers' Association)

There is no question that border delays increased considerably in scale immediately after the terrorist attacks as security was tightened. Canadians were presented with images of huge lineups of trucks and other vehicles at the key border crossings, resulting in delays of up to 18 hours.

As a response to these delays, the CCRA increased the level of resources devoted to all ports of entry (through the use of overtime and callback) to ensure security and maintain the flow of trade and travellers. As a direct result, the situation at the border seems to have stabilized somewhat, as wait periods have approached more normal levels for most of the crossings. The one noticeable exception continues to be the delays experienced by U.S.-bound traffic at the Ambassador Bridge.

However, the Sub-committee heard evidence that much of this easing can be explained by the shrinking of traffic volumes (primarily traveller traffic, but also a smaller slowdown in commercial truck traffic) that has occurred since the terrorist attacks. There is ample concern that this drop in traffic volumes is masking significant border problems, ones which will become more apparent given a resumption of normal volumes or an imposition, by the United States, of new border restrictions. It goes without saying that any prolonged return to the delays experienced immediately after September 11 will have dire economic consequences.

Moreover, the Sub-committee heard that border delays were not very consistent over time. For example, the Canadian Chamber of Commerce informed us that “you can look at DFAIT or CCRA's Websites and say, okay the Detroit-Windsor tunnel has a 15-minute delay but by the time you get there, it could be two hours. You don't know until you get there. That sort of uncertainty really hurts business. It means that you can't move people or goods with confidence. ”

Border delays, in addition to hurting productivity and raising the cost of doing business in both countries,¹ undermine exports and harm employment. This is true not only for manufacturers but also for the tourism and hospitality industries, which are affected by reductions in border crossings; individuals concerned about potential crossing delays tend to stay home. A high percentage of Canada-U.S. trade is in intermediate products that are transported on a “just-in-time” basis to manufacturing plants that then assemble them into larger products. These deliveries enable firms to maintain fewer inventories as a cost-saving measure. The downside is that under this system, border delays quickly result in plant closures, financial losses for business and employee layoffs.

As the Canadian Manufacturers and Exporters told the Sub-committee, American customers will continue to operate on a “just-in-time” basis and they will purchase from firms that can meet their delivery expectations. Resolution of border issues will determine if these suppliers will be Canadian or not. Businesses in the tourism and hospitality industries in and near the border have also been negatively affected by the response to the terrorist activity.

Canadian businesses are also concerned that decisions on future business investment will be made on the basis of domestic firms continuing ability to supply the American market. Without reliable access to that prized market, foreign-based companies may be reluctant to establish business operations in Canada. Others, both domestic and foreign, may wish to relocate existing facilities south of the border.

¹ For example, one estimate has a one-hour stoppage at the Windsor-Detroit border crossing costing the automobile companies \$1million.

The Sub-committee believes that Canada needs to send out two important messages to the American side.

- ◆ First, Canadians are there to do business and will continue to deliver on time.
- ◆ Second, the economic implications of border bottlenecks that will be experienced by both countries would be considerable without the permanent resolution of the issue of border delays.

A final but extremely key point needs to be made. As a number of witnesses observed, the border was not working particularly well prior to the events of September 11. In fact, the congestion problem had worsened with the rise in bilateral trade, and questions surrounding the adequacy of the infrastructure and resources at the border had surfaced. The result: unacceptable delays at the border, fewer inspections, and ultimately less-than-optimal border security. The goal, therefore, should be to repair the problems that had already begun to materialize before September 11. The border must be made resistant to further September 11-type events, so that we do not revisit the uncertainty along the border that has since plagued both countries. The Sub-committee recommends:

Recommendation 1:

That, when considering options to improve security and trade facilitation at the Canada-United States border, the Government of Canada remedy border concerns already in evidence before September 11. Ultimately, the goal should be to modernize border management to accommodate future security and trade needs.

THE CHALLENGES FOR CANADA

A. Co-operating with the Americans on Security

“Rightly or wrongly, Americans do not trust our ability to securely enforce our borders. We need to rebuild that trust. In the meantime, they intend to do that job for us, so to speak. To this end they have taken to inspect vehicles and question travellers leaving the U.S. ” (Customs Excise Union)

Canadians, living in an extremely open economy, have typically tended to look at the border through a trade lens, whereas now the Americans are examining the border through primarily a security lens. This should not be surprising, given the following numbers provided to the Sub-committee by the Public Policy Forum: Canadian exports to

the U.S. account for 37% of Canada's GDP, versus only 2.4% for U.S. exports to Canada.

The United States is now taking important steps to secure its northern border. For example, it intends to invest almost \$1 billion (\$609 million U.S.) in a tripling of its border law enforcement personnel, with the additional financial resources to be allocated to the purchase of equipment. Moreover, the Customs Excise Union believes that the Americans are quite serious about implementing an entry/exit system that will force the registration of all those entering and leaving the United States. The key challenge for Canada is to convince the U.S. authorities that Canada is as concerned about security as it is about trade, to avoid the unilateral imposition of new border restrictions by the Americans.

The Government of Canada has responded to the security challenge in a number of ways since September 11 by:

- ◆ immediately imposing an ongoing high state of alert on our border crossings;
- ◆ raising security at the nation's airports;
- ◆ providing additional funding (\$280 million) for new detection technologies and personnel to beef up the security framework;
- ◆ introducing new regulations to suppress the financing of terrorism (Bill C-16); and
- ◆ freezing the assets of known terrorist groups.

Parliament has recently passed two bills, S-23 on customs administration, and C-11 on immigration and refugee protection, which received Royal Assent on October 25 and November 1 respectively². The Government has also introduced in Parliament the Anti-Terrorism Act (Bill C-36), which: introduces measures to identify, prosecute, convict and punish terrorist groups; provides law enforcement and national security agencies with additional tools with which to investigate terrorism; and implements tougher laws against hate crimes and propaganda.

² Bill S-23 introduced amendments to modernize customs administration which, among other things, provide for streamlined clearance procedures for low-risk passengers by pre-arrival risk-assessment of passenger information. Bill C-11 introduced key measures designed to strengthen the integrity of both the immigration and refugee determination systems in the areas of front-end security screening and refugee claimants, detention, and deportation.

“The 'perimeter' concept, or 'zone of confidence', does not mean the elimination of the Canada-U.S. border nor does it mean Canadian adoption of U.S. policies. Rather, it is a collaborative and integrated approach that better coordinates and manages existing practices, and establishes new steps that will ensure the protection of all North American citizens by focussing security resources on higher-risk areas through three integrated lines of security.” (Coalition for Secure and Trade-Efficient Borders)

The Americans are also requesting Canada's co-operation in the implementation of a “common security perimeter.” The trouble here is that there are many different interpretations of the exact meaning of this concept. For example, a coalition of more than 40 businesses and business associations is exploring a perimeter approach to security issues that would remove some of the pressure currently on the border but not eliminate it. Adoption of such an approach would involve Canada co-operating with the Americans to prevent the entry of terrorists, illegal immigrants, contraband and illegal goods into the two countries.

According to the Canadian Trucking Alliance (CTA), even though the perimeter concept does have some appeal, “it appears to have already become a political dud. The problem is that the perimeter strategy comes loaded with talk of harmonization of laws and regulations as well as the outright — at least in some scenarios — elimination of the Canada-U.S. border.”³ Instead, the CTA's vision of a bilateral border strategy does not erase the border. It does not “involve an European Union (EU) style customs union nor does it mean a loss of Canadian sovereignty, or that our immigration and refugee laws will be written by the US Congress. What it does involve, is an effective, bilateral approach to keeping undesirables and contraband from our country while allowing for a freer flow of low-risk people and goods across the Canada-US land border.” The Sub-committee enthusiastically endorses this point of view.

Witnesses told the Sub-committee that Canada should begin to first screen out undesirable individuals and cargo even before they embark for North America. No doubt additional resources will need to be deployed overseas for this task, and an improved sharing of security information will have to be undertaken among the various national and international agencies with responsibilities for terrorism, transnational crime, and drug and people smuggling. In this way, a joint monitoring and screening system could be created.

It would appear, from media accounts,⁴ that developments are moving quickly on this front. It is believed that Canada and the United States are now in the process of

³ The CTA suggested that the concept had enjoyed the support of Canada's former ambassador to the U.S. (Raymond Chrétien) as well as the Canada-U.S. Partnership that helps oversee the border relationship. The CTA also mentioned that the CCRA's current border strategy is already perimeter based.

⁴ Sheldon Alberts, “Border deal would screen travellers before they arrive,” *National Post*, 9 November 2001, p. A1.

negotiating a continental border-security arrangement involving the use of joint immigration control and security checkpoints — which would make up an “outer-limit security zone” — in overseas locations. Such a move, if implemented, would involve a transfer of officials to points outside Canada and would require additional funding in the upcoming federal budget.

Adopting a perimeter approach to security also includes enhancing security at the major entry points into Canada. These include airports, which account for roughly 90% of visitors, and the nation's seaports, which receive a considerable quantity of international cargo. Indeed, CCRA officials informed the Sub-committee that the Department's plans to enhance its protection initiatives at these entry points already involve the installation of an additional 130 customs officers. The agency was also in the process of expediting advance passenger information and passenger name record technology to provide valuable information on travellers in advance of their arrival into Canada.

Another point to consider when examining the notion of a continental security shield is the question of illicit trafficking of drugs and firearms between the United States and Canada, which poses important questions about public safety in both countries. There are some additional issues where differences remain, including differing tariff profiles and our trade with rogue states. As the Sub-committee was told, opening up the land border with the U.S. in conjunction with a tightened North American security perimeter could seriously aggravate these concerns.

The Sub-committee is of the view that more intense and more effective co-operation between the two countries must be initiated immediately. Security policies must be better coordinated, even if there is no requirement for the actual policies used by the two countries to be identical. Additional resources must be committed to that task, and data and intelligence shared between the two countries in a way that respects privacy concerns. Only in this manner can the necessary trade-off between continental security and a more streamlined, trade-efficient land border clearance system for low-risk travellers and goods occur.

At the same time, there has been no declaration of intent on the part of the federal government as to what a “common security perimeter” might entail. We believe that a formal understanding needs to be arrived at with the Americans on this point and then be made public. As the Public Policy Forum argued before the Sub-committee, the October 29 directive by President Bush to American officials on examining how to harmonize immigration, customs and visa policies with Canada provides this country with an important “window of opportunity.” The Sub-committee recommends:

Recommendation 2:

That the Government of Canada, following consultation with U.S. authorities, outline to Canadians its plans for co-operating with its North American partners to improve continental security.

B. Developing a Bilateral Border-Crisis Management Plan

“The real loss of sovereignty won't come from working together on a common vision of the border, it would come from having the U.S. decide unilaterally what it would look like.” (Canadian Trucking Alliance)

The solution to lowering delays on both sides of the border will result from the two countries jointly developing responses and border programs. It seems reasonable that if we can have an integrated North American air defence system, we can surely put into place an integrated border system that takes into account both trade and security. Otherwise, both economies — and especially ours — will suffer.

As the Department of Foreign Affairs and International Trade informed the Subcommittee, it is true that a number of different mechanisms — which enable departments and agencies from both sides of the border to work together to find more creative ways of making that border secure and more trade-efficient — are already in place. These include:

- ◆ the Border Vision process, designed to implement a regional approach to migration issues and involving immigration officials from both countries;
- ◆ the Shared Border Accord, whose aim is the modernization of the shared border;
- ◆ the Cross-Border Crime Forum, involving law enforcement and intelligence agencies;
- ◆ the Canada-U.S. Partnership Forum (CUSP), which brings together the various Canadian and the U.S. departments and agencies to discuss security and border efficiency concerns.

We agree with the Canadian International Freight Forwarding Association that more needs to be done to “build on and implement many of the solutions already contained in CUSP.” The problem with the current approach has been that political support for these solutions has been somewhat lacking, particularly on the American side of the border.

The necessity for a strong bilateral Canada-U.S. approach to the border is now greater than ever before. We need to get the Americans to begin high-level, detailed bilateral discussions on the border. More specifically, there is an urgent need for a detailed, coordinated, integrated, co-operative border crisis-management plan. Such a plan could build upon and implement many of the solutions contained in the Canada-U.S. Partnership Forum (CUSP) and in the other collaborative efforts already underway.

It is important for Canada to make bold proposals to the United States on how to work together to make the border function considerably more effectively. It would be far better to work with the Americans to accommodate their security needs than to react to their unilateral decisions and/or attempt to undo a bad decision down the road.

Already we have seen action taken in the United States on its northern border. For example, U.S. President George Bush signed into law on October 26 the *USA Patriot Act* containing significant measures designed to protect that country's northern border. This legislation contains a potentially damaging measure that would see the U.S. Immigration and Naturalization Service (INS) accelerate implementation of plans to create a strict registration system for controlling individuals (including Canadians) entering and exiting the United States. Another policy development worth mentioning is the introduction in Congress on October 31 of the Enhanced Border Security Act, which was designed with assistance from the White House to harmonize border and customs regulations with Canada and Mexico.

Any U.S. decision to move to an entry-exit plan would have a huge impact on the Canadian economy. Such a move could represent a return to the Section 110 (of the U.S. *Illegal Immigration Reform and Immigrant Responsibility Act* of 1996) environment, involving a permanent state of “high alert” that Canada avoided recently. To potentially fend off such a costly unilateral measure, a completely integrated border system — involving the sharing of information (on both passengers and cargo manifests) between the two countries and the use of joint facilities — needs to be developed.

We believe that discussions at the highest levels of the U.S. Administration and Congress should be intensified. The Prime Minister should establish a high-profile mission to Washington as soon as possible, with significant attention devoted to Congress and with representation from provincial and municipal levels of government. Such a mission could be helpful to ward off future border irritants. The Sub-committee recommends:

Recommendation 3:

That the Government of Canada seek the commitment of the United States for a high-level “summit” of senior American and Canadian political leaders and officials to discuss border management issues. On the basis of these meetings, Canada and the United States should jointly undertake to develop and make public a revitalized bilateral border management plan that would render more efficient the cross-border flow of goods and services.

It is vitally important for the U.S. business community to cooperate with Canadian business on this issue. To this end, the Canadian Manufacturers and Exporters has established a joint committee with its U.S. counterpart, the National Association of Manufacturers, to find solutions to the problem. We applaud this initiative.

C. Implementing Practical Measures to Make the Canada-U.S. Border More Trade Efficient and Secure

“Tremendous progress and co-operation has been achieved by the numerous involved parties through their dedication and extensive efforts related to the 1995 Shared Border Accord/the 1997 Border Vision/the 1999 Canada U.S. Partnership (CUSP)/and the Open Skies agreement, all of which are important. However, in spite of these tremendous breakthroughs and initiatives the fact remains that the current border processes for ‘legal’ goods and people continue ‘to impede’ rather than facilitate before and after the September 11 terrorist acts.”
(Canadian/American Border Trade Alliance)

The Sub-committee believes that security and border trade should not be seen as adversaries, in the sense that there is a trade-off between security and freedom of movement. Trade will be facilitated if there is confidence in security at the border. It is vitally important, therefore, that both the border efficiency component and the security component be assigned high priority. The key is to create a “smart” border, thereby enhancing border efficiency, with more intelligent and secure methods of processing border examinations. We believe that transportation and trade bottlenecks can be avoided through a number of practical measures outlined here.

Ultimately, the Sub-committee is of the view that Canada needs to be much more imaginative and visionary in addressing the movement of people and goods across the border. In so doing, one should examine the merits of extending across the border the pilot projects and prototypes developed by the Canada Customs and Revenue Agency (CCRA). The Sub-committee was told that the CCRA is a progressive Canadian government agency that is “light years” ahead of the United States in terms of how individuals and products are processed across the border.

1. Moving Inspection Away from the Border

Congestion at the border has long been a problem. The Sub-committee was told that the inspection of goods has to be moved back from the border to avoid the border bottlenecks. As the Canadian Vehicle Manufacturers Association's brief suggested, doing so will both facilitate legitimate trade across the border and improve border security.

An interesting proposal to reduce congestion was brought to the Sub-committee's attention by both the Customs Excise Union and the Canadian/American Border Trade Alliance. Essentially, this plan would involve the expansion of pre-clearance to land

borders through the establishment of International Customs Commercial Clearing Centres (the Union's term) or Accord Processing Zones (the Trade Alliance's term) at the country's most congested border crossings. The proposal calls for the construction of pre-clearance facilities for commercial traffic on Canadian soil within several kilometres of the border. Within the premises, both countries could undertake verification of containers by their own customs specialists. Alternatively, single inspections to the standards of both countries could be undertaken.

In this way, the bulk of commercial shipments to the United States could be “diverted to these centres with minimal inconvenience and improved processing times.” The Union suggested that border facilities could also be expanded to deal with the travelling public that still has to be processed. At least two issues would have to be resolved, however. The first is the need for an expansion of Canadian pre-clearance legislation to cover land border crossings, to legally enable the development of the discussed facilities to occur. As the Canadian/American Border Trade Alliance informed the Sub-committee, “This will allow U.S. agents...to come to the other side of the crossing and allow Canadian to go to the U.S. side. There is as we speak, and has been since 1935, legislation in the U.S.A. that would allow Canadian customs officers to go there tomorrow if there was reciprocal legislation allowing U.S. officers to operate similarly.” The second issue involves U.S. customs officials carrying firearms in Canada, or having an armed police presence at customs posts.

The Sub-committee is extremely favourably disposed to the pre-clearance proposal brought to its attention and recommends:

Recommendation 4:

That the Government of Canada examine the feasibility of constructing pre-clearance facilities for commercial traffic in the vicinity of heavily congested border-crossing points. As a necessary precursor to the development of these facilities for land crossings, legislation enabling pre-clearance at land borders should be introduced.

For its part, the Railway Association of Canada expressed concern over “a greater preponderance of border inspections by U.S. Customs Service.” Arguing that the railway companies were not equipped to facilitate such inspections at the various border points, the Association called for customs inspections to be undertaken either at the destination or point-of-origin. As a preferred option, they would prefer to see single inspections performed to the standards of both countries, at either port or key inland terminals such as Chicago. Movement to single inspections would, according to the Canadian/American Border Trade Alliance, require a bilateral agreement on the sharing of data between the two customs authorities.

2. Separating High-Risk Border Traffic from Low Risk

The CCRA already undertakes a two-tier processing system at the border, involving a primary inspection line and secondary inspection for high-risk travellers and shippers. Only a very small percentage of goods and individuals are typically subjected to detailed inspections. Indeed, undertaking 100% inspection at the border at all times is not a viable option.

We believe that more needs to be done to separate high-risk and low-risk traffic crossing the border. With an improved two-tier strategy in place, resources could then be concentrated on the higher-risk traffic. Such a differentiated strategy will provide for both greater security and more efficient crossings of legitimate travellers and goods.

There are several ways to improve the separation of risk. One option is to pre-qualify low-risk freight and law-abiding individuals. Shippers whose paperwork is in order or who have been pre-approved for customs clearance would be streamed out, so that they do not have to wait needlessly in line. Low-risk individual travellers would be issued identification cards, following a security investigation, for easier border crossing.

It is important to maximize the amount of data customs officers receives and examines before the goods get to the border. One program — referred to as Carrier re-engineering — already commits shippers to electronically transmit pre-arrival data to the CCRA, enabling the agency to identify shipments of high or unknown risk. The Customs Self-Assessment (CSA) program is another worthy initiative that facilitates the flow of goods for firms shipping frequently across the border. Under this program, companies are given the opportunity to receive pre-clearance privileges and self-assess customs duties payable under certain conditions. On the negative side, the Canadian Vehicle Manufacturers Association expressed regret surrounding the delay in the implementation of the CSA initiative and the fact that it had been altered in a manner costly to business.

A number of other CCRA initiatives, such as CANPASS and NEXUS, were viewed by witnesses as efficient ways to facilitate the movement of low-risk travellers and to identify potential risks. The former represents a family of permit-based programs, administered by CCRA and designed to aid pre-approved, low-risk travellers cross the border (in dedicated lanes) more quickly. NEXUS, on the other hand, is a border crossing pilot program designed for low-risk, pre-approved travellers entering Canada and the United States incorporating many harmonized features (e.g., common eligibility requirements, a common card, a single application form and instruction sheet). This test program was successfully launched at the Sarnia—Port Huron Blue Water Bridge crossing in November 2000 but has been suspended since September 11.

Many of the solutions to make this border smarter are thus not new. Canadian Manufacturers and Exporters suggested an “immediate implementation of CSA, NEXUS, CANPASS and other pre-clearance programs to take as much processing as possible

away from the border.” These remain suspended in the wake of the events of September 11.

For its part, the Canadian/American Border Trade Alliance recommended the development of a single processing system to enable registered, low-risk, frequent travellers (including commercial shippers driving empty loads) from either country to enter the other via dedicated primary lanes. Detailed background security checks would be performed as a prerequisite for receipt of border-crossing cards.

This integrated concept already exists, in the form of NEXUS. The Trade Alliance called for the expansion of this pilot project to the entire border system by early 2002. We find this proposal to be eminently sensible and recommend:

Recommendation 5:

That, following successful consultation with authorities in the United States and taking into account security considerations, the Government of Canada reactivate as soon as possible those programs (e.g., CSA, NEXUS, CANPASS) designed to improve border risk management and ease congestion. The NEXUS project should be expanded to all Canada-U.S. border crossings by the early part of 2002.

3. Injecting Additional Resources

In theory, the existing two-tiered strategy mentioned above should have freed up resources to devote to shippers showing up unannounced at the border, as well as to individual travellers. However, as the Customs Excise Union pointed out, these resources were used instead to deal with the increased volumes that bilateral trade gains were causing, not with improving enforcement activities. In fact, the Union characterized the secondary enforcement effort to be “at an all-time low.” It has, therefore, called for a minimum infusion of 1,200 more customs officers in the Travellers' Stream and another 400 in the Commercial Stream, for an additional budgetary cost of \$80 million to \$100 million.

Other witnesses before the Sub-committee also echoed the need for additional resources. For example, the Canadian Police Association lamented the cutbacks to spending on customs and immigration that had taken place in the 1990s and called for increased funding, training and equipment for front-line officers. The Air Transport Association of Canada and the Canadian/American Border Trade Alliance also favoured the provision of more resources in the areas of customs and immigration.

The Sub-committee believes that greater attention must be given to whether we have enough trained human resources and physical infrastructure to accommodate the higher volumes of cross-border traffic that bilateral trade has generated. As the Public

Policy Forum noted in its submission to the Sub-committee, an investment “in the border's fluidity and effectiveness is not a cost but a strategic investment.” We recommend:

Recommendation 6:

That, in its upcoming December budget, the Government of Canada provide the additional resources necessary for customs and immigration officials active in security and border management, and for the necessary physical improvements to border operations.

4. Using Advanced Technologies

The Sub-committee also heard from witnesses of the usefulness of employing new technology to border management. Greater progress needs to be made in using technology to identify frequent border crossers to facilitate the passage of business people.

Several options are available. One is to put in place automated mechanisms (e.g., greater use of smart-card technologies) to facilitate cross-border trade and individual crossings. Biometric technology in the form of fingerprint or retina scanners could also be considered to identify individuals and truck drivers crossing the border.

Second, the Sub-committee agrees with the Canadian Vehicle Manufacturers Association's suggestion that Canada “explore how transponder technology can further facilitate the smooth flow of high value-added, low-risk commercial traffic.” Under this option, the vehicles of low-risk commercial shippers (i.e., the major exporters) would be equipped with transponders designed to beam accounting and customs information to officials at the border. That way customs officers would know in advance exactly what goods are being carried across the border, and be in a position to pinpoint the location of the vehicles in question.

Third, non-invasive vapour-sensing technology and gamma-ray imaging could be used as tools to quickly screen trucks and the contents of containers, without unloading, at the border. The CCRA informed the Sub-committee that it is strengthening contraband detection technology to identify high-risk people and goods.

Finally, border agencies are contemplating enhancing their computer information systems to develop greater knowledge about the goods and people moving across the border. The CCRA, as part of its Customs Action Plan 2000-2004, has plans to enhance access to Customs and Immigration databases by replacing old technology and by introducing the Customs Intelligence Management System, a national repository for intelligence information. Accordingly, the Sub-committee recommends:

Recommendation 7:

That the Government of Canada test and implement, where feasible, advanced technologies in its border processing operations. Concerns surrounding Canadians' privacy should be respected in formulating these plans.

5. Moving Towards Joint Customs and Immigration Operations and Databases

Another strategy to reduce congestion at the border is the construction of joint facilities for Canadian and U.S. inspectors. Canadian Manufacturers and Exporters supported this idea, and suggested increasing integration of customs inspections and facilities between Canada and the United States. There would also seem to be merit in having both countries establish a consolidated database that would pull together information from immigration, customs, law enforcement, and intelligence agencies from both sides of the border.

Current plans to jointly develop border facilities are in their embryonic state. One is currently operational at the Little Gold Creek (Yukon) — Poker Creek (Alaska) crossing, while design work is still being carried out at two others (Coutts, Alberta — Sweetgrass, Montana; Osoyoos, British Columbia — Oroville, Washington). Regarding the latter two, progress has been painstakingly slow, owing to cross-border differences in policy and legislation such as the deployment of firearms by U.S. border officials. The Sub-committee favours an early resolution of these transboundary issues and recommends:

Recommendation 8:

That the Government of Canada work with its U.S. counterparts to resolve the issues delaying the development of joint border facilities and to accelerate plans for their development in locations in which such implementation is cost-effective.

D. Clarifying Border Responsibilities within the Federal Government

“It was a recommendation that we create a position of minister responsible for border efficiency and security. This minister would have a general oversight, would be accountable to Parliament, and would provide some leadership, some direction, some focus.” (Canadian Trucking Alliance)

The Sub-committee received evidence that responsibility at the border is too diffused, given that it rests with about four or five different departments and agencies. According to the Canadian Trucking Alliance, the federal government should designate a

minister whose only focus would be border efficiency and security. Although the task has been assigned to Foreign Affairs Minister John Manley, he continues to manage other aspects of Canadian foreign policy and there are indications that the Cabinet committee on national security that he heads will soon be disbanded.

The Canadian Police Association called for the establishment of a “National Border Protection Service” that would provide “strategic and coordinated protection and enforcement across Canada's borders and points of entry separate from the Department of National Revenue.”

The Sub-committee wishes to bring these concerns to the attention of the federal government and requests a review of its current planning and coordinating capabilities. We recommend:

Recommendation 9:

That, in light of the evidence received, the Government of Canada assess the effectiveness of its internal mechanisms to coordinate the border management and security policies of Canada and take appropriate remedial action.

APPENDIX A LIST OF WITNESSES

Associations and Individuals	Date	Meeting
<p>Canada Customs and Revenue Agency</p> <p>Brian Brimble, Director General, Operational Policy and Coordination Directorate</p> <p>Brian Jones, Director, Import Process Division</p>	18/10/2001	12
<p>Canadian Manufacturers and Exporters</p> <p>Perrin Beatty, President</p>		
<p>Canadian Trucking Alliance</p> <p>Massimo Bergamini, Vice-President, Public Affairs</p> <p>David Bradley, Chief Executive Officer</p>		
<p>Canadian Vehicle Manufacturers' Association</p> <p>David Adams, Vice-President of Policy</p>		
<p>Department of Foreign Affairs and International Trade</p> <p>Jon Allen, Director General, North America Bureau</p> <p>Marc Lortie, Assistant Deputy Minister, Americas</p>		
<p>Canadian Association of Importers and Exporters</p> <p>John Bescec, Vice-President</p>	25/10/2001	13
<p>Canadian Chamber of Commerce (The)</p> <p>Alexander Lofthouse, Policy Analyst</p>		
<p>Customs Excise Union</p> <p>Serge Charette, National President</p>		
<p>Air Transport Association of Canada</p> <p>Warren Everson, Vice-President</p>	31/10/2001	14
<p>Canadian Association of Chiefs of Police</p> <p>Vince Bevan, Vice-President</p> <p>Vincent Westwik, General Counsel</p>		

Associations and Individuals	Date	Meeting
Canadian International Freight Forwarders Association George Khun, Executive Director	31/10/2001	14
Canadian Police Association David Griffin, Executive Officer		
Public Policy Forum Yves Poisson, Consultant		
Railway Association of Canada Bruce Burrows, Vice-President, Public Affairs, Government Relations Chris Jones, Director		
The Canadian/American Border Trade Alliance James Phillips, President		

APPENDIX B LIST OF BRIEFS

Air Transport Association of Canada
Canada Customs and Revenue Agency
Canadian Association of Chiefs of Police
Canadian International Freight Forwarders Association
Canadian Manufacturers and Exporters
Canadian Police Association
Canadian Trucking Alliance
Canadian Vehicle Manufacturers' Association
Coalition for Gun Control
Consumers for World Trade News
Customs Excise Union
Hotel Association of Canada
International Mass Retail Association
National Black Chamber of Commerce
National Lumber and Building Material Dealers Association
Public Policy Forum
Railway Association of Canada
Shipping Federation of Canada (The)
The Canadian/American Border Trade Alliance

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response to this report.

A copy of the relevant Minutes of Proceedings (*Meeting No. 46*) is tabled.

Respectfully submitted,

Bill Graham, M.P.
Chair

MINUTES OF PROCEEDINGS

Tuesday, November 27, 2001
(Meeting No. 46)

The Standing Committee on Foreign Affairs and International Trade met at 4:10 p.m. this day, in Room 371, West Block, the Chair, Bill Graham, presiding.

Members of the Committee present: Jean Augustine, Aileen Carroll, Bill Graham, Marlene Jennings, Stan Keyes, Pat O'Brien, Brian Pallister, Pierre Paquette, Bernard Patry.

Acting Member present: Mac Harb for Hon. George Baker.

In attendance: From the Parliamentary Research Branch of the Library of Parliament: James Lee, Gerald Schmitz, research officers.

Witnesses: From the Council on Foreign Relations (New York): Stephen Flynn, Fellow, National Security Studies. *From the Business Council on National Issues:* Thomas d'Aquino, President and Chief Executive Officer; Sam T. Boutziouvis, Vice-President, International Trade and Global Economics. *From the Conference Board of Canada:* Gilles Rhéaume, Vice-President, Policy, Business and Society; Andrew Shea, Research Associate.

Pursuant to Standing Order 108(2), the Committee resumed its study of North American Integration and Canada's Role in the Light of New Security Challenges (See Minutes of Proceedings of Tuesday, October 16, 2001, Meeting No. 31).

Stephen Flynn, Thomas d'Aquino, Gilles Rhéaume and Andrew Shea made statements and Stephen Flynn, Thomas d'Aquino and Gilles Rhéaume answered questions.

At 5:05 p.m., the Committee proceeded to consider the Fifth Report of the Sub-committee on International Trade, Trade Disputes and Investment.

It was agreed, — That the Committee adopt the Fifth Report, *Towards a Secure and Trade-Efficient Border*, of the Sub-committee on International Trade, Trade Disputes and Investment, as its Thirteenth Report to the House;

— That the Chair be authorized to make such typographical and editorial changes as may be necessary without changing the substance of the report;

— That 1,000 copies in bilingual format be printed;

— That the Chair of the Sub-committee on International Trade, Trade Disputes and Investment be authorized to present the report to the House;

— That, pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response within 150 days to this report.

At 5:10 p.m., the Committee discussed its future business.

Brian Pallister moved,

— That the Committee hold hearings to consider and report on the Supplementary Estimates (A), 2001-2002, Department of Foreign Affairs and International Trade;

— That the Committee invite the Minister of Foreign Affairs and senior officials to appear before the Committee on the Supplementary Estimates (A) 2001-2002 as soon as possible.

After debate, the question was put on the motion and it was agreed to.

The Committee resumed its study of North American Integration and Canada's Role in the Light of New Security Challenges.

At 5:15 p.m., the Committee adjourned to the call of the Chair.

Stephen Knowles
Clerk of the Committee