

THE BROOKINGS INSTITUTION

TOWARD A BETTER BORDER: THE UNITED STATES AND CANADA

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**Welcome**

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**Opening Remarks**

STROBE TALBOTT  
President, Brookings Institution

JIM BALSILLIE  
Co-CEO, Research in Motion  
Chair, Canadian International Council

HONORABLE JOHN BAIRD  
Canadian Minister of Transport, Infrastructure  
and Communities

THE BORDER IN THE BROADER CONTEXT OF US-CANADA RELATIONS

CHARLES F. DORAN  
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GORDON GIFFIN  
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LEGISLATIVE PERSPECTIVES ON BORDER POLICY

SENATOR HUGH SEGAL, C.M.  
Former Chair, Senate Committee on Foreign Affairs  
Vice Chair, Canadian International Council

HONORABLE LOUISE SLAUGHTER  
U.S. House of Representatives

BUSINESS PERSPECTIVES ON BORDER POLICY

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TOWARD A NEW FRONTIER: IMPROVING THE US-CANADIAN BORDER

CHRISTOPHER SANDS  
Senior Fellow, Hudson Institute

**Response Panel**

DONALD ALPER  
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NORTHERN BORDER POLICY AND THE NEW ADMINISTRATION

HONORABLE JANET NAPOLITANO  
Secretary, U.S. Department of Homeland Security

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## P R O C E E D I N G S

DR. CRAWFORD: All right. We will get started this time. Please take your seats. My name is Steve Crawford, and I am with the Brookings Metropolitan Policy Program, and it is my pleasure to welcome you to this conference on U.S./Canada Border Policy. As you can see from the agenda, we have a ridiculously tight schedule, so let me quickly run through some basics.

Reporters are in the room, so please minimize the cursing as you climb over ten others to get to an empty seat. The bathrooms are across the hall from the registration desk, and there are good people at that desk, they'll be there all day; if you have questions or need directions, they can help you.

Please note that your packets include an agenda, bios of our speakers, and copies of two papers, one a CIC, Canadian International Council, CIC publication, the other a preliminary paper on which we welcome your comments any time in the next couple of weeks. You can send them to the author, Doctor

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Christopher Sands, or to Kelly Goodman at Brookings, and there is in your packet a single page that gives their email addresses to send those. The reason we seek your comments is that this audience represents a very impressive combination of government officials, leaders from the private sector, and experts from the academic community. There are two or more of you, I'm just going to tell you a little bit about yourselves, there are two or more of you from each of the following, the Ambassador Bridge, the American Trucking Association, the Canadian/American Business Council, Canadian Council of Chief Executives, Canadian Embassy, CSC, CSIS, the National Association of Manufacturers, the U.S. Chamber of Commerce, the Detroit Regional Chamber of Commerce, the U.S. Coast Guard, U.S. Customs and Border Protection, and the U.S. Departments of Commerce, Transportation, State, and of course, Homeland Security.

Among those of you bold enough to come alone, there are representatives of the House Committee on Homeland Security, the Senate Finance

Committee, the Federal Reserve Bank of Chicago, the Council of Great Lakes Governors, the National Retail Foundation, the Association of American Railroads, IBM, Ford, GM, the Bellingham-Whatcom Chamber of Commerce, and Industry ERSA Capital, do you give bonuses, and the Russian Embassy; well, they, too, have a border with Canada. You represent, in short, a marvelous cross section of experts and stakeholders on U.S./Canada border issues, and we are very happy to have you. The fact that you are at this conference is a tribute to the many organizations that have assisted in organizing and hosting it, from those listed at the top of your agenda, to many others, a few of which I want to mention.

I wish to thank in particular the Canadian Embassy, the Woodrow Wilson Center and its Canada Institute, the Johns Hopkins Center for Canadian Studies, and the Pacific NorthWest Economic Region. I also wish to acknowledge the exquisite assistance of the Brookings and CIC staff who worked so hard and well to put on this event, especially Lael Harris,

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Carol Davidson, Sean Hargrove, Susan Kellam, Ellen Ochs, Birgit Matthiesen, and Tamara Zur.

It is now my pleasure to introduce the President of Brookings, Strobe Talbott. Strobe is well known for his work as an editor at large and foreign affairs columnist at Time magazine, as Deputy Secretary of State under the Clinton - under President Clinton, and Founding Director of the Yale Center for the Study of Globalization, and for his many books and articles and elite periodicals. What is less known is that he has a long standing interest in Canada. That interest dates to his family summer vacation when he was a child, but has long since reflected his recognition of Canada's strategic importance as an ally and trading partner. Strobe, over to you.

DR. TALBOTT: Thank you, Steve, very much, and welcome to all of you. I thought I would just say a few words about the background, the origins of this event today. As you could gather, I'm sure, from Steve's introduction, which referred to a number of collaborations, Brookings is very into partnerships.



We feel it is critically important given the magnitude and complexity of the problems that all of us face today, and I say that whether I'm speaking about individuals, those who are in the public sector, those who are in the private sector, those who are in the NGO world, that it's critically important that we find ways of competing less and collaborating more to double team, triple team, and quadruple team the problems that we face. And it's very much in that spirit that all of this comes about.

And here at Brookings, when we think about partnerships with outfits in other countries, we naturally try to concentrate on partnerships that reflect the key bilateral relationships of the United States. So it's natural that we would want to have Canadian partners. We've had one such partnership for several years with the Center for International Governance Innovation, not least because international governance or what we call global governance here at Brookings is a priority subject for the Institution.

I think everybody in this room knows that CIGI, as we have learned to call it, along with the blackberry, is a brain child of Jim Balsillie. And Jim, of course, is also the Chair of the Canadian International Council. And it was that connection, I'm putting the dots together for you here, it was that connection that brought me together with my friend, and I can call him that now, Senator Hugh Segal, and that friendship dates back just about a year.

It was in April of last year that, with more than a little instigation on Jim's part, Hugh paid a visit to Washington, and we sat down to talk about the issues that are front and center here today. Now, April of 2008 was, of course, in the midst of a very intensely contested presidential primary, or two primaries that were then - processes that were then underway, and it was long before it was clear or many were predicting that a Junior Senator from Illinois would be taking his own Blackberry into the White House, thereby generating lots and lots of publicity

for a certain handheld device, and I hope all of you have yours turned onto silent mode, which is something we always have to remind people here. Those of you who haven't been to Brookings before, we have installed little ejector seats, I have a button up here, so if anybody's Blackberry goes off, I just hit a button and strange things happen.

In any event, Hugh and Steve Crawford and I sat down in a room just around the corner from here and we talked about the importance of what we could do together to help advance two common interests between the United States and Canada.

One, of course, was ensuring the physical security of both countries in the face of new threats that are the result of what I will call the dark side of globalization. But the other common interest is preserving the vitality of the largest bilateral trading relationship in the world. And quite naturally, we zeroed in on the Great Lakes region. And, Hugh, I remember, it's one of the more vivid memories I have, your telling me a little bit about

the consequences of measures that were taken by the United States government in the wake of 911, and the effect that some of those measures had on the efficient movement of people and goods and services, particular between Detroit and Windsor, two bridges, one tunnel, and one ferry, as I recall, and how that bottleneck radiated in negative ways into Canada, but also radiated in negative ways here in the United States, although there was clearly more general consciousness of that on your side of the border than on ours, which is one reason I'm glad you came down here to get us at Brookings to focus on it.

And this whole issue resonated with me personally for reasons that actually go back even further than my own childhood, going off into the bush of Canada. I come from an Ohio clan who's paterfamilias, which is to say my great grandfather made a career out of building or helping to build a spur of the Algoma Central Railroad, which, as you all know, goes from Sault Sainte Marie up to Hudson Bay, and the spur went along the north shore of Lake

Superior, so that mining interest could get copper out of the Michipicoten Island copper fields. So I personally identify with this connection across that border.

Now, beyond that biographical road or biographical point, the message that Hugh Segal brought to us here at Brookings also resonated institutionally, not just because of the overall commitment of the Brookings Institution to doing what it can to strengthen the already very strong relationship between Canada and the United States, but also because we have a program here at Brookings called Metro, and that word, Metro, is more than a bureaucratic designation, it is also a concept of national and, indeed, international governance, and here is the basic idea.

Of course, sovereign states still matter very much. Of course, national capitals like Washington, D.C. and Ottawa still matter very much. So do individual states and provinces, and so do individual cities. But increasingly, it's metro based

regions which subsume multiple cities that are now evermore the building blocks of both governance and commerce. And metros can cross international borders.

In Europe, you have an example of that between Barcelona and Marseilles; in North America, we have it most dramatically between Detroit and Windsor, and to some extent, Buffalo and Toronto. So out of that session with Hugh Segal, nearly a year of work is now culminating here today, and that would not have happened without the support and the vision of Jim Balsillie. Jim has become a personal friend, he has hosted me in Waterloo, not just at CIGI, but in his house, I've gotten to know his family, including Digby, the dog, he has engaged me in the very important work that is being done under the auspices of CIGI, and he has served on the Brookings Institution International Advisory Council. And most pertinently of all, of course, he has enabled all that is coming to fruition today under the auspices of Brookings, CIC, and the other partnering institutes, and all that as a result of Hugh's visit last April

down here. So with that, Jim, I'll turn the lectern over to you, and we will get on with the program.

Thank you very much.

MR. BALSILLIE: Thank you very much, Strobe, and it's a real pleasure to be here. Greetings to Ministers Baird, Bryant, and Merrifield, Senators, members of Congress, Ambassadors, fellow business people, and friends, good morning and welcome.

As a friend of Brookings and of Strobe Talbott, and as Chairman of the Canadian International Council, I'm delighted to welcome you here this morning. And I'm pleased with the relationship that we at CIC are developing with Brookings, the gold standard of American think tanks. As co-CEO of RIM, a business that works across many borders, especially the Canada/U.S. border, I know that cooperation in resolving border issues is critical. The relationship we at RIM have developed with our American partners in the short space of a decade is extraordinary. In the process, just with the U.S. federal government,

Blackberry has gone from an idea to over 500,000 users in the U.S. federal government.

Being competitive and innovative in our business practices in the United States is integral to our success. In the U.S., we have invested billions of dollars in our infrastructure, our operations, our manufacturing, and partner with virtually every telecommunications carrier in the country. Clearly, such partnerships are beneficial for all concerned.

As co-CEO of RIM and as Chair of the Canadian International Council, I'm confident in my judgment that the importance of the issues you discuss here today will defy exaggeration. We meet in the worse economic circumstances any of us has ever experienced. These circumstances risk worsening if we do not respond actively and intelligently and cooperatively. It is urgent and vital that we find real time solutions to protectionism and border security, solutions that, one, safeguard our essential safety, and preserve our endangered prosperity. Responding intelligently to these challenges is a



central political imperative for both countries.

Canada and the United States have the most symbiotic economic relationship of any two countries, but the success is not a North American birth right, it's a product of commitment, perseverance, and political will.

The wide spectrum of expertise in this room should make it possible for us to find creative solutions together. These options can and should marry security and efficiency and need not dilute either. I certainly understand with blackberry how security and efficiency can be supportive. Blackberry has defined itself as the gold standard for efficiency. It has also defined itself as the gold standard for security. And yet prior to blackberry, these two elements were defined intention of one another, and, in fact, with proper innovative practices, we have proven irrefutably that they're actually mutually reinforcing, if done with creativity.

By cooperating on the border, we can safeguard the security of Canadians and Americans and reinforce our competitive both. We are grateful for Brookings leadership and pleased to be partners in this undertaking which we see as the beginning of a constructive and creative process. With today's discussions, we can take a quantum step forward towards a smart border management. On behalf of the CIC and our team of researchers, thank you for being here today, and good luck with your discussions. Thank you.

DR. TALBOTT: Thanks, Jim. Among the many virtues of this gathering today is that it includes some extremely serious and well focused and appropriate representation from the two governments. You're going to be hearing from Secretary Napolitano a little later.

We're very lucky to have Roberta Jacobson with us here today. Roberta is the senior official in the Department of State here in Washington who is

responsible for North America, which, of course, means Mexico and Canada, as well as NAFTA.

While there are some vexing issues to be dealt with along our northern border, anybody who has been following the papers, including today's New York Times, knows that Roberta probably will welcome the chance to talk a little bit about U.S./Canadian relations given what she's dealing with to the south at the moment. But, Roberta, thank you, in the midst of all that you're coping with at your office, to be spending so much time with us today. And on the Canadian side, we're very lucky to have the Honorable Rob Merrifield, the Minister of State for Transportation. We also have the Honorable Michael Bryant, Minister of Economic Development for Ontario here. And very importantly, we have the Honorable John Baird, who is Minister of Transportation, Infrastructure, and Communities.

And I would say, Mr. Minister, that all three of your portfolios are extremely relevant to what we're going to be talking about, including the

last one, since I see the United States and Canada as belonging to and being very much at the center of what I will call a community of communities, which includes the Transatlantic community, NATO, the G8, and, of course, NAFTA. So, please, we welcome you to the microphone and look forward to hearing your remarks.

MR. BAIRD: Well, thank you very much, Strobe. I'm very pleased to be here at Brookings. It's a great opportunity to talk about some important issues. It is important, as well, though, for - I'm an elected official in Canada. Rob, myself, and my colleague from Ontario are all elected in addition to serving in the Executive Branch, and it is important that we get out of the Capital and get a different perspective. I learned this last week, where I spoke in Vancouver at a Chamber of Commerce event, and I turned to the President of the Chamber, who I was sitting next with at lunch, and I said, you know, this is a pretty good crowd, I said, you know, you've got 250 people out, that's an impressive group on such short notice, he says, yeah, we're very pleased, but

when we get a good speaker, we can get at least 1,000, and that quickly brought me down to earth.

I'm pleased to be able to see such a strong group of people with great credentials to discuss what is really an important issue affecting the United States and Canada border. The prestige of the Brookings Institution has certainly helped bring us together, and it's great to see you here, Jim, and that you're being supportive, that Research in Motion is being supportive of this great conference, and it's a great Canadian success story.

We have made some changes in Ottawa. The most annoying change that has happened in Ottawa, I was telling Jim, is that outside of our cabinet room and outside of our caucus room, we now have this wall of boxes. We have a little key, and you're forced to put your Blackberry in it at the beginning of the meeting. We were given the excuse that there are apparently transmission issues, that people could eavesdrop on what was going on in the meeting, but I just learned from Jim that's not the case. I expect

the Prime Minister found his cabinet colleagues to be distracted and not paying attention, either that or giving the media a real time play by play on what's going on in our caucus or cabinet, so I suspect that was the real reason. We certainly would not be where we are in our professional lives without the Blackberry, it's a great Canadian success story.

I also want to commend your leadership, Jim, in creating the Canadian International Council, it's a great initiative. With Michael Kergin and Birgit Matthiesen report, A New Bridge for Old Allies, the CIC has made really a significant contribution to the discussion of the United States/Canada border.

Our government is looking at the recommendations very closely and are taking a keen interest in today's deliberations. The report's timing couldn't be better as we stand on the threshold of new opportunities to strengthen Canada and U.S. relations. President Obama's visit to Ottawa last month underscored the deep respect and enthusiasm that Canadians have for our U.S. neighbors. It was very

clear that Prime Minister Steven Harper and President Obama have already established an excellent working relationship, and when you have that strong, effective working relationship from the two leaders at the top, it inevitably takes route down the line with the cabinet and other officials, and we are very pleased with the results of the visit.

Our governments are already working together on an ambitious agenda, which includes revitalizing the North American economy, a clean energy dialogue and climate change, cooperating in Afghanistan, where Canada is standing side-by-side with the United States, side-by-side with our NATO allies doing the heavy lifting to get that job done, and we're very proud of that.

Also, we're working together on the border. As the Prime Minister told President Obama in Ottawa recently, a threat to the United States is a threat to Canada. We take security incredibly seriously, it's an important and key responsibility of our government and a priority.

Canada does intend to work closely with the United States in enhancing and improving the security of North America. Just last week my colleague and cabinet, Public Safety Minister Peter Van Loan, met with his counterpart, Secretary Janet Napolitano. They agreed at looking at establishing a high level dialogue on security and border issues as they propose to meet at least twice a year to advance the issues of common concern.

We're keen to work with the new Obama Administration and Secretary Napolitano, and I'm very pleased to see she'll be joining you later today, and I look forward to hearing what she has to say.

The economic recovery of both nations will depend in large measure on how we manage our common border. In these tough economic times, I think we have an important responsibility and duty to our citizens to do the very best job we can to keep our borders safe, but also ensuring that they continue to flow trade between our two countries.



As a matter of fact, our national security is about preserving our economic prosperity, which are core values in our quality of life. In these tough times, it's even more important that we find ways to re-energize the work that we do together to protect our people, but at the same time, to protect their jobs. We can do so by finding ways to have even safer borders that keep threats to our security at bay and which ensure the billions of dollars of trades and goods and services that are traded between our countries continue to do so effectively and efficiently. Rob Merrifield, my cabinet colleague, is fond of saying that good fences make good neighbors, but when you have really good neighbors, you don't need fences, and that's what we're committed to do to ensure that we have a good trade back and forth across our two borders.

Both of our countries are investing an unprecedented amount of money to help stimulate the economy. We want to create jobs in the short term, and just as importantly, prepare for the long term.

Let's leverage that investment so that we can come out of these economic challenging times stronger and better. Let's make smart stimulus investments to build a foundation for jobs and for the generations to come.

I believe the best example of an important infrastructure project that must move forward as expeditiously as possible is the Detroit Windsor International Crossing. As many of you know, the governments of Canada, of the United States, of Michigan, and Ontario have been working together for the past few years towards the development of a new border capacity across the Detroit River. Building a new bridge, plazas, and connecting road infrastructure would certainly help create jobs in the short term. But think of the long term impact. A secure and efficient crossing is important for jobs, not only in Windsor and Detroit, but for the entire corridor that stretches from Ontario and Quebec down to the American heartland, making it a key component of what we call the Continental Gateway.

The Detroit Windsor Crossing is important for jobs, but it's also just as important for our mutual prosperity. A hundred and thirty billion dollars of trade goes across that bridge every year, and we're committed to making it happen.

We can't forget this region service as a fully integrated manufacturing hub for North America, where our two countries actually build things together, and the automotive industry as it struggles is clearly, though, a strong and perfect example.

The existing Detroit Windsor border crossing currently handle a quarter of the U.S./Canada trade, therefore, both countries have a vested interest, a pecuniary interest in ensuring the traffic at the border flows efficiently, and that the international supply chain remains robust. To think of how important the crossing is, think of what would happen if it were no longer there. Industry groups have run the numbers on how short a time it would take for production to grind to a halt if the crossings over the Detroit River were closed. Their studies show

that in a matter of several hours, production lines would begin to come to a stop all over the United States and Canada, and that's not what we need in their economy.

In an era of globalization, an integrated North American economy allows both our nations to compete with the very best of the world. Keeping people and goods flowing across our shared border to allow this to happen is what we're here to discuss today.

You've got many excellent speakers who are going to talk about the important issues that need to be addressed to help keep - not just to keep the border open, but to keep it as an effective transportation hub to move goods and services across quickly.

But from where I stand, however, the most important issue I see is getting this bridge built. And I want to assure you today that getting this bridge, the plaza, the connecting roads completed has been and will continue to be the number one

infrastructure project in Canada. Our single most important transportation and infrastructure priority is this initiative and we're committed to moving quickly. The challenging economic times that we're facing, not just in Southwestern Ontario, but in Michigan, is also an excellent opportunity to really put a shot in the arm of this region's economy, and we're committed to move this file forward very quickly.

Last year, coordinated environmental assessments were completed on both sides of the border, and as you may know, the U.S. Federal Highway Administration issued its record of decision on the Environmental Impact Assessment just this January. This was a significant milestone in the approval process for this new crossing.

In Canada, we expect to have all of the necessary approvals in place in the coming months later this summer. With the environmental approvals in hand, we'll be in a position to move forward with the construction phase of this important project.

We continue to work closely with our American and Michigan partners to secure the remaining approvals, and we're optimistic that these can be obtained in the coming months. The Prime Minister and this Minister and our government is committed to completing this important crossing as soon as possible. And we will devote whatever resources are necessary to advance this project and to get the job done. We have committed to fund 50 percent of the cost of the new highway that will connect the new bridge and have already set aside the money to make it happen. We're negotiating with the willing property owners to acquire the lands needed for both the plaza and the bridge. And let me be clear that this is the most important public infrastructure project in Canada for me, for our Prime Minister, and for our government. We're committed to work constructively to make it happen.

And together with our U.S. colleagues, we're exploring the opportunity for engaging a

public/private partnership for the design, for the financing, construction, and operation of the bridge.

The work on the Detroit River International Crossing emphasizes the challenge and the opportunity that we face. When the full economic recovery kicks in, as we know it must, will we be ready? Will we have built the capacity to handle the future trade of our two great nations? Infrastructure such as the new Detroit River International Crossing is vital, and we need to compliment infrastructure with matters that protect North America while ensuring an open border that benefits both of our economies. Cooperation and collaboration will be essential. We're working very well and pleased to see my former colleague from the Ontario legislature, the Minister of Economic Development, working very well at our national government between us and the province of Ontario, and now with the new Obama Administration, as well as folks in Michigan.

We can take an integrated approach, and we will, to ensure that North America remains

competitive. Can we find better ways to manage the security measures so they mitigate risk without sacrificing legitimate trade and travel? How can we keep our economies integrated so that our businesses recover on the strength of the things that we build together?

You have gathered a stellar array of speakers and panelists to discuss these kinds of issues. The timing for such a conference, I believe, is perfect. And on behalf of the government of Canada, we're looking forward to hearing the results of your deliberations. And I want to wish everyone the very best for a successful conference. Thank you very much.

DR. CRAWFORD: Thank you, Minister Baird, for your thoughtful and thought provoking remarks, and for the leadership you are providing as both of our countries look for ways to build on a remarkable history of cooperation and collaboration as allies and as trading partners. Few people know as much about that history, especially the recent stages of that



history, as the speakers on the next panel, in good part, because they helped make that history. Thus, it is my great pleasure to introduce the moderator of that panel, Professor Charles Doran.

Chuck Doran will introduce the panelists, but let me tell you just a word about him. Professor Doran is the Andrew Mellon Professor of International Relations at the Johns Hopkins School of Advanced International Studies. And he's also the Director of the Canada Studies Program there.

Many of you are familiar with his publications, which have earned him the Donner Medal for Canadian Studies at the Governor General's International Award for Canadian Studies. Some refer to him as the Dean of Canadian Studies in the United States; I refer to him as Chuck. Chuck, the mic is yours. Panelists, please take your seats.

DR. DORAN: Well, it's a great pleasure to participate with the distinguished members of this panel. We have barely - just a little over 30 minutes to cover everything, so what I'm going to do is,

introduce everybody at the same time, then they're going to each get up and give a short statement, then we're going to get into the questions, and hopefully there will be a couple minutes left for questions from the floor.

Our first speaker is Ambassador Gordon Giffin. He is the Chair of the Public Policy and International Department of McKenna, Long and Aldridge. He maintains offices in Washington, D.C. and Atlanta, Georgia. His practice is focused on international transactions and trade matters, government procurement, federal and state regulatory matters, and public policy. He serves on the firm's Board of Directors and Partner Compensation Committee.

Now, I also would say he's on a series of very important boards, both in private sector, and interestingly, in the public sector. And, of course, most importantly, he was the 19<sup>th</sup> U.S. Ambassador to Canada.

Our next speaker is a rising star in the U.S. State Department, Roberta S. Jacobson. She

became Deputy Assistant Secretary for Canada, Mexico, and NAFTA issues, in the Bureau of Western Hemisphere Affairs at the Department of State in 2007. But before that, she had a host of other responsibilities in the Hemisphere. She served as Director of the Office of Mexican Affairs. She was also a Chief of Mission at the U.S. Embassy in Lima, Peru. She has been interestingly a Director of the Office of Policy, Planning and Coordination in the Western Hemisphere Bureau, and covering a whole host of issues, virtually all the issues that we would, in fact, face today in terms of discussion. She's also had experience with the Cuban Affairs, both in state and with the National Security Council. So we're delighted that she is with us today.

And our last speaker is Ambassador Michael Kergin. Mr. Kergin began his career in public service for the government of Canada when he joined the Department of External Affairs in 1967. He has been - he's served in the Mission to the United States and New York. He has also been Ambassador to Cuba, so

we've got lots of expertise on Cuba, and has had three postings to Washington.

Now, if my memory serves me correctly on this, I believe he's the longest serving Canadian Ambassador to the United States. So with this, I'm going to invite each of the panelists to make a short statement, and then we'll get into the questions.

MR. GIFFIN: Thank you. I figured out that I'm wired and ought not to stand up. Thank you, Chuck. And I choose to accept Minister Baird's label of being part of the stellar group. He wasn't looking at me when he said it, but I accept it. This is a very important conference, and it's I think quite important that it's here at Brookings, one of the, if not the leading thought factories in Washington.

On Canada/U.S. border issues, it's interesting in my mind when I first got to Canada as Ambassador, the problem I was dealing with at the time was, this is 1997, is that things were moving across the border too easily. There was too much lumber coming down from Canada and too many magazines going

north from the United States, the Canadian government was saying stop those magazines, the United States government was saying stop that lumber. It's interesting how the paradigm has shifted; now we're saying things don't move easily enough across the border.

And I'm thrilled actually to hear the government of Canada's commitment to the infrastructure that can facilitate more movement of goods and people across our border. But where I start is that we've got to put what we're trying to do in context, and it's a bigger context than any given border crossing. When I was a kid living in Montreal, we used to cross at a place called Covey Hill to get to our cottage, which was in the Adirondacks of Northern New York State.

We crossed this one border point at Covey Hill so frequently that the officers in the Canadian Customs and Immigration building and the U.S. Customs and Immigration building, which were 150 yards apart, would come to the door and wave. We would never stop.

You'd just wave and they'd wave back and off you would go. And if you got there after 10:00 at night, there was a little orange cone in the road, and my dad would stop, and I'd move the orange cone, and we'd go through, and I'd put the orange cone back. That was security at the border at that time. And, oh, you had to sign a book to let them know that you had been there. That's a great system, I wish we could go back to it, but obviously we can't.

The big context that I guess I want to put this in is, when you have the opportunity to do something to materially move forward, take it. We had that opportunity, frankly, back in the days when Michael and I were working together because it was pre-911 and it was simpler to make big changes on how we worked together at the border back then. It's more complicated now, so if the window opens, let's do something big and let's do it quickly before the facts change on us again.

And the kind of thing I'm thinking about is, Hugh Segal reminded me last night or this morning that

back in '98/99, I started talking about what I referred to back then as perimeter policies, that we needed to move how we dealt with security and a number of other common interests in North America, move it to the perimeter so we could take the line, the 49<sup>th</sup> parallel between us and make that less formal on a lot of issues.

There was a lot of reservations in Canada to that idea. Canadians thought that that might be the thin edge of the wedge, here come the Americans trying to assimilate us, at least that was below the surface. So Canada wasn't ready to talk about that. Actually, that was admonished by the Prime Minister at the time to quit talking about perimeter policies and to not use that term again.

So today, if you're talking about how to manage what we do together better at the 49<sup>th</sup> parallel, I think we have to leap forward to whether it's perimeter policies or not or things like - it even involves, considering how we deal with trade issues, whether we need to go to a customs union or some of

the bigger ideas that actually make the context for easier management of the border makes sense. So it's not just how do we manage crossing that line, but how do we manage how we live together, how we work together in broader terms.

It's actually possible if we commit to it. When you look at the pre-clearance that we have in - the United States government has today in seven Canadian airports, when I first got there, we had no authority to be doing that.

I went to the government of Canada and said, you know, we actually don't - we're running a little bit of a charade here, our officers standing in the airports have no legal authority. First they said, oh no, you can't enforce U.S. law in Canadian territory, and your predecessor, Minister David Collenette, told me, no, we can't do that, and I said, well, then we're not going to continue to have pre-clearance, and I'm going to close it in Toronto first and give you credit.



All of a sudden, we figured out how to get legal dignity for our officers standing on Canadian soil. There's now legislation in place in Canada which recognizes that limited function. Well, if we can do that for airplane passengers, we can do it for commercial truck traffic at Fort Erie, where we should be pre-clearing goods and commercial trucks. So I won't go on any further, but the opportunities are well beyond the infrastructure. We've got to take the ideas, put those in place, and then the tactics for implementing those ideas I think will begin to fall into place. And we have to dare to do something worthwhile and not just do it incrementally.

DR. DORAN: Thank you very much.

MR. GIFFIN: Thank you, Chuck.

DR. DORAN: Roberta.

MS. JACOBSON: Thank you, Chuck. And I will always come and speak at any event that uses the phrase "rising star" in connection with my name. It's definitely going to be the high point of my day. I am, as Strobe Talbott said, delighted to be here

today, in part, for the rest, but of being in such distinguished company discussing Canada, because too much of my time, quite frankly, recently has been spent facing south and not north or looking at the entirety of North America, so I'm delighted to be here. And many of the issues that have already been raised today are things with which I agree and really would emphasize in my own remarks, I'll try and be very brief. I think that Minister Baird really very well covered some of the most important things that were announced during President Obama's visit to Canada. And two of those which I think we'll be focusing on during the day today are this clean energy partnership, which really emphasizes, especially for Americans who, frankly, are not as conversant in it, the critical importance of the bilateral energy relationship as it exists right now, and the potential for it to be even more important in the future. And so I think that was really a welcome announcement by the President.

The other thing that the President said very clearly, also I hope welcomed in Canada, but important for Americans to hear, as well, was this issue of balancing security concerns with an open border and continuing to encourage trade during this particular period of economic difficulty.

One of the things that will get us started on that I think is the inclusion of about \$720 million in funds for border crossing in the stimulus package. I know some of us were incredibly excited when the number looked like it was going to be significantly higher in preliminary versions of the stimulus, but nevertheless, we know that the facilities that will be getting improvements from that stimulus money will be doing so years in some cases ahead of when it had been planned under regular budget, and I think that's very welcome news, indeed.

We're also going to be working extremely hard over the next couple of months to make sure we continue to get the word out on the Western Hemisphere Travel Initiative. I know there's trepidation about

June 1<sup>st</sup>, but the numbers suggest to us that people really have gotten the message that we've been able to ramp up our own production that Canada has done, likewise, and that a remarkable number of travelers already have WHTI compliant documents and will be able to move into this next phase of security at the border relatively smoothly, and we're going to do everything that we can to make sure that's true.

I think that one of the things that I notice when we talk about WHTI and other things that are going to be going into effect over the next few years, I like to remind people that the transition period on these new technologies and phase-in of regulations is, by far, the most difficult, there is no doubt about that. There are frustrations, there are wait time increases, everybody was focusing on those issues. But we also know that at the end of that process of a couple of years of transfer to that technology, when all the RFID technology is in place, when we know that folks have the WHTI compliant documents, we really do anticipate that things will go much more smoothly at

the border than they did even prior to some of those technologies being introduced, not just prior to the technology being deployed, but even prior to the new regulations.

We know that border folks, border inspectors, had to look at dozens, if not hundreds of different kinds of documents, that will no longer be the case. But the transition period we have to acknowledge is the most difficult. I am optimistic that we're nearing the end of transition and the beginning of benefit from those technologies.

As I've worked on North America over the last 18 months, and as I like to tell people, begun to learn Canadian, one of the things that I've noticed is that, if you look at some of the most important committees in our Congress, the Appropriations Committees, the money folks, there are significantly more northern border legislators on those committees than there are southern border legislators. And I've been fascinated by that because one of the things it says to me is that we could be doing more, that the

caucus could be making more progress, they're powerhouses on the Appropriations Committee, and yet it's not always happening.

I think Chris Sands' paper gives us a good insight into part of why that's happening, or not happening rather, and that is the diversity of opinions even among northern border folks, and we have to recognize that and make sure that we harness that to be precise about where we want border improvement.

But the other thing that I've noticed, and, frankly, I know this is heretical, so I say it with some intrepidation, and I want to stress that I'm fully aware, as Strobe Talbott said, at the radical differences between the northern and southern border. But I hear very much the same kinds of complaints, especially from business people, at the northern and southern border, about inefficiencies and the need for infrastructure, about ports of entry that are over 40 - 50 years old.

And so it has always struck me that if we stopped looking at the northern and southern borders

as competing interest for limited funds, which, indeed, they are, and we began having some of those folks work together on border infrastructure, they would be unstoppable in our Congress and working with counterparts to try and promote new funding for infrastructure. Finally, I just want to say that I think there are two more things I'd like to mention as real reasons for optimism in the future, focusing on border and making the border more efficient.

One is having in two key U.S. government positions in the Obama Administration, people who truly get it about border infrastructure, border connections, and the importance of efficiency and trade. Having Secretary Clinton at the State Department, a northern state border state legislator before she was secretary, and having Janet Napolitano at the Department of Homeland Security, a southern border state governor who really understands the life blood for Arizona of that border's trade, I think will make a big difference in how we're able to look at the border and its importance in our economic recovery,

not just in our foreign policy or our security relationship.

And finally, I would say that we have the great good fortune, mixed blessing, though it sometimes is, of benefiting from the last eight years of improvements in technology, improvements in security, and responses, in a sense, to 911. There is, I think as Chris Sands also said, a maturity in that security relationship, that security perspective that eight years gives us which enables us to take another look at what we've done, at what we should do, at what we may redo. No, the border is not going to go back to Ambassador Giffin's description of it, but it has to be better than it is now for all of us. And so we are lucky to be in that maturing process with a new administration I think that really does want to take another look at these things. Thank you very much.

MR. DORAN: Thank you. Michael.

MR. KERGIN: Thank you very much, Chuck.

It's great to be back in Washington, and particularly



to be dealing with one of my favorite subjects, the border. The border became a favorite subject or perhaps a really challenging subject about nine months after I showed up in Washington, and who had the attack of the Pentagon. In the Embassy, we have a line of sight to the Pentagon, we see the black smoke, and black smoke is eight when it starts to burn from our Embassy, and within about 2 hours, Pennsylvania Avenue which the Embassy goes along, became a parking lot. We also knew there was still a plane circling around up somewhere and it was probably a pretty good bet that that plane was going to either try to hit the White House or the Capitol Building which is sitting right up on top of the hill. As a result of that, I had the issue of security and the trauma that Americans felt seared very much into my soul as I moved forward over the next 4 to 5 years trying to deal with the border.

Because we had a real problem with alert one status immediately called at the Canada/U.S. border. We had trucks lined up 20-plus kilometers. We had a

complete seizing up of some of the economic machinery, plants closing in Southern United States because they weren't getting car parts and so on, so we had to deal with that very, very quickly. It's very interesting that in the history of Canada/U.S. relations when we have a joint problem that is felt by both countries, we're pretty quick to come to very practical and pragmatic solutions. As Gordon has mentioned, when you have a problem that you have to deal with, it's amazing how sometimes ideology and sometimes jurisdictional niceties and legal niceties can be worked around in order to deal with it.

To some extent I think that's what happened when we had Tom Ridge and John Manley who sat down to deal with this border issue and came up with the Smart Border Accord about 3 months after 9/11 which was a remarkably brief period of time to come up with some solutions to the problem. Much of the work I might suggest though was prepared by Gordon and his people, and I was part of that government at the time, in terms of preparations for dealing with some of the

issues. And I think the principles underlining the Smart Border Accord are things that we might want to look at as we go forward, and there are essentially four.

One is risk management. If you base yourself on what you collectively agree constitutes a risk and then negotiate between countries as to the measures you need to implement with respect to that risk, you then take some of the politics out of it and that to some extent may help us when we deal with the very vexatious question of Mexico, Canada and the United States and security because if you have a different level of risk, you develop different levels and methods of dealing with that risk and you put the issue onto the risk rather than onto the question of the country whatever it is.

The second I think important principle is information technologies. As Jim Balsillie has said this morning, no longer are, if you will, economic issues and security issues necessarily at odds with each other. Technology can help tremendously in

dealing with security issues, and if we hadn't had the information technologies that were developed, we would be trying to stop every single person going across the border. That technology allows risk management to work to use technological fixes for areas where it is agreed it's a low risk and then human involvement where there are areas of high risk and this is extraordinarily important I think on the border. The lesson however is to ensure that all countries that are in NAFTA or let's say Canada and the United States to talk about this border for a moment, are developing the same technologies that they're compatible and reciprocal and that is extremely important.

The third element I guess on the Smart Border Accord which I think is still valid today and that we need to work on is the whole question of information and intelligence sharing. It's interesting, Canada actually has certain intelligence assets abroad that can be useful to the United States, as obviously the United States has to Canada. There are certain countries that we have a slightly closer

knowledge of, interestingly enough, largely in the Francophone area, as the United States has areas that we do. So as we share intelligence and information both within North America and outside North America, it seems to me that we can make quite a bit of progress on trying to make that border work better and to use that expression to move the border away from the border so we start to set the perimeter as Gordon has talked about outside our border to lighten up on going across the border.

The fourth element I guess in the Smart Border Accord was the importance of more resources, more resources obviously in terms of monitoring, in terms of information technologies to survey the border, but also more resources in terms of what Minister Baird is very much involved with these days, transportation infrastructure, trying to make the bridges work better, the plazas larger, the access roads to the border working more smoothly, getting more booths so you can have the fast lanes where cars and trucks can go through more quickly, to further

back from the border so that they aren't jammed up with the everyday sort of traffic that gets caught on the border. So I think if we have those four principles in mind, we can go forward on this, and I agree with Gordon that we have a situation now where I think there are certain things that we can sort of reset this border. Why is that? One is there's no question that North America, the three countries of North America, are facing a much more competitive global marketplace, and as many of the speakers have talked about, the three countries make things together. We have certain complementarities of scale that are valuable in terms of reducing the costs of doing business internationally and allow our exports to be more competitive. As we slow down the movement of these products across the border, our competitiveness declines at a time when other regions are starting to get more integrated economically. The European Union has gone through a mergers and acquisition program with Eastern Europe. This is going to have some impact in the future in terms of

their competitiveness. We're seeing a bit even in Africa, Latin America and Asia, that they are moving together. So I think as North Americans we have to, so this is a time for us to do that.

The second thing without wanting to make a political point, I think there is a disposition in Canada now to be a little bit more courageous or bold on issues related to the border than it was perhaps under the previous government in Washington. The current government in Washington I think is somewhat more popular in the polling in Canada and so --

SPEAKER: Somewhat?

MR. KERGIN: Quite more popular. I am a diplomat. He is a political appointee -- I had it beaten out of me after 40 years of diplomacy. Is much more popular. Thanks, Gordon. And I think at the time where we're less fearful and we're prepared to take slightly more bold steps when it comes to border management than we were before, to begin to use Gordon's expression, the practical thing of moving together, and changing some of our practices on both

sides of the border to make this work a little bit better. Thanks very much.

MR. DORAN: Our task is presumably to introduce some of the larger issues and then others are going to be focusing on various details. I know there's a common interest in one theme which is a bit controversial here, but Gordon introduced it and put it on the table for us. I know Michael is also interested in it. That's the question of is it possible that one can have a notion of a security perimeter or to develop that a little bit more extensively so as to take some of the pressure off the border itself to act as a screen on each side? Does that idea have any plausibility or is it something that simply politically perhaps is unworkable?

SPEAKER: Terminology is an issue and the term perimeter when it came out I think in some of the more sensitive Canadian views, Gordon had the sense of a fence being drawn around North America and of course the question was where would it be drawn exactly with little gates in it and that somehow Canadians felt



that it would be the American criteria that would be dominating the gateway, if you will, which wasn't really the idea. So the term perimeter I think at that particular movement given where we were politically I think was a problem. But I think now it's a term that has been seen in a slightly more mature way in different circumstances and the question arises as to are you talking about perimeter in terms of people or goods? There are different types of layers of security and clearances and procedures that you would want to look at that would work around North America and I think those are very, very negotiable. Without getting too much into the details, obviously, these policies are a bit complicated, we have different views of Mexico, et cetera. On the other hand, there are many other areas where I think the perimeter approach could work very well. No question.

SPEAKER: I guess my thought is that to address an awful lot of the challenges that we talk about repetitively, we have got to come up with a new model, whether it's perimeter policy or not. I do

think that our citizens my instinct is on both sides of the border are prepared to make some concessions intellectually that they might not have been prepared to do 15 years ago. There are lots of things that we do today in our daily lives, I mean, I take off my clothes at the airport to get on a plane. I didn't think I would ever do that, but I need to get on the plane so I'm willing to make that concession. Our lives are different than we thought they were going to be 20 years ago. So I think the concessions people are willing to make intellectually about what used to be for example in Canada a concern about sovereignty, that if the United States -- I actually don't know why we have two separate buildings at the border. It seems a little silly for us to build one and you to build one and we look at each other. It's not East Germany and West Germany. Put the folks in the same building and draw a line down the middle of it. Use the same computers. I know there are privacy issues that we'd have to work out, but there are ways to do this in a much better fashion than we've done before.

We may not be able to move visa questions, immigration questions, to the perimeter, but we sure ought to be able to move how we deal with cargo to the perimeter. So let's start with incremental moves toward a big change, and I think Canadians and Americans today certainly those that abut the border, there's a lot more percentage-wise of the Canadian population next to the border than there is American population, but those that abut the border all want us to do it better and they're all willing to make some concessions for that purpose. So let's take advantage of that and move. Chuck, I think we're at a point where people are prepared to do it and if governments will lead us in that direction.

MS. JACOBSON: I agree with both of the ambassadors and I think in some respects Gordon ended us up where I might start which is that there are two ways I think to go about this and I think it is a good time for us to be thinking about this. One is sort of incrementally that the bureaucrat in me is more comfortable with. There are areas where we can start.

We know that we've had conversations that weren't productive in the past, but frankly it seems like stars are aligning now and could be. And the other is to get that big push from leaders at the top to make us do more than we might be able to do incrementally to have the vision to discuss this more openly, and I think both things in a sense need to be done so that we get where we want to go.

I would not necessarily ironically be as pessimistic about things like policy including visa policy. I actually think that's a critical part of this that we've had almost no discussions on. I think it's been ignored in part because everyone thinks it's too hard and because each of us has concerns that we bring to the table, but I think we need to be talking about that a little bit more. I think it's an absolutely essential part of talking about perimeter security. But I also think that Michael is right. We may be far enough past the notion of a huge fence with gates and solely the U.S. criteria to a point now where we can start talking about things that are more

pragmatic and doable and frankly are like lots of other things, building confidence toward the larger ideal. I also think this is a perfect example of an area that can't and shouldn't be handled trilaterally, it should be handled bilaterally, and for anyone who's ever heard me speak, I'm a huge proponent of trilateralism, and frankly I reject the argument that it's not good for the individual countries' bilateral relationships. But this is one that we ought to start with Canada, so I hope we're able to do that.

SPEAKER: I think that's a very, very important point. Recognize 10 years ago from the State Department's point of view which I was part of at that time, Canada was in Europe. Right? We wouldn't have had a person sitting here that had a purview over North America because we had Canada in the European Bureau structurally, and Madeleine Albright when she was thinking about restructuring parts of the State Department, she called me and she said, Where are you? I'm in Ottawa. She said, Look out the window. Are you in Europe? I said, I don't

think so. So that's when we actually reorganized, and part of the deal was a Deputy Assistant Secretary who would be focused on North America. We had to make progress in the State Department to look at the map.

MR. DORAN: It's a bit of a surprise that it's so early in the morning that we have in fact found accord on something that is potentially so interesting and likely to be feasibly pursued. I have a second question. We have very little time. This question is a very simple one. What is the greatest issue or bottleneck or problem or issue that has a ready solution perhaps in your minds regarding the border right now? Is there something that really stands out that really cries for attention and hasn't been getting it?

SPEAKER: I think, and Gordon alluded to it, the importance that we start to work more jointly in terms of clearance of people and goods. There was a pilot project that was close to resolution between Fort Erie and Buffalo on a kind of pre-clearance joint exercise that just made a lot of sense because we had

a lot of land on our side and the United States and Buffalo didn't have any land. To me that's very important, if we can develop a more cooperative and joint clearance. It's amazing how much people working with each other, learning about each other's systems, getting familiar, and I think one of the speakers mentioned that a bit earlier this morning, you then start to be much more adaptive to be able to move things forward because things start to work, and one of the great things about the Integrated Border Enforcement Teams is they started locally, Chuck, and they were so successful that they went across the border. I suspect if we'd try to think about that in Washington and Ottawa, the lawyers would have said you can't do that because there are sovereign difficulties and so forth and my God having Washington State troopers in British Columbia would be the worst thing you could think of. So nothing succeeds like success. If we can replicate a few of these things, and I think that's the one I would like to see starting to try to resurrect that one a little bit because I think so

much will flow from that and if we can work together on the joint clearances you'd get reverse inspections and a whole series of things which will really start to help make the freight move across the border a little more quickly.

SPEAKER: Chuck, I think I would say, it's easy for me to say since I'm in the private sector, I think if our two governments at the highest levels or maybe not at the highest levels but very high levels decide that the imperative is to figure this out, the people at the working level actually know how to do this because we've been looking at it forever. When I was ambassador we had this process called the Canada-U.S. Partnership, CUSP, and we went across the border and talked about how to facilitate more efficient use of the border, how we could deal with some of these security problems and other issues, and there's a big report sitting on the shelf of what we did. I don't mean to suggest that that's the answer there, but lots of other work has been done to deal with this.



What hasn't yet occurred is the political imperative from the leadership of our two governments to say we can do this and we must. When we had the breakdown on air pre-clearance it was because there wasn't a political imperative at that time in Canada to make sure it would all work, but now I think there is a recognition on both sides that we need to make the progress. So I'd suggest that the pilot project broke down because there was a disagreement between law enforcement on the two sides of the border whether or not someone who was identified a truck driver identified in Canada as being as suspected bad actor could be fingerprinted or not. In our system they would be fingerprinted, in your system they wouldn't be, so we stopped over there. There's got to be a way to solve it, but it takes somebody a littler higher up saying get over it, let's find the answer and move forward.

MS. JACOBSON: I think both are absolutely right. I tend to be a little bit of an optimist probably because at the beginning of any new

administration we're all optimists and I think perhaps with this one a little bit more than usual. But also, frankly, the economic news that we see day after day is so dire at this point that the only way to look at it as a policymaker working on North American competitiveness, the U.S./Canada border, is really to see it as an opportunity, to see it as a way of driving home the point that neither of us recover unless we both recover, to see it as a way to sort of spread the missionary zeal among Americans who may not get it yet that this integration that's taking place between the United States and Canada is such that we have to be working together to overcome this and that to do that, border is critical, infrastructure is critical, new ways of thinking about old problems is critical. So I try to take from the economic crisis the notion that it too will force us to sort of reevaluate, shake up some of our prejudices as we move ahead.

MR. DORAN: We talk about efficiency when we look at the border, so we should practice a little of

this. I think we are now at the end of our allotted time. Please help me welcome or thank these wonderful panelists and these great ideas at the beginning of the session.

(Recess)

DR. CRAWFORD: Thank you, distinguished panelists, for that informed and thoughtful discussion of the historical and strategic context in which border policymaking takes place. You have provided the perfect background for our next two speakers who are currently policymakers in their respective national legislatures.

Senator Segal was appointed to the Canadian Senate in 2005 by Prime Minister Martin, and is a former chair of the Senate Committee on Foreign Affairs. Before going to the Senate, he had a distinguished career in both the public and private sectors, some details of which are in the bios in your packet. I won't repeat them. He sits on numerous boards, but it is in his capacity as Vice Chair of the Canadian International Council that I have had the

great pleasure of working with him these past several months.

He will be followed by Representative Louise Slaughter who represents New York's 28th District. The 28th District includes Rochester, Buffalo, and Niagara Falls. Elected in 1986, Congresswoman Slaughter has achieved a significant level of leadership as Chairwoman of the House Committee on Rules. She is the first woman to hold that position. Prior to entering Congress, she served in the New York State Assembly and Monroe County Legislature at in-state government. Today, as the Representative of a Congressional District whose residents rely on easy cross-border travel, she is well known for her leadership on border policy issues. Representative Slaughter will speak second, so Senator Segal, if you would, over to you.

SENATOR SEGAL: Thanks, Steve, and colleagues. I'm delighted to be here. Before I went to the Canadian Senate, I headed up a think tank back home, the Institute for Research on Public Policy,

which until CIGI was created, was absolutely the best and most wonderful think tank in all of Canada. And we used to say that governments do things, business pays for things, and think tanks think things out before people make horrific mistakes. So, I'm delighted that Brookings has accepted this challenge as it has for so many years in terms of fresh ideas and new beginnings, and the kind of intellectual heavy lifting which is necessary on complex issues. I'm delighted to be here.

Now I should just, for our American friends, let you know that the Canadian Senate is appointed. It's more like the British House of Lords than it is your Senate. And my term is up in 2025. So I take a long-term view of this issue, and I'm not particularly penalized by short-term political considerations, although my partisanship is something I do not in any way, shape, deny. I am what's called a Conservative at home. Some of you may know the great story of Frank Mankowitz, introducing Dalton Camp, former president of the Conservative Party at the Press Club

here in Washington. And he was explaining to the American audience the nature of the Canadian political spectrum and said "Mr. Capp is president of the Progressive Conservative Party, which we Americans would call socialists. They are opposed by the Liberal Party, which we Americans would call socialists. And they are opposed by the new Democratic Party, which we Americans would call socialists in a hurry." So our spectrum is a little different from yours, but on some things I'm glad to say there are not many divisions at all.

And I think it's fair to say that certainly since the terrible events of 9/11, there has been a political consensus at home across the political and legislative framework. You may not know -- many Americans don't know, and I think this is perhaps the most significant reflection of popular sentiment -- that literally within hours of the first aircraft hitting the first tower, tens of thousands of Canadians were lined up at blood donor clinics, voluntarily, not invited by government or asked to do

so by the media, but as fellow North Americans to see if the blood they might donate could be of value to whoever might have survived those attacks. And that, I think, underlines the legislative consensus on the right and the left, in our provincial and federal parliaments, and the upper chamber in which I serve, on the whole security issue.

We understand that trade is trumped by security, specifically when the security is seen not to be doing its job. So the critical question is to ensure that the investment in security is smart and focused and apprehensive and ahead of the curve. Three successive Canadian governments have agreed wholeheartedly that our North American reality changed radically with the attacks in New York and here in Washington. As was referenced earlier by the Minister, Prime Minister Harper's recent spontaneous response to a journalist during the first presidential visit of this administration to Ottawa that an attack on the United States is an attack on Canada, does not represent any kind of fawning engagement, but it is

the actual sentiment that reflects our legislative commitment. Our engagement has been very real, both in terms of dollars and in terms of people. The new investment in the Blue Water Bridge and that whole crossing area, plus the Prime Minister's endorsement of the tougher identification and verification measures at the U.S. border, reflects a substantial change from what was the view under a previous administration.

The present government is also moved to arm and train Canadian border guards. The new Canadian Border Services Agency, which did not exist at the time of 9/11, links key intelligence, criminal intelligence, anti-terrorist, anti-drug, goods verification, and joint Canada-U.S. border cooperation in a one-shop integrated force on the Canadian side.

At the legislative level, there is a strong belief amongst the main parties that security and efficiency are, in fact, mutually supportive and not politically in any way opposed. The creation of the Integrated Threat Assessment Center, which shares on a



real-time basis threat analysis with the United States, the United Kingdom, Australia, and New Zealand and their threat assessment groups, is a further structural change uniting law enforcement, intelligence services, criminal intelligence agencies, and the national and provincial police forces, in real time with focused data that is both sharable and, most importantly, actionable. Integrated border enforcement teams, in which Canadian and American border forces work together with local and national police forces, have been initiated and have engaged.

Significant new investment in the last several years on radiation detection equipment, gamma ray equipment, and joint initiatives on container security, joint port security measures, e-manifest work on highway and rail, and advanced commercial information on marine and air, have also been put into effect. In some aspects, we have a virtual periphery now operating through shared information, an advance filing of manifests by shippers and containers. If we understand that a lot of what crosses at the border

arrives first from other places by container or by ship, maintaining that protective perimeter for marine traffic is a very important part of reducing some of the stress and strain at the 49th parallel.

An enhanced Migration Integrity Officer network, spanning Canadian missions around the globe, supports an immigration intelligence network and National Risk Assessment Center that integrates and synthesizes to produce actionable, real-time information. And as Ambassador Kergin suggested earlier, we do have diplomatic relationships around the world in places that America does not. And our ability to work together with respect to the intelligence and data that we all gather, is an important part of that migration process with respect to the integrity of knowing who's coming and why.

An Immigration Task Force was also established to deal with those illegal entrants who need to be detained or deported. New legislation passed through the House of Commons in the Senate some years ago to create the Financial Transactions and

Reports Analysis Center of Canada, or FINTRAC, and it was created and engaged to monitor the movement of cash and has partners in all of our financial institutions and provincial governments across Canada. In '07-08, FINTRAC reported engagement of some 210 suspicious files. And of the many that they had assessed, 171 related to money laundering, 29 related to suspected terrorist activity financing and/or threats to our national security, and 10 of these files related to both categories of concern. This information was shared as appropriate with the RCMP, foreign intelligence bodies reflecting our traditional American and other allies, municipal police forces, provincial police services, our own Canadian Security and Intelligence Service, as well as the Canadian Border Services Agency, the ever-present Canada Revenue Agency, and the Communications Security Establishment. The border -- its management, security, and efficiency -- is a political priority for legislators in Canada of all affiliations.

In general, while there are always concerns at local levels about funding, cooperation between first responders who are classically local police, fire, anti-rackets, and criminal intelligence groups which are under our provinces, and the Royal Canadian Mounted Police, which is both our national police force and under contract in eight provinces and three territories as their provincial police force, cooperation levels have been excellent.

The NORAD Agreement that has seen Canada and the U.S. act together to protect North American air space, was expanded as you will know most recently to include maritime warning and control, and has seen serious investment in new coastal state-of-the-art integrated Threat and Awareness Centers in Canada linked up with analogous American centers, our Navy, Coast Guard, and that of our American allies on an ongoing basis.

New legislation that increases the ability of the Crown -- what you call attorneys, state attorneys -- the Crown and judges to seek information

that is vital to North American security from suspects and witnesses came into effect after 9/11, and has been renewed and is being renewed once again and is headed through the House to the Senate as we speak. As a member of the Senate Committee on Anti-Terrorism legislation, I can tell you that these matters are considered with both urgency and intensity, and while there will be differences of opinion as there will be on the House of Commons' side, by and large there has been a high level of interparty cooperation.

Now, if we're going to talk about the legislative framework, we have to be realistic about the civil liberties issues. Neither the United States nor Canada have diminished our democratic roots or intensity. And neither are we police states or desirous of becoming police states. American and Canadian courts have engaged, as have citizens, with legitimate civil liberty and privacy concerns on both sides of the border. But that is surely at the center of the kind of democracies we are both trying to protect from terrorist attack. As has been the case

in the past, protection from those attacks implies joint activity in theaters far removed from the 49th parallel.

Canada's military engagement in Afghanistan, since the first American military sortie there and now with NATO, both in the context of our NATO and U.N. responsibilities, and our large Canadian deployment of naval task forces as part of the anti-terrorist weapons and contraband introduction efforts in the Gulf, represent Canada's most substantial military and anti-terrorist prevention overseas deployment since the Korean War. This is deadly serious business for Canada, for the men and women of our armed forces. Our losses have been on a relative basis quite substantial, and they are seen as the price we have to pay to keep our own territories safe. First premise of military doctrine is to fight the enemy as far away from home as is humanly possible, and that remains a core commitment which we share -- and shared, if I might say, across the aisle in Canada without regard to political affiliation. Our Navy is the most

interoperable with the American Navy in the world, and new coastal and marine security measures I referenced earlier are linked directly with the United States Coast Guard and other critical agencies on this side. I think it is fair to argue that in Canadian politics, we have a healthy set of conflicting currents as do you here. They are not, however, defined by a core disagreement on security or its importance. They are often defined by regional border issues that can manifest themselves as trade irritants or travel impediments. But through increased staff and investment in our passport offices, federal support for driver's licenses in the provinces that have a much deeper file of verified identification data at their core, Canada is engaging constructively to strengthen the border in terms of both security and efficiency. The other day in Canada an individual who had been, as we like to say, a guest of Her Majesty at one of her institutions, detained for national security reasons, and who had been released from one of those institutions to live at home based on a

decision of a federal court of Canada, complained that while allowed to be out of prison, the level of domestic surveillance under which he was trying to live was so intense, that he would rather return to a detention center than be out on the street. Without engaging on the merits of the concerns about that particular individual, this reflects the extent to which Canadian security and police authorities take the security challenges and mission with which they are charged, extremely seriously.

The Canadian political context is justifiably sensitive to American political dynamics, which as a huge trading and security partner makes immense practical sense. Homeland Security here in the United States is a justifiable and compelling priority. In Canada, the vastness of our geography and the relatively small population means that we go at our own national security in ways that reflects our own culture, history, constitutional structure, and commitment to a multicultural and multiracial society. That involves certain important sensitivities, such as



the consultation with many ethnic and racially diverse stakeholders in Canada as a result of the national security policy statement launched by the previous Martin Administration in Ottawa prior to 2006. We also recognize that security analysts and organizations on both sides of the border have been to date remarkably successful in preventing events that might well, without apprehensive monitoring and proactive intelligence sharing, further damage North American communities in Canada and the United States. It is in the nature of the task at hand that many successes and preventative initiatives go undisclosed, while arrests, detentions, or border controversies fill the airwaves, the blogosphere, and other news sources. I'm delighted that this conference is looking at the nexus of security and trade as other joint planning groups, research organizations, have done in the past. We have to learn our way through this together. Success will be about the right balance of technology, laws, trade and efficiency initiatives, intelligence sharing, and real-time

synthesis and engagement. We also have the different structures of government on both sides of the border that add just the soup-solve complexity to make the task even more demanding. But I can assure you that this common, new, security frontier is one Canadian legislators approach with a deep and determined commitment to not only do more than our fair share, but to maximize the leverage and reach of our joint efforts by investing heavily and cooperating above and beyond the call of duty. Thank you very much.

DR. CRAWFORD: Senator Segal, thank you for that extremely articulate clarification of the commitment, the Canadian commitment, across the political spectrum to our mutual security. We look forward to working with you in the days ahead.

It is now my pleasure to welcome Congresswoman Louise Slaughter, whom I introduced earlier, representing the 28th Congressional District of New York. Congresswoman, the mic is yours.

CONGRESSWOMAN SLAUGHTER: Thank you very much. How nice to be with you this morning. I'm so

pleased that you invited me. I spend most of my life, I think, working on U.S./Canada border issues. I represent 100 miles of Lake Ontario shoreline. I have three of the four international bridges that go between U.S. and Canada over the Niagara Falls and Buffalo area.

Obviously, we're very much concerned about what's going on in that border. We love Canada. They are the best neighbors a country could have. And in our part of the state, in New York, we don't think of ourselves as two countries. We are one country with a river running through it. We absolutely depend on the tourism that crosses every day and the economy -- and I need to make one point right up front; \$1.5 billion worth of trade crosses the U.S./Canada border every day. And that will give you some idea of the importance of what we're trying to do there. And it has not been smooth. It has not been smooth at all. Since 9/11, I think the United States has reacted much stronger in many cases than we think it should have. We understand the problems of the southern border of

the United States, but it is entirely different where we live. The northern border issues are very different. And it is awfully hard in a country that passes laws for nationwide to continue to make that distinction. And we've already met with Secretary Napolitano to try to make our case. But we have shared principles and values, in fact, shared families, and we could not survive in our part of the state without the Canadians. And you can ask the Buffalo Bills and the Sabres if that isn't true, because most of the people who come over to the games are our Canadian friends.

But as these changes are coming in security -- and all of us believe in security; we absolutely want to be safe -- but we want to be sensible as well. The long-held views toward the border are being challenged. There are two pressing issues that stick out to me as critical to successful border management. First is a program called Shared Border Management, which was negotiated by Secretary Tom Ridge. And second is the rapidly approaching Western Hemisphere

Travel Initiative implementation. The Shared Border Management was born in a spirit of cooperation and shared security concerns. In December 2001, in order to address the emerging security and traffic issues arising from 9/11, Canada and the United States agreed to the Smart Border Declaration. The Declaration's aim was to enhance the security of the U.S.-Canada border by facilitating the risk of the flow of low-risk people and goods. Under that Declaration, the two governments agreed on December 17, 2004, to issue a framework to put land preclearance in place at the Peace Bridge. The preclearance pilot, called the Shared Border Management, would involve the relocation of all United States primary and secondary border operations for both commercial and passenger traffic from Buffalo, New York, to Fort Erie, Canada. A reciprocal relationship would take place at the Alexandria Bay Bridge. To bring that down to simple terms, which country had the land would build the plaza. It made eminently good sense. It required preclearance for trucks. Right now, trucks can be

held up at these bridges as long as 8 hours, and that's almost a daily circumstance for us. However, in 2007, after months of negotiations, I received a call from Secretary Michael Chertoff, announcing that he was unilaterally cutting off talks and destroying the Shared Border Management. The reason was not terribly clear to me, but he did make one point that was that he believed that Buffalo, New York, might be the most dangerous place in the United States. At that time, you know, we'd never had a threat assessment, and I'm not sure we have one even now. But they had just given out money into many areas where they thought needed beefing up. New York City wasn't one of them because they stated at Homeland Security that we had no monuments of any consequences in New York City. Some money went to a popcorn factory in Indiana, and I was quite curious as to why if I was living in the most dangerous place in the United States, we hadn't done a little bit more about that. I think unilaterally, as I say again, we had to inform the Canadians of it, as did I have to inform my

colleague, John McHugh, up in Alexandria Bay who was looking forward to the plaza being built on his side of the river. It has really thrown us into something of a tailspin, and we're trying very hard and with a lot of good help from Senator Clinton -- now Secretary of State Clinton -- to try and reinstate that.

Now the Government Accountability Office issued a report at Senator Clinton's and my request, which gave us five issues that arose as reasons to withdraw Shared Border Management. One was fingerprinting, which obviously we should be able to deal with; information sharing within both governments that we should certainly be able to deal with; law enforcement; specific issues in the Canadian Charter. Now I'll tell you what those issues are. The United States government wanted everyone who came to the U.S. border and failed to cross to be arrested and held. The Canadian Charter, it was made very clear to me, does not allow that without probable cause. I naively thought that our Charter didn't allow us to arrest people without probable cause, but I was told right

away that that's not true. The question arose immediately what will the Canadians do with all those people who don't want to come over to the United States? And how long will they have to hold them? I know -- I don't mean to be too facetious about this because these were very serious conversations that we had. Obviously, these are not insurmountable problems, and we are encouraging both sides to reengage in negotiations and work to find a suitable arrangement.

Now I need to tell you that in New York -- I shouldn't tell you this, and I'm sure Homeland Security and everybody here in military uniform wish I wouldn't -- but if you want to cross the border in the State of New York, from Canada into New York, and to do us harm, the dumbest thing you could do would be to try to cross a bridge. In the Adirondacks, you walk over. There are places where you can ford the stream; you can canoe, come over, you know, the whole idea of just having that bridge fortified to within an inch of its life makes absolutely no sense and costs an awful



lot of money. So in these financial times, tight times, we believe that reasons exist to bring Shared Border Management back. If done correctly, it would be a successful national security initiative. In meetings on the Buffalo Peace Bridge expansion project over the past year, we had several federal officials from the Federal Highway Administration and Customs and Border Protection who conceded to us -- actually, they were happy to do it -- that implementing Shared Border Management would eliminate significant risks, factors for the Peace Bridge, as well as facilitate border security. And in Buffalo alone, Shared Border Management, because as I pointed out Fort Erie already has the plaza, could save the U.S. government \$250 million on construction of an inspection plaza on our side of the bridge and also save an historic neighborhood from the wrecking ball.

However, in the Buffalo-Niagara region and all along the border, the most pressing issue facing communities is the implementation of what we call WHTI, that's the travel initiative. It is clear that

our economy relies on smart functioning of the northern border. And I say with certainty that no issue raises more anxiety in our communities than WHTI. I recognize -- let me say again -- there are many security concerns at our border, and in a post 9/11 world, it's important that we know those entering both of our countries are who they say they are, mean us no harm, and have a document perhaps to prove it. That is why I agree with the intent of WHTI to a certain extent. We have to be confident that the documents individuals present for reentry into the United States are secure and authentic. However, there is not a one-size-fits-all approach to our border concerns. For over a decade, we have had one card that would work that out for us called the NEXUS card, which is a law that I had passed an amendment on, said could also expedite getting on and off airplanes for us. And as far as I know, Greg, there is one place in New York, is that right, that has a machine to read it? Canada has two or three, Minister? But that was never really implemented,

never really sold because if in the United States you had to go over to Canada to get a card, nobody would go. We've now got our first border on our side of the border, a place where we can buy the NEXUS card. But instead of using that, we've gone into every kind of card in the world. We can't flip a switch and move from having the world's greatest open border to requiring expensive new crossing documentation. In fact, former 9/11 Commissioner Slade Gordon has noted that WHTI incorrectly implements the 9/11 Commission's recommendations and will have severe economic repercussions on both nations.

Recognizing this in 2007, I led the charge in Congress to delay the implementation of WHTI from January 2008 to June 2009. The most compelling reason was that nobody was ready for it, and there was nothing to read whatever card they determined would be the card, the proper one. The language demanding this delay was successfully included in the FY08 Omnibus Appropriations Bill, signed into law in December of 2007. The actions necessary in order to make sure we

don't rush this proposal that currently has many flaws and was incorporated into the final rule on land and sea portion of WHTI, which was released by DHS on March 27, 2008. It has become clear over the last year that this delay has proved to be absolutely necessary. Consider what has been done since the original January 2008 deadline. In New York alone, we have the first NEXUS Enrollment Center, as I said, and the RFID technology that is so critical to the success of passport cards, the NEXUS cards and enhanced driver's licenses, did not go live at the Peace Bridge until this past November. And at other important crossings in New York State and Michigan, this vital technology is not set to be working and active until April, less than two months before the final implementation. Despite progress being made and despite DHS and State Department issuing their certification last month, I along with a number of my colleagues in the northern border caucus remain unconvinced that WHTI is ready to be implemented in a way that will not harm the cross-border trade and

travel so critical to our communities. I also believe that the broader economic impact of moving forward with a June 1st implementation has not been fully considered in conjunction with our shared security concerns. In other words, that translates how we have not talked to Canada enough about it.

During President Obama's recent visit to Ottawa, he and Prime Minister Harper stressed the importance of a healthy U.S.-Canada trade relationship to bring us both out of economic recession. I would contend that a successful WHTI implementation is an important aspect of this trade relationship. And a failed WHTI implementation could have devastating effects not only on our border communities, but on the national economy.

The economic downturn facing both countries has already dramatically affected cross-border travel and trade. Statistics from the Public Borders Operators Association show that passenger, truck, and bus crossings at all border crossings in January of 2009 decreased by an average of 16 percent from

January 2008 levels. In western New York, traffic at Lewiston/Queenston and the Peace Bridge decreased by 19 percent and 13 percent, respectively. Remember, it is everybody who pays to cross those bridges that maintains those bridges. If WHTI is not implemented properly, it will only compound the current negative trend in commerce across that border.

Not only would this severely cripple border communities, but the negative effects on the economy would be felt nationwide. Additionally, the 2010 Olympics in Vancouver are just around the corner. Confusion and delay at the border because of documentation requirements would severely damage an event that should have such great economic impact on both sides of our border. For this reason I am prepared to introduce legislation to delay the implementation for one more year, until June 2010. This will give the Administration time to fully address the infrastructure needs at every single crossing along the border, and allow for an aggressive outreach effort by DHS to educate people about the new

border rules. One of the reasons for the decline in persons crossing the border is total confusion as to what is necessary. DHS and State Department must engage in a public relations campaign to educate the border communities and Americans who seek to cross the border on the new requirements and encourage continued crossing, travel, and commerce.

Those of us on both sides of the border must work closely together to find the solutions and find an appropriate balance between ensuring the country's security, protecting the economic health of our border communities because the stakes are too high for this to fail. As we all know, border security and economic vitality are not mutually exclusive.

One other thing that I need to point out that has worried me all along, and I have never found the answer to it. I'm obviously not a native New Yorker. I have relatives who live in the South. If one of them were to come to visit me and say, "Hey, I'd like to go to Toronto for the day." There's no provision in this at all to allow a day traveler to

cross that bridge and come back out. Nothing. We have worked to implement fugit school buses going back and forth for special programs to go without everybody carrying a passport. We were trying to -- and also that they would not have to pay excessive fees -- but there are so many things left out there that could cause nothing but almost riots at the border that I simply believe we are not yet ready. It is not that the Canadians mean us harm. If they did, I think they would go after every member of the U.S. Congress who tries every day to screw them up. Thank you so much for your help. Thank you.

DR. CRAWFORD: Thank you Congresswoman for explaining so clearly what the border means to the daily lives of the people that you deal with in Rochester and Buffalo and Niagara Falls and across your district and surely to people across the whole northern border, and explaining so candidly what you are doing in Congress to shape policy accordingly.

We will now take a 10-minute break, but I would remind you first that we will resume the next



session a little later. We will start again sharply at 10:35. See you then.

BREAK.

We will resume in one minute.

Please take your seats as we are ready to resume.

All right, the show goes on. Please take your seats. We are ready to roll.

As many of you know, Canada and America are each other's biggest trading partners. They are that by far. U.S. exports more to Canada than it does to the U.K., Germany, Japan, and China combined. And it imports more crude oil from Canada than it does from Saudi Arabia or any other country. Less well known is the fact that much of this trade is intra-firm and intra-industry, not in finished products, reflecting a degree of economic integration that makes border management all the greater concern to the many firms whose supply chains span both countries.

Today we have a terrific panel of business leaders to share light on those concerns and what

might be done to address them. They will be introduced by the panel's moderator, Cynthia McIntyre, about whom I will say more in a moment. As you can see on the agenda, Cynthia is the Senior Vice President at the Council on Competitiveness. But unless you have been diligently reading your bio, you probably don't know the one thing that really sets Cynthia apart from everyone else in this room. Cynthia is a theoretical, condensed-matter physicist who holds a doctorate in physics from MIT. It may say something about the complexities of border issues that you are here today, Cynthia. But in any event, we are delighted to have you. Thanks.

DR. MCINTYRE: Thank you so much. I appreciate that, and I will bring my physicist's and scientist's curiosity to the panel.

I'm joined today by my colleagues, John Engler, Kelly Johnston, and Jayson Myers on the panel. These are key stakeholders in the operations of the U.S.-Canada border. They represent the interests of manufacturing, and we also have, of course, with Kelly

an OEM -- you hear me talking from a physicist's perspective of equipment -- we have a company present on our panel. The issue of the border's competitiveness for corporations is front and center. The issue of efficient transit across the border is their concern. The compliant issues that their companies face are going to be addressed. And they as major stakeholders will talk about how they have been engaged in the policy discussions, in the regulations, and operations of the border since 9/11.

And with that said, I'm going to start by introducing my panelists, and then we'll move into questioning them directly. I will ask that the audience join in the questioning. If, in fact, you want to interject in the questioning, please raise your hand. I will recognize you, ask you to stand, give your name and affiliation, and take your questions. And the panelists are certainly prepared for your interactions with them.

With that said, I'm joined today by the Honorable John Engler. Mr. Engler is president of the

National Association of Manufacturers, the largest industry trade group in America. He's the former three-term governor of the great State of Michigan, and Mr. Engler became president of NAM on October 1, 2004. His tenure as governor predated 9/11 and certainly followed the 9/11 event, and so he will be able to give us a broad perspective of how his state was affected, as well as how his members are affected by the change at the border.

Additionally, we're joined by Kelly Johnston. Kelly is at Campbell Soup. He joined Campbell in July of 2002 as vice president of government affairs. He coordinates activities and relationships with local, state, federal, and international government legislative and regulatory agencies, as well as the company's participation in trade associations. Kelly has spent approximately 25 years in the Washington, D.C., area in a variety of leadership positions within the executive and legislative branches of the federal government, politics, and the trade association world.

And thirdly, we are joined by Jayson Myers. Jayson is the president of Canadian Manufacturers and Exporters, Canada's largest industry and trade association. He is also the chair of the Canadian Manufacturers Coalition, a coalition of more than 43 industry associations that have come together to speak with a common voice on priority issues for Canada's manufacturing sector.

And with that, I'd like to begin with Governor Engler. Governor, how important are U.S.-Canadian border issues for your members? What are you hearing from them?

GOVERNOR ENGLER: Well, they're vitally important for manufacturers in this country. The integrated border needs are acute. We have Just in Time manufacturing on both sides of the border. We have literally suppliers supplying OEMs on both sides of the border and the ability to transit goods and people. And people are important as well because you take a southeastern Michigan, which I'm very familiar with, a substantial part of the healthcare system

depends on nurses that come from Canada, work in southeast Michigan hospitals. There is a border transparency that was there before 9/11. It was truly remarkable. It was nothing at all for people to cross the border for lunch. Go to Windsor. You thought nothing of it. Just head south to Windsor from Detroit. And that -- in New York and in Washington and other border crossings, there's sort of an equal reliance on the ability to cross the border. The commercial traffic coming across makes it the busiest border crossing, over the Ambassador Bridge in Detroit.

We think that a lot needs to be done and this -- I compliment Brookings today sort of for hosting the day because these are a set of issues -- clearly our border conversations in this country have been dominated by the southern border. But it's the commercial traffic on the northern border that is also of very keen importance. And so I hope that with the attention from the parliamentarians of Canada, members of Congress from the United States, and even a few

folks like us who are involved in the fray that we could both today do a little bit of a sort of an awareness campaign. And that the new administration, especially building on the visit of President Obama, Prime Minister Harper, that there's an opportunity to have sort of a fresh perspective on the whole thing. And we've got a lot of different stops and starts that are out there, a lot of different programs, and it's kind of time to have a full northern border initiative that's coordinated and comprehensive and truly one that's a partnership. That's -- we ought to be able to do that. Canada's a great friend and ally, and we ought to be able to sort this out and make it work.

MS. McINTYRE: Have you seen improvement over the past maybe three to four years in terms of transit --

GOVERNOR ENGLER: Oh, I think there are some things that would -- clearly right after 9/11 it could not have been worse. So it's -- we're much better than that point in time. I think that some of the fast lanes are helpful, you know, maybe not enough.

There's been some increasing in personnel on both sides of the border, helpful, maybe not enough, certainly not the same kind of budgetary support that we've seen in the south. There are -- when I was governor, we put a second span on the Blue Water Bridge -- you know, that was helpful, but we still have the challenge in Detroit, single crossing, single bridge crossing.

We have other issues relative to transit. We were talking earlier today with Mr. Blair about the, you know, Prince Rupert Port and all the rail traffic. It doesn't really involve -- that sort of gets to the rails in the Chicago issue. That's an infrastructure issue in this country, but it's one that now is going to have an impact on goods flowing across the border.

We also certainly have just in terms of personal travel, whether it's to go to Canada for the Olympics or go to Canada for lunch or go to Canada, you know, with the tightening of the border. I remember the first two times I showed up with just a



driver's license because you never thought you needed a passport to go to Canada. I nearly didn't get back, you know. They were wanting to ask me a lot of questions. I truly never even thought about it. So that's all changing, and I think that there's been a lot of effort on the part of officials to make it better. I would say it has improved, but it's nowhere where it should be and nowhere to the point where I think we do equal treatment to both the security and the prosperity needs.

MS. MCINTYRE: Jay, what are your members saying?

DR. MYERS: Well, of course, a number of our members are also John's members, and Kelly's a good example of Campbell Soup as a company operating on both sides of the border with a very integrated supply chain here. Canadian manufacturers are the suppliers for American manufacturers and American consumers, but also the customer for a lot of goods and services purchased from the United States, too. And keep in mind we can talk about statistics, \$1.5 billion of

cargo flowing across the border. But also I think with relation to some of the issues around security; 60 percent of that trade flows across a handful of bridges and tunnels across the Great Lake systems and rivers here. So these are definitely security issues, and they can become rapidly bottlenecks in a logistics supply chain.

But I, you know, trade numbers will tell you how important trade to exports to the United States are for our members, 50 percent of what is manufactured in Canada is exported into or through the United States. So U.S. is our first market. It's not the Canadian market. Likewise, 60 percent of all the inputs that come into our companies come from U.S. companies, so that border is extremely important. But I think the key thing here is let's not talk about trade or trade between Detroit and Windsor, then flows between the U.S. and Japan. But when we talk about trade, it really doesn't get into how integrated these supply chains actually are because we have product flowing across the border a number of times. From the

time it goes from iron ore to a car that's finally purchased by a consumer, it could cross the border eight, nine, ten times here. Every time it crosses the border, it is -- these products are subject to inspection, subject to potential delays at potential costs. So from our perspective, and I think other members of the panel -- I don't want to speak for them -- the issues here are not just trade problems and they're not just Canada-U.S. problems, they're problems that get to the competitiveness of business in North America here. Because we are really -- the issues around the border really do add cost to the delays and really erode our ability to compete in these integrated supply chains.

One other thing that I would point out, too, in terms of the importance of border issues; we often think of Canada and the U.S. differently or a border that's dividing communities. But what we're really talking about here are communities in which a border runs through them. When the border was closed after 9/11, many companies shut down on both sides of the

border. The reason they did was not really because they couldn't get product; the reason was because they couldn't get people to come to work, just because of the number of people living on both sides of the border. That affected not only business, but hospitals and schools, and many other organizations that you would want to keep open. So dealing with these issues in a secure way, but also in an efficient way, is extremely important. And I think from the perspective of business, the issues are not necessarily security or economic efficiency or competitiveness. Today these are combined. You need an efficient order to secure the border. And economic security today, from the perspective of Canadians and Americans, is often job security. Here, too. So this has to work well.

From the perspective of business, the issues are really responsibility -- how do you comply with the requirements, the regulatory requirements that you need to comply with to successfully cross the border - - and opportunity. Because we often take for granted

that these trade relations are something that are fixed, and they're not. Investment and trade itself can easily change. We're seeing this around the world today. And so in order to keep jobs, to keep business opportunity, to keep investment, I think this is a crucial issue that we have to deal with.

MS. MCINTYRE: Kelly, would you like to talk about the impact on the supply chain issue of the border, and how competitive the crossing of supplies between the two is versus, say, a global supply chain?

MR. JOHNSTON: Oh, sure. Well, if you pick up a copy of the Campbell Annual Report and you look for Canada, you won't find it because Canada's in the North American business market. We consider U.S. and Canada a single market, not just for the sales of our products, but the manufacturing of our products. We have a very highly integrated North American supply chain, so that border is incredibly important to us. And any hiccup, any problem, whether it's a concern about possible avian flu in Saskatchewan, or 9/11, or mad cow issue -- which for us was a bigger issue even

than 9/11 in terms of what it did to our ability to move products, certain products, across the border -- absolutely huge. So to be able to move things across for us is extremely important.

And it's important not just for Campbell, but it's really important for the whole food and agriculture industry, which is -- at least it was, maybe now it's number one -- but it was number two behind automotive in terms of cross-border trade and traffic. And we've seen a lot of politics. We've seen a lot of incidences that have really helped cause hiccups. And companies like mine are now looking at not just Just in Time, but Just in Case warehousing and other distribution concerns because of what's transpired at the border. We don't -- we really do have concerns. If something goes wrong that might affect our supply chain, that border literally shuts down for us. And it's gotten so bad now that in recent years, especially after the mad cow issue emerged back in, I think, 2004, we had Canadian truckers who were refusing our business to move

product from our plants in Toronto into the U.S., or charging significant surcharges for us to be able to move those products across the border. What that does, yeah, it hurts Campbell. Yeah, it hurts our customers. Yeah, it hurts our pricing structures, but it really makes North America less competitive with the world because other countries, other parts of the world, don't have those kinds of obstacles.

MS. McINTYRE: Have you -- during the time that you were having this difficulty with transport between the two because of mad cow disease, did you look for other sources of supplies --

MR. JOHNSTON: You have to.

MS McINTYRE: -- external to the Campbell --

MR. JOHNSTON: Absolutely. Well, in the case of mad cow, it was anything that was beef or a beef product, the gelatins or broths or things like that. So we absolutely had to look for a brief while on how to resource ingredients in a very fast fashion so we could actually bring product in across the border.

MS. McINTYRE: Where did you go to?

MR. JOHNSTON: Well, we had to come back to the U.S. in some cases --

MS. McINTYRE: I see.

MR. JOHNSTON: -- because for a brief while, until mad cow showed up in the U.S., we had moved some sourcing outside of Canada back to the U.S. for a brief while. It's a very expensive process to reformulate and find suppliers on very short notice.

MS. McINTYRE: Are there any other scenarios that you've encountered at the border with moving supplies back and forth that you want to tell us about?

MR. JOHNSTON: Well, I think the big issue for us, too, is -- and it's one that remains and you don't hear much about it now -- but back in 2006 when very quickly, suddenly, we saw the Animal and Plant Health Inspection Service in the U.S., which now is -- part of it became part of Homeland Security in a post that is now called the APHIS fee. It became a whole new range of fees, which became another impediment to



being able to bring product across the border. We had to train our supply chain, work with our third-party truckers, to be able to have to pay this new fee. And the whole part -- the way that was done I think was a real unfortunate process. And if there's one thing that I would love to see changed, and if there is one thing that I would encourage the Obama Administration to consider doing, is to repeal that fee and go back and do it right. Sit down with the Canadian government, sit down with the CFIA and other, Health Canada, and anybody else we need to in Canada and address the problems that the APHIS fee was supposed to be addressed for as it was handled incorrectly. It became yet one more straw in the back of the camel, if you will, in terms of being able to move product efficiently across the border.

MS. McINTYRE: In terms of the border operations, Jayson, could you talk about how effective the process is in expediting goods across the border? What have you seen?

MR. MYERS: Well, if you look at the border today, I think it's really working quite well. You rarely have the long lineups. You -- things have been done to expedite both in terms of provision of information ahead of time and security clearances through FAST, through NEXUS, and CT Pad. These are all programs that have been put in place that should help to expedite traffic and is doing this. We're not seeing the -- certainly not seeing the backups. I'm not saying the backups don't exist, but the backups don't exist now to the extent that they did only a few years ago. So things at the border are working well.

But I think this goes to a couple of points. First of all, that this is not just customs and security at the border. That's not just what we're talking about. We're talking about 132 Canadian regulations or Canadian pieces of legislation, and 97 U.S. statutes that where those statutes are being regulated at the border. So this is the regulatory compliance requirements for companies to move product

across the border go far beyond just security and customs issues.

I think the other thing to keep in mind is that as we move preclearance away from the border itself -- and this has expedited traffic at the border -- but that hasn't eliminated the cost or the complexity of complying with new requirements. And so for business, I think, as I was saying before, the real challenge is how do we simplify? How do we ensure that information requirements are provided that are needed in order to expedite traffic and secure the border? But not create a regulatory system in which compliance requirements are impractical, are costly, are just in many cases impossible to fulfill? And that's where many of the problems for business actually arise. It's in the information that is required, it's in the reporting systems, it's in the timing of the reporting. And if it's not a problem to cross the border and go into primary inspection, it's certainly a problem to get through secondary inspection because it's that point where if you don't have the right

information at the right time to the right people, companies, or the trucks at least at the land border, are stopped and several hours can be spent there.

So that's where I think some of the issues really reside and it's the issue of how do you make the regulatory system efficient, simple, less costly, to comply with, to speed up the efficiency of the border crossing process, and through that, and I apologize I'm an economist, but it seems to me if you can make it simple, less costly, easier to comply, you get more effective compliance and more effective security as a result of that.

DR. MCINTYRE: What about the issue of small companies versus large companies and the ability to handle the compliance issues, and the costs, and man power, et cetera, for large companies versus small? One of the panelists wanted to talk about that --

SPEAKER: Just one explain and this is about a year ago, I don't recall who it was, did a survey of smaller, I believe Canadian manufacturers, especially in the confection industry, which we used to be in at

one time; we're not there anymore. And there are a number of Canadian companies that have said, you know what, forget it. I'm not going to go through this, I'm not going to ship across the U.S. border anymore, which is sad because it denies market really and access to products for U.S. consumers of very good Canadian products. So Jayson, you could add more to that than I know.

DR. MYERS: I think that's right. When you look at the complexity and the cost of dealing with border compliance issues and regulatory compliance issues to gain market access, often those costs are overwhelming and the advantages for instance that have been achieved under the NAFTA in terms of tire production for small companies.

I think there are other -- of course the challenge for small companies is that they're small. They don't have the resources, they don't have the expertise, they don't have the money to invest in the information systems that they require, they depend on others to do the work for them. They -- when they

ship they ship with other products which makes another level of complexity at the border when you deal with a truck that arrives with a number of different products in it.

So all of those compound the difficulties for small companies and often it's small companies that have the least amount of money here to deal with these issues as well.

DR. MCINTYRE: Are there recommendations on how to help small companies jump over the hurdles much more effectively?

DR. MYERS: Well I think the -- I mean, certainly, I would say some general recommendations and maybe we can speak about this later but to target the high risk traffic across the border, which is not necessarily the cargo, number one, or certainly the cargo from companies that have gone through pre-clearance and security checks, but to target where the high risk is, not to try to regulate everything.

And in a way I would say some of the problems that we see, not only in border issues but in general

regulatory issues, is because we don't have an effective risk management system in place. We don't target the high risk and therefore we try to regulate everything and we think that piling more and more regulation and more and more compliance requirements is effective enforcement and it's not. It just snarls the process up and leads to less effective enforcement. So in general I would say target the high risk issues.

But a part of this too is helping small businesses and some of the studies that we've done, and Kelly was referring to one of them, looking at end to end logistics, from supplier to final customer, most of the cost is in the information systems itself. It's the investment that has to be made an e-manifest; it's getting the right information.

But small businesses, any business, has a lot of responsibility as well to make sure that information flows well within the company and then to customs brokers and then to people at the border. And some of the studies that we've done have actually showed big

gaps within the company itself where if the manufacturing part communicates effectively with the trucking part of the company in getting the right information. Gee, there are millions of dollars that could be saved through improving border management within companies too. So this is not just I think at the border or a policy issue. This is good management within business itself.

SPEAKER: I think trade is really -- it's something that's very, very important. A risk management approach ought to argue for some differentiation in the way we do this and there's a tremendous -- cross border traffic. It is an earlier example about parts maybe leading up to a final vehicle assembly, you know, there's multiple passages back and forth.

But a lot of this is intra-company or it's a company with Tier 1 supplier and these are -- the whole C-TPAT approach was thought to create a classification for -- trusted shippers who are, in



many cases, it's from one plant of their own to another plant and those need largely to come out.

There's been progress made out of all of that, I mean that's part of what I'd say fast lanes are designed to do that but we need to, you know, sort of the opposite of the way TSA handles the airport where you're just as likely to see the 80 year old lady pulled out and being one of the down, you know, we really haven't had much threat now. I guess, you know, the theory is if he stops randomly checking 80 year old ladies the future threat will come from 80 year old ladies. I don't know, you know, it doesn't seem like that's really where the risk is and I think somewhat the same here. And so what we've argued -- and we're having quite a conversation with customs in the U.S. on ocean shipping today but it has applicability back to the land borders because the ten plus two customs approach, a lot of information is wanted before we ever put the container on the ship.

Previously, some information was gathered before the container went on the ship, the rest was acquired

while the ship was in transit and a judgment was made. But this whole process doesn't really -- I think the 13 million containers come to the shore, more than half of those are intra-company shipments. So we would say let's treat those a little bit differently here.

And there will be eventually applications of this to land borders and to air freight as well. So you want to do the differentiation. I think part of what also has to happen is the -- it's the harmonization also of how we ask for and what we ask for in terms of the information going both ways and much more I think neutral recognition than we've had. We've achieved some of that but often times you'll find it's not the business groups or the companies on both sides of the border or even the government itself, it'll be an agency in our government or a Canadian government who's got an approach and getting that ironed out and simplified.

I mean look what we've gone through just on identification at the border. You did passport; is

there an alternative id that could be used, is there, you know, does the Canadian equipment read it and have access to the same database as the way the U.S. equipment does, can we not sort some of that stuff out because we've, you know, we've also got a driver, you know, most of the time coming across too, so you've got the human in the truck as well and that could be an issue if something doesn't match up there. And it's a different issue if it's a hazardous substance, you know, then that gets you into a whole different set of questions.

And so I think where Jay's organization, ours certainly the chambers on both sides have been, in terms of their approach, is let's see how well we can work together and I think there's an opportunity with the new administration here to -- administration in Canada to be able to maybe work together on a little bit different and more cooperative basis. And that would be our hope and then you really do hone in and you say if suddenly somebody shows up at the border with a semi full of something and they've never

crossed the border, there's no record, they're not in the system, that might be a different potential threat than the person who's going seven times in a day across the border.

DR. MCINTYRE: Kelly, what have you seen in terms of differentiation of your suppliers at the border in terms of their being able to quickly get through versus, you know, a Campbell Soup truck?

MR. JOHNSTON: Well one thing that was mentioned, and this is something that Ambassador Wilson has talked about, that 80% of the cross border trade, Jayson you mentioned this as well, cross border trade is intra-company. That's true for Campbell too. When we ship product from Toronto going down to Texas for example, it gets shipped from our plant there to our plant in Paris, Texas or to Ohio or some place else; same way the ingredients that come in.

While we like to source ingredients near our plants, this is a very cost effective thing to do, we do ship, for example, California tomatoes to Toronto; they come back into the U.S. or they stay in Canada in

various products. We haven't had too much of a problem with that but when there is a hiccup at the border, it's the point I make to my, you know, members of Congress who seem to think that the border issue is really north not south, I'll say well wait a minute, you know, if we have a problem bringing product in from Toronto across that Ambassador bridge, where 75% of our traffic goes across.

So you're backing up my supply chain, you're backing -- you may be hurting that Ontario farmer or that Ontario producer, you're hurting that California tomato farmer and that Michigan -- farmer at the same time. So that's the lesson we have to learn here is when there's a problem with the border it backs up the entire supply chain, both sides of that border.

DR. MCINTYRE: So it's a two way process --

MR. JOHNSTON: Absolutely.

DR. MCINTYRE: -- not a one way?

MR. JOHNSTON: No, it's definitely a two way process.

DR. MCINTYRE: Not just into the U.S.

MR. JOHNSTON: Absolutely.

DR. MCINTYRE: --

MR. JOHNSTON: -- correct.

DR. MCINTYRE: Let's talk a little bit about stakeholder engagement. And do you clearly represent a diverse set of manufacturers and one manufacturer here? How effective has stakeholder engagement been in this determining how the border should be managed, et cetera? Could you talk a little bit about that?

MR. JOHNSTON: Well I think there's been -- and by no means are we the only stakeholders that are -- and state officials in this audience as well today as well as representatives of the National Governments and so there's a lot of stakeholders who come to the table. I would say that stakeholder engagement has been helpful in securing additional resources. I think there needs to be even more.

I think stakeholder engagement has been helpful in modifications of policies and support of some of the pilots that have been put in place. I would say that where we maybe have fallen short, I think that it

still is a -- it's unresolved that, you know, what's the final approach. I mean we kind of need to settle on some things and say this is the way it's going to be and I think at times there has been so many voices that the governments have been reluctant just to sort of settle the questions.

One thing I think has not been as good as it should be is I don't know that back and forth we've listening clearly enough to what each other is saying and been able, in a process, to sort that out. I certainly think there has been a lot of positive things said back and forth between the two countries and the federal officials, but I think that we like to talk sometimes about harmonization and some of our agencies say yes, of course, we'll cooperate; they can do it our way.

Well that's not exactly meeting in the middle of the road here and I think that nobody should enter into this process with the idea that you've got the monopoly on how to do this. And I think sometimes we've been too influenced by everything that's going

on at the south border that's it's taken away from what I think is actually an easier problem to resolve and that's the northern border. I think that there's a -- I think they are different.

I think there are different needs and priorities. Not that some of the issues aren't the same north and south, I just think it's easier to work about on the north because of the long history between two very close allies who both have the absolute same interests in trade facilitation as, and I think generally in security. There may be some slight differences in attitude on security but I think that we all want to see it work well and we all grew up, most of us, with a pretty much an open border. And it pains me to think that they're opening -- trade and go all across the borders of Europe and we've made it harder to go across our northern border; that doesn't seem like that ought to be so.

DR. MCINTYRE: I'd like to stop right now and see if there are any questions from people in the audience that you'd like to pose to any of the



panelists at this time; any questions. I know this is not a shy group; yes, gentleman there.

MR. GLOBERMAN: I'm Steve Globerman, I'm at Western Washington University and I guess a question for both Governor Engler and maybe Jayson Myers. Do you have any sense from your members, any even rough idea of how much more cross border trade might be going on were it not for all of the various impediments that you've talking about? And I guess also maybe even does Campbell Soup have any idea of whether it would be doing even more intra-company specialization and cross border trade and if so, I mean is it a big deal? Are we talking about marginal increments in specialization or would you run your company really significantly differently if let's say we didn't have a border, it was just completely integrated?

MR. JOHNSTON: Well just to be right quick and let them answer the initial question that I don't know. We've been doing a lot differently. We just, you know, but clearly that border does glow a bit

orange and red to us in terms of that's just one more factor we have to consider as to where we invest dollars or where we go in business opportunities.

Most of the expansion that we've had, not all but much of it, has occurred near the border. For example we've got a new soup plant near Everett, Washington that services both the U.S. and Canadian markets with -- for a food service soup that goes across and we make that work.

So yeah, we haven't really scaled back making the cross border issue work but that does -- it still -- it is a factor we have to consider as we make those kinds of decisions, more than it probably should be. What we would might do differently if it were no border or a different process; I don't really know, frankly. We might have some impact on sourcing in ingredient areas. There are issues on both sides. Canada is not perfect on that issue either in many respects. But at the top of my head I can't think of anything specific but it's a good question to ask and not -- places to try to get to.

GOVERNER ENGLER: I don't think we've got any empirical data on that to answer that question. Clearly, you know, we have the recession. There would be a lot more trade. Dollar values have a big impact on flows too. Then take the auto industry for example which is, you know, Ontario a few years ago passed Michigan as the number one North American state for auto production but as some of capacity comes out of the auto industry, all of that stuff is up for grabs.

I, you know, there are just a lot of other factors. It becomes a factor and I think it might be -- I think another interesting question -- what, in terms of location, decisions, you know, that have happened since 9/11, what -- to what extent have those been impacted by apprehensions about borders that I -- again, I don't have any good data on that, Jay, I --

DR. MYERS: No, I haven't seen -- and certainly an issue and a concern that's been raised but I haven't seen any really good data or any good story analysis on it. I know the conference board did a study that really looked at the marginal costs; saw

it as an additional cost but not really having an impact on trade here. But I do know that from --

MR. GLOBERMAN: Do you believe the results of that study?

MR. MYERS: Pardon me?

MR. GLOBERMAN: Do you believe the results of that study? That study basically says it's not a big deal.

DR. MYERS: Yeah, I think it underestimates the impact, and particularly if you're looking at investment decisions or product market decisions here. In Canada, we have said for a long time that it's easy -- it was easier to do business north, south than it was to do business east, west because we have several barriers, movement of people and product across the provincial boundaries too.

And north, south was always easier to do business. But from our -- from the point of view of Canadian exporters, the U.S., that only four years ago was 87% of our exports; has now fallen under 70%. So companies are now finding it, for whatever reason, and

a lot of it is the economic risk here too; looking at other markets in a -- more than they ever have before. And I'm not saying the border is a part of that but it certainly is I think having an impact on sourcing decisions, as well as investment decisions and market development decisions.

But I think the -- going back to the other point that we started raising right at the beginning. We look at this as a bilateral issue and it's really not. It's a global competitiveness issue because if we're really looking at businesses that are operating us supply chains, what we have to look at here is how efficient are those supply chains and is that supply chain a good place to do business in North America because it's really supply chains that compete today, not companies.

So the issue is largely is it a good -- is that supply chain a good place to put your investment? Can you add value in that supply chain as opposed to adding value in an Asian supply chain, or European supply chain, or a more global supply chain, but not

necessarily putting that investment in North America. And so any additional marginal cost today, especially given the economic situation, is an impediment to that investment decision.

SPEAKER: You know, the port opportunities in Canada I think are pretty impressive because there's already congestion at some of the U.S. ports and there's a sense that both on the west and the east that there's some Canadian opportunities and some expansion. Those might be ways to facilitate trade. But again, you've got to cross the border so that comes into that -- completely unrelated to sort of a trade flow but just -- after 9/11, I think that some of the Ontario cottage properties declined rather sharply in value because people just, you know, that was -- it's a common popular vacation destination for a lot of Michigan people who've got properties over there and they found the border crossing so it added so much more to that trip and made it unpleasant that that was something that people started to pull back from. That may well have recovered now, but you know,

but there was a period of a couple of years there were people who owned the properties over there were very unhappy as values came down and --

DR. MCINTYRE: Are there any other questions? Yes.

MR. CORESEC: Hi, Stan Coresec with Blue Arbridge Canada, the other border crossing in the Detroit-Windsor area. I'm also President of the Public Board of Operators Association representing all of the publicly owned border crossings between Ontario, Michigan and Ontario, New York; some very good points there today.

For our members anyway, we see three kinds of ingredients or issues with the congestion at the border. Number one is infrastructure and we've talked about that. Many operators are -- we're doing expansions and what not at the border. Once you do these expansions, of course, you need the staffing to staff the primary inspection lanes.

Back in the summer of 2007, as we all experienced, we called it the summer from hell, there

was a real issue there with staffing of the customs booths and it's a very simple -- that's the funnel as far as operationally, that's the funnel in the supply chain at the borders. CVP has come to the plate; staffing levels there are increased tremendously and we've noticed that the -- at times are better. I have more concerns about coming north, you know, and Chris' report is great and there's a lot of good discussion there. It's got to go two way too. There's not too much mention of coming north or Canada bound for a lot of stuff and we have some concerns about staffing issues there.

And the other one is the policy and the regulations and, you know, was talked about the harmonization. You know, for me, what's good going one way should be good coming the other way as well. You know, AFAST is a great program and we promote it a lot. It seems to have stagnated the enrollment in it, you know, you have to get C-TPAT. But to get -- coming into Canada you have to have PIP and then you



have to have the CSA, which is sort of an accounting thing there.

It would be great, I think for a lot of manufacturers if there was like NEXUS, one program and it fits both ways. Another example, and working with General Motors on this is in transit for -- trucks. You know, General Motors has a plan just outside of Buffalo that makes engines and of course there -- C-TPAT and they ship them across and they come across the Blue Water Bridge but they can't use the fast lanes there because -- well, I don't know why.

It just doesn't make sense and that seems like a simple fix that can be made. If that truck left their facility in Saint Catharines, it could use the fast lanes but because it's coming in transit it can't. And we've been working on this for a couple of years and Kevin Smith here used to work for GM, as we're well aware of that.

So it's just some comments. Those are the kind of issues that, you know, that -- we had the 25% challenge a couple of years ago with Secretary Ridge

and Deputy Prime Minister Manley. And I thought that was a great idea. He came down and we talked about stakeholder input in the report; came to the operators and other groups too to say hey, what do you guys think, how can you speed up, what are your ideas on speeding up things across the border by 25%, what kind of fixes can we make. And it's that kind of grassroots input and we had some very good success at the Blue Water Bridge anyway; just some comments here.

SPEAKER: I do want to mention real quickly that I have one -- the one big improvement for us that makes us feel a little better about cross the border is there has been ramping up of personnel. We knew there was a real critical shortage for a while, especially not long after Homeland Security was created, you know, a large number of inspectors were tired and didn't like the change in some of the rules.

Believe it or not, some of the retirement and overtime rules are different from agency to agency in the Federal Government on the U.S. side anyway. And we lost thousands of inspectors and in the same time

that the USDA and the U.S. was trying to implement the mad cow mineral risk region rules. They had to also supply for secondary inspections. So that was our biggest problem for probably a good 18, 24 months. But I do want to credit customs for really ramping up and I don't see the staffing problems we've had before. We've seen hours of service improve at ports -- could be better; would love to see 24/7. That's probably not going to happen anytime soon but it's clearly improved.

DR. MCINTYRE: I'd like to thank the panel today for your input. I think we've heard from all of them that the one border policy is important but that risk management needs to be effectively applied. Risk informed operations are key to an efficient border and we hope that the new administration will work to speed things up for commerce at the borders. Thank you very much.

SPEAKER: Okay; thank you.

SPEAKER: I think it might be time to --

SPEAKER: -- U.S. and Canada. It sort of goes through all of the pilots and sort it out --

SPEAKER: Yeah.

SPEAKER: -- and say look this is what we think works the best and let's get this standardized because that is -- we've got a little different experiment here, a little different one over there and that's --

SPEAKER: No, -- I think there's an opportunity to putting together a business group that could talk -- at the same time, you know.

SPEAKER: Yeah.

DR. CRAWFORD: Thank you Governor Engler, Jay Myers, Kelly Johnston, and Cynthia McIntyre for shedding such good light on the business challenges that the border presents and some good ideas for moving forward. David, take your full time unless it doesn't seem to be running and we'll run over.

It is now my pleasure to introduce a panel that explores some of the ways that the border varies from one place to another and the ways that border

communities and states and provinces have found to work together to address their border issues and the implications for national policy.

SPEAKER: Matt, you're in the right place.

DR. CRAWFORD: This is our panel on the regional cooperation. Moderating this panel at my far right, your left, is David Biette. David is the Director of the Canada Institute at the Woodrow Wilson International Center for Scholars here in Washington. There is much more I could say about him but given -- but in the interest of time, I give you David forthwith and he will introduce the other panelists. Thank you, David.

DR. BIETTE: Thank you, Steve. Welcome to the panel on regional cooperation. It's a pleasure to be here today and a pleasure to have Senator Segal -- this program if you will. Brief biographies of my panelists; Matt Morrison is Executive Director of the Pacific NorthWest Economic Region.

I'd like to point out that PNWER is a public private partnership that was established in 1971 by

statute and the states of Alaska, Washington, Idaho, Montana, and Oregon and in the western Canadian provinces of British Columbia, Alberta, Chettuwa, and the Yukon Territory.

Matt's well known in -- Canada, the U.S. border and leads PNWER's effort to ensure that the border works and is open for legitimate business and travel. I didn't know this before, read his bio, but the region votes the tenth largest GDP in the world.

Next is Kirk Steudle who was appointed by Governor Jennifer Granholm in 2006 as Director of Michigan's Department of Transportation where he has worked since 1987. He is a licensed Professional Engineer and in this position he is responsible for administrating a highway program with 9,716 miles of state trunk line, 4,400 state highway bridges, a department with 2,800 employees state wide, and various multi motor programs including Transit, Air, Marine port, and non motorized transportation. Would that be horses?

Paul Storer is Professor, my far left, and Chair of the Economics Department at Western Washington University in Bellingham. He is a member of the Board of Directors at the Pacific NorthWest Regional Economic Conference, a nonprofit organization established to promote research and education on the economy of the northwest states and western Canada. Paul's research focuses on Canada, U.S. business and economic relations and on cross border integration.

So let's start off with a question for all of you. Since we're talking about regional cooperation at the border, I'd like to ask each of you, briefly, what's regionally unique about your part of the border? Why don't we start with Matt.

MR. MORRISON: Well thanks. In the Pacific Northwest we have -- we're very excited about the 2010 Olympics, for one. Tourism is a very important industry in the region. We have about 7 million Americans that depend on trade that in some way is impacted by the border and 3 million Canadians. In the Pacific Northwest, we have, I think, a tradition

of working well together and we have a lot of institutional framework for dealing with issues and I really feel that the laboratory of innovation is, you know, coming from states and provinces and building a stakeholder lead process. So those are some of the uniquenesses that we have.

Our commercial traffic is that only about 5% of our trucks are fast compliant. It's a very different mix. We don't have large companies that are going back and forth across the border, but smaller businesses that -- and a lot of agriculture that aren't C-TPAT compliant.

DR. BIETTE: Kirk.

MR. STEUDLE: Well in Michigan we like to look at all of the border crossings as one large system that connects Michigan to Ontario, the U.S. to Canada and arranges, and all of them act a little differently. We have the international bridge at Sault Saint Marie that very much is a very close knit community.



There's Sault, Ontario and Sault, Michigan. People cross that on a daily basis as commuters, you know, they go to shop in Sault, Michigan and they live in Sault, Ontario. So you'll have a lot of commuters that are going back and forth on top of all of the agriculture, the timber industry, and fabrics, textiles, and leathers seem to go across that border a lot. But as you talk about the Detroit Windsor as a community that earlier speakers talked about, there really is the same thing at the Sault Saint Marie and to some extent the same thing in port here -- which has a little different mix of crossings as well.

We certainly have a lot of automotive related trade going across the Blue Water Bridge but there's other products as well. The last speaker from Campbell Soup talking about tomatoes that, you know, got to transfer back and forth, the black beans that are in Michigan that are going to get mixed in. There's a lot of agriculture products that move there as well.

And then when you get to the Detroit border, clearly a lot of it is auto related. I think it's two thirds of the goods going back and forth are auto related and we also refer to that Detroit border as the southern border because you do drive south out of Detroit to get into Windsor.

So, you know, as we talk about the northern border getting -- if all of the focus is on the southern border, we have a southern border too. But they do -- they all operate together in a coordinated system of connecting Michigan to Ontario that frankly, we in Michigan probably have more in common with a lot of folks in Ontario than we do with some southern states within the United States. So we view that border as vital for moving people and goods and keeping our economic lifeline together.

DR. BIETTE: Paul.

DR. STORER: I don't really have much. Being from the same region as Matt, I don't have much to add except we don't have any bridges in our region.

I do have some general comments I wanted to maybe make.

DR. BIETTE: I wanted to look at, you know, just sort of set the stage for what regional issues there were. But then I wanted to get right in because you've got some slides to show us on some graphs with interesting things about the regional aspects of the border.

DR. STORER: Focusing on those two regions.

DR. BIETTE: So why don't we --

DR. STORER: Should we do that?

DR. BIETTE: -- go over to do that right now.

DR. STORER: -- I'm convinced that for good border policy you need some good data, you need the stories behind the data, and of course need good people to tell the stories. And one of the things I'd like to do now is provide I think some of the data. And a lot of this is from work that my colleague Steve Globberman and I have done looking at the border and trying to do a comprehensive look at border issues. I

have three things that we've looked at and measured a little bit and I want to compare them really for the Pacific Northwest region and for the Detroit Buffalo area.

The first thing I want to look at is what happened to trade after 9/11; and quickly here, what our methodology is is we try to kind of pull out all of the things that we would normally think effect trade like exchange rates, economic activity, and then what we have left over we're going to attribute to changes after 9/11, which we think are manly to do with security. We're going to compare how those things are different in different regions. So part of the motivation here is to see how national policies, common national policies, may have differential regional impact.

The second thing we're going to look at is reported information on freight cost. And this is actually going to be a fairly long time series based on what importers are reporting as freight costs relative to the values that they're reporting for

imports and we're going to see that those things are behaving differently in different parts of the country.

And then finally we're going to look at the use of NAFTA preference rates; how much people actually take advantage of NAFTA. Now there are people who are worried that just in case is being replaced -- is replacing just in time, and also the NAFTA benefits are being eroded by that. And we'll see some evidence that that might be true but also that it varies by region.

So actually getting into this evidence, this graph here is just showing over time how there are differential impacts that some of the ports in the center of the country, the ones that Kirk might be most interested in, Detroit, Buffalo, -- Port Huron. And what we see here is that there -- well we're measured on the vertical axis, how much things fell, and then what happened afterwards.

And we saw that there was definitely a drop down immediately after 9/11 but a relatively quick rebound

which is maybe some surprise but I think maybe what happened is those 20 kilometer line ups, they get people's attention. And things were done to help rectify those relatively quickly.

Now if you -- we've got more recent work on this and things are not looking quite so rosy later on, but there was a relatively quick bounce back in the center of the country. In the western part of the country, some of the ports like Blaine, Pemida, Sweet Grass, a much more extended drop after 9/11. So again, we're seeing differential impacts of those measures.

Now, there has been some discussion that FAST maybe part of this, that FAST was a good response to certain regions. Matt mentioned 5% enrollment rates in the port of Blaine. That's not going to solve the problem for places where the enrollment rates aren't very high. So maybe again, you have to adapt those policies to the realities of the region.

So the next thing we're going to look at is the measured costs of freight. So this is data from the U.S. International Trade Commission, which actually

reports very detailed data on value of shipment with and without freight costs. So if you take the difference and look at the percentage you can get a measure of freight costs over time. And what we see here, this is for the Seattle customs district, and you can see this thing dropped for a while, I mean you can't see the numbers but what you can see is it bounces back up again. Guess what year it bounces back up again? Right after 2001. So it's definitely something seems to be happening to these measured costs.

Now, the next graph is the Detroit customs district which is a number of different ports. We're actually seeing very little showing up in that data. Now it could be that the data aren't being measured the same way or people aren't reporting -- shippers aren't reporting this at the same way to customs, but this is data coming through the USITC, it's from customs. So this is interesting.

The interesting differences here, and this is to some extent how Steve Globerman and I are going to

spend our summer vacation is looking at this more. So we'd be very interested in getting the stories behind this. Those of you who can share stories, it would really enrich our understanding of this data and I think it will help policy.

The final thing is the likelihood that this is -- exports from Canada to the United States, or U.S. imports, so these are all coming from Canada or the United States. This is the percentage of the shipments that actually claim the NAFTA tariff preferences, as opposed to paying whatever the most favored nation or normal trading -- tariff is.

Now you might be surprised to see that these numbers aren't 100%. Why is anything not claiming the NAFTA? Well, sometimes you can't because sometimes you've got enough non-richening goods in there that it doesn't -- it's not eligible. Other cases it's just not worth the cost, the benefit isn't worth the cost.

The key thing here though is notice the regional differentiation is less than a third in the Seattle customs district. About just under three quarters in



Detroit. Now why might this be happening? Well, small business regarding how to deal with rules of origin can just be too complicated. It's not worth the trouble. So we do have to be concerned that different regional realities, different profiles of shippers, mean different outcomes.

And I can't stop without giving applaud to some work done by our Border Policy Research Institute and the University of Buffalo. And I think Don Alper may have copies of this, but there's a lot of work done on this, a lot of interesting things, but anyway, hopefully that's some data to set the stage for the rest of our discussion.

DR. BIETTE: Sure; and I think that really shows that, and we've heard from the panelists earlier, that it's not one, sort of one border all the way across where everything's always the same. It's actually very different and to look at those -- sort of tells you what's coming across the border and who is doing what where. So I'd like to take a look at regional stakeholders now and ask you what processes

can we use to ensure that regional stakeholders' voices, regarding the border, are heard in all regions.

In the past some rulemaking favored larger firms over smaller firms and I think Paul you just referred to that a little bit. Let me throw in another related question here. What institutional structures, regional or otherwise, have been developed from the grass roots up to build consensus for better border management? Matt, you want to start?

MR. MORRISON: Sure, thanks David. I think that the enhanced drivers' license story is a wonderful story in terms of the trend. And I was so involved in that, you know, with Governor Gregoire in Washington State and Premier Campbell in BC and we had several round tables with Secretary Chertoff and then -- but the state and province had to fight to get that finally adopted. And we had to really push the Federal governments and say well just tell us, what are the requirements for a compliant document and we'll work with you.

But I mean it was like pounding your head against the wall and yet finally, it's done and it's a template and all, you know, many states are now doing that. But you know, for 15 bucks when I renewed my license, I got an enhanced drivers' license and it's so convenient. I never have because I travel across the border all the time. Anyway, to me, that's indicative of where we need to move. We need to look at local communities who live this stuff everyday. You know, we have regular, we have a Border Solutions Council, we've designed 32 specific things that have to be done before the Olympics. We've got 10 months and the clock's ticking.

But these are commonsense, simple things, that can be done and we're engaging CBSA and CBP local people to say okay, how can we do this differently. Canadians seeking -- visa in the U.S., there's no way to get a prescreening. Do I have all of the stuff for my application? No, you have to get to the border and lay it all out while you're, you know, in route to the United States; takes three to four hours sometimes

away from people at the border doing other things.

We want a family NEXUS pass for the Olympics; not a bad idea. We want a first responder NEXUS. The problem is I can't get any traction in, you know, we don't have a place to go with these solutions and anyway, that's what I think we need. And there's a great potential for building real solutions if we can involve the uniquenesses of regions.

DR. BIETTE: How about Michigan?

MR. STEUDLE: You know, there's a couple of things. My colleague from the Blue Water Bridge stands in the back and we were talking earlier. He and his counterpart on the Michigan side of the Blue Water Bridge referred to as the Blues Brothers from the Blue Water Bridge. The Bridge Brothers, okay. They should have been the Blues Brother's, right?

And they went around and you talk about the NEXUS piece. These guys were the face of getting people in the local community to sign up for NEXUS, to do exactly that, to keep the trade going between the two

of them. So at a very specific location in Port Huron, I think they've done a nice job of coordinating just two agencies right at the border. Now in a larger context, we created this bi-national partnership to deal with border crossings in Detroit. And one of the things that spun out of that was the relationship between the Michigan Department of Transportation and the Ministry of Transport in Ontario. And we've done quite a few cooperative things back and forth.

One of the simple examples is we signed an agreement to exchange traffic data, intelligent transportation information systems back and forth about freeway conditions, you know, what's the -- before you cross the bridge or enter the tunnel, what is the condition of the Detroit freeways. And sharing information and video feeds back and forth; it seems pretty simple. But when you -- I mean you're trading information from one country to another and that took a little bit of doing.

An additional spin off was our maintenance forces. This is a very specific transportation piece, but our maintenance forces meet jointly with their counterparts in Ontario. And they share a lot of best practices back and forth and there are some smart, smart guys that are figuring out how to do things more efficiently and better. But it just sets the context of, you know, we're neighbors here, let's figure out how to do this. Yes, there's this imaginary line that somebody drew on a piece of paper one time, but we have to make this operate better. So there's been a lot of spin offs when government to government can talk and work through those issues and, you know, work through some of the border agencies as well to help process quickly.

DR. BIETTE: I mean you talked about who can be heard and when, and Matt, you talked about your frustration with trying to get some sensible things through. I guess PENWR is listened to, to a point I think, but do you have a bigger sway over federal ears than say large enterprises or the big enterprises

there? Or what happens to the small guys, or as we heard in the last panel or do they just give up and wait for something else to happen?

DR. MORRISON: I think the SPP didn't engage. It didn't have a place for engagement of stakeholders, or at least not enough. And there wasn't a place for the local governments to input. And I think, you know, whatever we come up with in the new administration, we have to have an opportunity for state, local governments, as well as stakeholders to bring these solutions forward. So we -- to the extent that we've been effective, it's because we're just, you know, very persistent.

DR. BIETTE: Indeed you are, Paul.

DR. STORER: Just a quick comment on that. I know under the SPP they did try to solicit comments from stakeholders, particularly about things like verbalization of rules of origin. I also remember being at a conference in Seattle where someone actually was there saying why aren't you giving us more suggestions, why aren't we hearing from you.

And I think, again, to some extent for smaller businesses, people don't often even really know what the framework is, what even they can ask for, you know, I mean General Electric knew how to ask for changes for the rules for jet turbine engines, but small businesses don't even often know how they're be effected.

So I think this is where sometimes having something more proactive, you know, research groups, whatever, looking forward and looking out for the smaller businesses and collectively can be helpful. Giving them a place to tell their stories is important, but also looking out for them.

DR. MORRISON: I'd say infrastructure is not just roads and bridges, its institutional infrastructure and human infrastructure is sometimes the very cheap piece that we don't have and we need.

MR. STEUDLE: You know, at the core of this is all conversation and it's starting the conversation and it's looking around the room and seeing who you're talking with, as opposed to talking at, and making



sure that all of the seats are filled with the appropriate people; somebody that has a voice in that discussion needs to be sitting at the table for that discussion, whether it's the person representing a small shipper or a small shipper themselves along with somebody representing a large shipper. I think it all starts with the conversation.

DR. BIETTE: Well who in Michigan -- who are the people who are sitting down at the table talking regionally? What collections are there?

MR. STEUDLE: Right now, it's four levels of government that are talking. And then from there it branches into community stakeholder groups, and business stakeholder groups, and a number of others that filter in on both sides of the border that have interests in making sure that we can continue to move people and goods quickly. The longer those vehicles are sitting in the queue for the local community, that's more exhaust and emissions that are going in there community. So the community is very interested

in processing those cars or trucks faster so that you get the emissions out of there as well.

DR. BIETTE: Is there a region to region cooperation? I mean do you folks in Michigan speak with the folks out in the far west, in the Buffalo area, or in New England, I mean or are you on your own? I mean Matt, I know you guys sort of had the Olympics as if I will say a gun to your head, you've got to get something done for that and you pushed hard and --

MR. MORRISON: Catalytic event.

DR. BIETTE: Governor Gregoire a while ago talked about the process of getting the enhanced drivers' license but I mean you had that but do you work with others as well and how do you do that?

MR. MORRISON: There are in numerous organizations. I know Don has been trying to put together the research capacity across the border, on both sides of the border. The best coalition was instrumental in working on the enhanced driver's license in Michigan and New York as well. But I think

we need more of that and it's the grass roots up approach of building consensus on what the solutions are. But I really think now is the time to take a dramatic step, as Gordon Giffin said, then and really think outside of the box.

MR. STEUDLE: David, I would add that I don't know that we have a lot of collaborative discussion between the west and the central part of the country. I know that we communicate with Buffalo, Niagara area on a more routine basis than anybody else just because our borders operate similar and to similar customers. I don't know that we've really reached out much other than reading information that's happening in the west region and the east.

DR. BIETTE: I'm going to throw a bunch of questions at you now because we're getting on in time and I want to leave some -- and I know this question is going to -- the main question. But it relates to what Chris Sands said in his paper and what Michael Kergin and Birgit Matthiessen have said in their paper as well. Looking at an improved border, what kind of

border do we want? And I want you to focus this from a regional basis as opposed to the business perspective that we heard in the last panel. But what kind of border do we want and how do we get there? What kind of processes are necessary to reach that goal? Is it possible to get there with an inclusive approach with regional stakeholders as well as federal representatives or do you go on your own? So where do we want to go and how do we get there? And I'm going to ask you to start this time.

MR. STEUDLE: I would say we need to start with just exactly as you framed. What's the larger vision, what do we want this to look like? Now, Governor Engler talked about, you know, when he was growing up and, you know, the ability to go across border was not a big deal. I grew up about 80 miles from the Windsor border. It didn't seem like a border to me. It was like going to Wisconsin or Ohio and it was very easy. And you could just move across the border.

I think as we look towards what's the longer vision, what do we want it to look like, I think we want it to look like that. We want it to look as transparent as possible, but as secure as possible to make sure that we keep the bad guys out, stop the bad stuff from coming in either direction, but allow all of the positive good, you know, goods movement and people to flow as freely as possible, as coordinated as possible; large, large vision, lots of details in the middle.

DR. BIETTE: Paul.

DR. STORER: One thing I think that's become clear and particularly people doing regional economic geography type work is the importance of clusters in a knowledge based economy. And when you think about it, if you have clusters where geographic proximity is important for prosperity, if you have a border that prevents you from -- British Columbia and Washington from collaborating or Michigan and Ontario, that's a problem.

And we want our border to be something that's going to enhance our prosperity now and also enhance our flexibility as we adjust to the economy. We don't even know what it's going to look like in 20 or 30 years. We want to make sure that things can grow, that there can be collaboration across the border. I'd like to see the -- from the point of view of -- the economic effects the border almost be minimized in terms of its economic effect.

And Steve asked this question about, you know, what would happen if the border wasn't there. Well people like John McCallum and John Helliwell have looked at the size of border effects and they find they're big; that provinces do much less trading with states for given size and distance as they do with other provinces and we'd want that to go away. And I think in a knowledge based economy you'd want that to go away. And I've been also told not to say the word perimeter, but I do think some sort of a perimeter approach is the way to go whether you can say it or

not. I didn't get a prime minister to tell me that though.

DR. BIETTE: And you folks, what kind of border do you want?

MR. MORRISON: I think, you know, Ambassador Kergin, you know, his principles. I think if we could agree on basic principles and then work on the specifics with regional flexibility. I mean I also -- in our region we have the Alaska Yukon border and I've been to towns where they only have one garbage collection. They basically ignore the border. And almost one school district on two different countries.

And we need to have flexibility to allow those communities to, you know, handle themselves because they know everybody. So we need flexibility. I think we have to have what Paul is saying on the legitimate business -- we know who legitimate business people are and they should have fairly unrestricted ability to go back and forth across the border; it's vital. And with this I'd say this economic downturn is too great a crisis to waste. We have an opportunity here to try

to get this right and to make the point while our economies are struggling, that getting legitimate trade and travel and business trade and travel across that border is vital to the economic recovery of both countries.

We have to get that across and we have to bring the highest levels of our governments to really focus on okay, what are the requirements and then let's let the regions pull together specific solutions to meet those requirements. And I think that could really lead us toward a process of developing a 21<sup>st</sup> century border that's competitive.

DR. BIETTE: I know it's one of the -- just popped in my mind. Earlier you talked about the uptake of the use of FAST in your region, which I know -- and Don Alper's border policy research -- has done some studies on how it's used in different parts of the border across -- it may be low there but it's much higher I would think in the Detroit area. So how do we -- so taking this further, how do we take -- develop sort of a national border policy, which you



kind of have to have I would think, to take advantage of regional trade patterns? There's different -- what crosses the border in the west is different than what crosses the border in the east. I mean you find that even in New England; what crosses Maine, New Brunswick is different than what crosses Vermont to Montreal. So how do you take -- how do you do that? Paul, I think you've done some research on that. Do you want to --

DR. STORER: Well I'm aware of some work David Davidson and others have done at the Border Policy Research Institute. I mean one of the ideas is maybe use the fast lanes differently; use them for congestion based tolling.

The problem is there's a big fixed cost to being in FAST but you have some shippers that don't want to use the fixed cost but some sort of variable cost where you have them pay something that's high for crossing but no big fixed cost. So there are a lot of alternatives that could be I think adapted regionally and would work and that's the ones I've looked at.

DR. BIETTE: And you've got Michigan's, it's not just autos?

MR. STEUDLE: Yeah, it's not just autos, it's a variety of commodities and I think it goes back to the point earlier that I think whatever national policy has to be flexible enough to be able to deal with the differences across the entire border because it is different. Even within Michigan what happens -- what passes in the Detroit Windsor crossings, and even Port Huron, are different than what happens in Sault Ste. Marie.

And to treat the Sault Ste. Marie border with the, you know, that is going to have the exact same restrictions as a Port Huron or Detroit border, it doesn't make a lot of sense when a lot of the commodities coming across are very similar to what's happening in the Pacific Northwest. So it does have to be flexible, but even within a state it's got to be flexible by port of entry.

DR. BIETTE: Okay. Well Steve has told me to be aware of time but I know we have time for some

questions and let's go for it. Jeffrey, can you wait for a microphone? Do we have a microphone or just speak really loudly?

SPEAKER: Jeffrey -- talking about learning back and forth across borders. I was at a conference in San Diego a couple of months ago and one of the projects that the border people between the state of California, in fact it is a California project, you talked about congestion pricing, Paul. One of the projects they have is a reverse congestion toll that they have consulted with the stakeholders in the industry, they're building a new truck border crossing at Otay Mesa and in return for a 30 minute or less border crossing for truckers in that area, the truckers agree to pay a fairly significant congestion toll that is then used as dedicated revenue to ensure flexible staffing of both the primary inspectors, the CVP personnel, but also the people who inspect trucks at secondary because one of the things the shippers have told us is that if you cannot get a truck unloaded, if there is a need for secondary inspection,

it gums the entire work system up and backs truck up up the road.

But if they wait more than 30 minutes that tolls start dropping so that the border authorities, in this case a partnership between CBP and Caltrans will actually lose money. And I don't know how many business people are still after the last panel, but I'd be interested in hearing your comments on that sort of thing.

DR. BIETTE: Reaction?

DR. STORER: Well Jeffrey, I think it sets up the right incentives and certainly when you've got this infrastructure that's there that's actually being under utilized now, something like that would seem like a very sensible approach.

MR. STEDULE: I would agree. It would seem to me that you could, with that same line of thinking, you could provide variable toll rates for different times of the day. There are times that the border is not that congested and if you could incentivize by a lower toll for, you know, particular shippers to ship

during those low peak times you could maybe balance some of the volume that's going through those as well. I think it's an intriguing concept.

DR. BIETTE: Other questions? Here.

MS. PEBBLES: Victoria Pebbles with the Great Lakes Commission. My question is for Kirk. What do you see as the rule of -- time transportation in a 21<sup>st</sup> century border in the Great Lakes region?

DR. STEUDLE: Well in -- short sea shipping in the Great Lakes is not a new subject but it's a subject that's getting some additional traction now. I see it as being an important component that -- and maybe has been over looked in the past, I mean we do need to look at how we're transporting goods by all modes of transport; trucks, rail, and -- time. So I can see it becoming more important and as fuel prices are changing, I think there's going to be the additional need to figure out how to utilize the Great Lakes system for longer haul transit.

MR. MORRISON: I would just say that we're very concerned in the Pacific Northwest about regional

disaster resilience and we have tried to do an exercise, for example, during the Olympics if one of the ports were shut down could we route traffic around through the other one. It's very, very difficult and we need to be working on ways of facilitating those kinds of emergency situations. And it leads to opening a pilot for all kinds of other opportunities as well, you know, we have a lot of freight that's moving through the ports.

DR. BIETTE: There's a question in this corner over here.

MR. COOPER: George Cooper with -- Great Lakes Industries and I think this morning has demonstrated eloquence in terms of defining the problems and some real imagination in dealing with some of those problems. The question really becomes one of can we anticipate the future needs on a regional basis more accurately than we have in the past?

For instance, in the Great Lakes region, we are having a lot of conversation today about high speed

rail transit which makes a lot sense to integrate with Canada. Can we have a border that addresses high speed rail transit needs?

MR. STEUDLE: You know, that is a great question because high speed rail and high speed rail initiative that the Obama Administration has put out there is very interesting to Michigan specifically. We have the corridor from Chicago to Detroit that is classified as a high speed rail corridor; it is the piece -- the last 50 miles within Michigan are the only trains outside the Northeast corridor that go 90 plus miles an hour.

So we're looking at expanding that back into Detroit and if you expand it further in talking about this regional cooperation, it really needs to go all the way back into Toronto so that Toronto is connected to Detroit which is connected to the rest of the United States from a passenger transportation standpoint.

I do know that after September 11<sup>th</sup>, the AMTRAK train that went through Port Huron, we ended up

stopping it because it was taking too long to get through customs and it would get through and the schedule would be all messed up. There was no predictive capability of saying how long is the transit time going to be from Toronto just into Michigan, let alone to get to Chicago. So I think there's an opportunity with the high speed rail to look at that. But that's where we've really got to focus on the passenger clearance and how do we clear them all the way through.

DR. BIETTE: Which reminds me, Matt, we had a conversation a while ago about the Olympics and trains. Do you want to --

MR. MORRISON: Well, we have a fabulous high speed train from Eugene, Oregon up to Vancouver and we can't quite get the thing to work because we're trying to get customs agents in Vancouver to clear people on our second train which we've waited 12 years.

This is a publicly funded train by the state of Washington and Oregon. Anyway it's a great train and I'm very hopeful that we're near a resolution with the



Canadian government so we can get the second train moving in time for the Olympics.

MR. STEUDLE: Great. So here's a regional cooperation piece. When you figure it out we're going to take it.

MR. MORRISON: Well, it's been a long process, let me tell you.

DR. BIETTE: Last question is because I see the -- stood up. Anyone else?

SPEAKER: My question is, you have Secretary Napolitano and Minister Van Loan, who are both responsible for respective Homeland Security and you get to make one wish that they cannot deny you as to what would make the greatest difference with respect to the combined agenda of efficiency and security; what would you ask them to do -- order them to do, not ask them -- order them to do. I didn't say it was going to be easy but it is the last question.

MR. MORRISON: I would say establish a process that engages regional stakeholders, states, and provinces in crafting solutions for the border.

DR. BIETTE: Okay.

MR. STEUDLE: That sounds like the best answer.

SPEAKER: That's a tough one.

MR. STEUDLE: -- three more wishes type of answer because -- I mean I think I would wish, in some honesty, to -- I don't know how much -- Homeland Security, but some way of getting rid of nuisance and useless overlapping regulation and I mean food and drug regulation. Why we even have to worry about those things at the border, why we can't take -- those shouldn't -- seem like they should be internal. Anything that's not really related to the border, get it away from the border and that would make a big step I think. But also, wish number one as well.

SPEAKER: And three more wishes.

DR. BIETTE: Well great question there, Hugh; thank you very much. And thank you panel for this insight and we see that it's not just regional, it's not just business, but everything seems to be linked and I hope we can take that thought with us for

the rest of the day. So for some housekeeping, over to Steve I think.

DR. CRAWFORD: Well done; thank you David Biette, Matt Morrison, Paul Storer, and Kirk Steudle for a discussion that leads beautifully.

SPEAKER: -- somebody left this up here --

DR. CRAWFORD: Somebody leave this up here? Okay; you'll come up afterwards. For a discussion that beautifully leads into our post lunch discussion and the response panel to Chris Sands' presentation. But first things first, lunch awaits you in the -- Room directly to my left. It's on the other side of the coffee room here and you'll see doors at either end. So we resume at 1:00 p.m. sharply.

SPEAKER: Thank you, that was great.

(Recess)

DR. CRAWFORD: Welcome back. Welcome back, we now come to a very special part of our program. We now come to a very special part of our program. The paper, the paper that has been mentioned many times today, the paper that we commissioned, that we

commissioned Christopher Sands to write in an effort to move along the debate about the post 9/11 thickening of the border. I use the phrase in quotation marks, "the thickening of the water" to try to move that debate along a more constructive place.

Dr. Sands is a Senior Fellow at the Hudson Institute here in Washington D.C., where he specializes in U.S. Canada relations and North American Economic Integration. Is also an adjunct professor at American University, in their School of Public Affairs, and a Senior Fellow at AU Center for North American Studies.

Chris also lectures at the State Departments at the Foreign Service Institute, and at the Department of Homeland Security. He did his PhD at the John Hopkins -- John's Hopkins School of International Studies, and has been a Fulbright Fellow and visiting scholar at Carlton University in Ottawa.

I take special pride in having recruited Chris; I mean after Brookings we normally are snooty enough to try to stay within our own four walls. But

I recognized that on this topic we needed to reach outside, and we found the right person in Chris Sands. Chris we look forward to your remarks, and to the responses by them by a response panel, and we look forward to your responses, and in fact we'll do this in two stages.

Chris is going to speak for 15 or 20 minutes, and then we'll have about 10 minutes to have question and answer, and we'll sort of play that by ear. Then the panel, the response panel is going to come up to the stage, and we will -- they will have a moderator, we will have some questions, and we'll take advantage of their expertise to get their reactions to Chris' analysis, and Chris' policy recommendations, and then once again we'll open it up to the whole audience.

So, you've been very patient with a lot of folks talking at and with you for the morning. We're looking forward to hearing your participation and input. Chris it's all yours.

DR. SANDS: Thank you very much, and I want to thank Brookings. For many years, some of you know I was at the Center for Strategic and International Studies here in Washington, and then came to Hudson, so I had some experience with think tanks, but the experience of working with Brookings has been first class. And a terrific team that Steve has assembled that has helped not only pull together the project and give me some focus to start, but bringing a lot of people into the process of developing and improving the draft as it has gone along.

And it's not done yet as has been mentioned it is a preliminary draft, and I really need more input; one of the reasons you're all here, and I certainly hope you won't hesitate to use that little sheet in your file folder to send me email comments or to send them to Brookings, and try to improve this draft as we move toward a final version in a month or two.

I'm I guess a specialist in Canada, and I have an uncle who says that being a specialist in

Canadian studies is like being the Maytag repairman of international relations. It's -- I have to say that the community of Canada experts is a small one. You're in the presence of a couple of the big names in our field. Charles Doran who you saw this morning, Don Alper, David Biette. We are a small community here in the United States that follows Canada, and I guess that makes most of Canadians say, is people something of loners.

You know we realize that we just kind of work by ourselves, we write mostly for ourselves in a small group of friends, and they're the only ones who read our things.

And so I found this whole process with Brookings very challenging, in part because I've become an intellectual agoraphobic. I'm a little nervous about these big crowds of people reading my things, and I -- so I hope that you will challenge me in my phobia, by giving me lots of comments and helping me to overcome it in that way.

Not to be too personal, but to add to this I've also just recently gotten engaged, which is not a cheap ploy for applause, but I did and -- thank you, thank you. But as it turns out, I am discovering the thing about getting engaged that I need to get used to people reminding me that I'm wrong. And so, the extent to which you could start that process will lead me to a happy matrimony in the future.

I also want to thank -- not here, but I do want to thank the Hudson Institute for letting me take this one. Think tanks are sometimes jealous about their scholars, and they've been great to let me come over. Herman Kahn the founder of Hudson back in 1961 gave us a series of injunctions, things that we were supposed to do in our work at Hudson. One of which was that we should focus on the important, not just the urgent.

Hudson had an office in Montreal for some 30 years, and has -- Herman Kahn always considered Canadian work to be in exactly that category important work, but not necessarily urgent work. It's the kind



of thing that for most American's we can take for granted, and as President Obama said during his trip to Ottawa on February 19<sup>th</sup>. Canada does too often get taken for granted in our policy process. And what I tried to do in this paper, and some of you have been kind enough to read, is to sort of explain the psychology and the difficulty of dealing with border issues on the U.S. side. There are any number of Canadian reports out there that have tried to outline where we could go with the border, and a lot of times they don't get any traction on our side. They come to the United States and people say; well those would be wonderful ideas if only we could do them.

But they seem impractical, and impractical because there is a set of problems with the U.S. side of the border that I try to elucidate that comes down to the diversity of our border community. As much as we try to have one border between Canada, and the U.S. and one border for the United States with all of its neighbors. We have a very diverse border, not only in

general, but specifically with Canada and the United States.

I want to start with something that maybe seems obvious to some of you, but it's important to mention. Our border is not in a state of crisis. Our border has problems, and there's an important difference. Today at a time when the newspaper headlines are full of the sense of crisis, we know what crisis really is. Crisis is our economy is in grave danger. Our crisis is that we're facing thanks to globalization and a series of causes, new threats from international terrorism, which was bad enough before, but now has the potential to gain weapons of mass destruction and become that much more deadly. Those are crisis.

The Canada/U.S. border has problems, but is not at that level of crisis, and in a way that's a problem. Because if the border was a crisis, if we were back to that moment on September 11<sup>th</sup> when the border was shut down and everything had stopped. We

would have an easier time finding unity and responding.

But because we don't have the sense of a crisis at the border, and I don't think that you could justify saying that there is a crisis per se now, it's harder for us to act. And the reason for that is our diversity at the border. The paper talks a little about diversity in two particular ways one regional, and then the second being by user type. And many of you skim through the paper; I'll just repeat some of those categories.

Regionally the border is very different in different places. There is a Cascadian border on the west coast, a border that runs between Seattle and Vancouver, through British Columbia and Washington State. It's a elongated border. It includes California, it includes Oregon, but the border crossing point is between Washington and British Columbia.

It doesn't include all of the crossings between Washington and British Columbia; the core of

that border at Blaine is the busy part. Other parts of the border I would classify differently, even though they're between the same jurisdictions. They busy corridor at Blaine really is the thriving section of it.

It's also true that the Seattle Tacoma Airport, the Port of Vancouver, Seattle Tacoma as a port are also part of that core border that we would call Cascadian. We also have an enlarged Great Lakes border, and some of the discussion today you heard revolves around the Great Lakes border. The Great Lakes border maybe goes from Port Huron all the way around Lake Erie, until you get to Buffalo Niagara, this is the core. You'll see in the paper I also talk about this border including Plattsburgh, not Plattsburgh Champlain, but right near Plattsburgh on the busy corridor between New York and Montreal.

But this whole stretch contains the busiest individual border crossings and because of the presence of the Great Lakes and rivers, it's a border dominated by bridges. And bridges have unique

problems, it's not the same as parts of the border where you have lots of land to expand or you can build fences. You have a different set of geographic challenges there; you also have some of our most concentrated trade. This is where we've integrated automotive manufacturing, which comes up and I know some people say, automotive comes up again and again. But there's a reason that Peter Drucker in the 1940's described automotive manufacturing as the industry of industries.

It is an industry that draws in so many other parts of the productive economy that it does really merit its place on the top of our minds. It's also most years the largest component of our Canada U.S. trade, so not an insignificant sector and one that draws a lot of us in.

There's also a rural border, and I think the rural border is easy to overlook if you don't live in this area. Now rural may seem to some people pejorative, it's not. It's just that these are borders where there are no major metropolitan areas

right on the borders. Small towns, farming communities, cottage country, there's lots of tourism; there's lots of agriculture. It's also the part of our border where much of our energy infrastructure runs; oil, pipelines, electricity, power lines, and so forth. It is an area where we have the majority of our actual border crossings numerically. And these crossings are not only more numerous, but smaller with large open spaces in between, and for those of you who follow this from a security prospective, those large open spaces in between are critical.

They are some of the most vulnerable areas thorough which we worry that people might cross. Not the bridges as was said this morning, necessarily which are heavily fortified, but also perhaps some of these open areas, which cause great concern for us from a security point of view.

And there's another part of the border that geographically is fairly diffuse, easy to overlook, and that is the perimeter. We've had a lot of discussion about perimeter here today.

Part of the discussion of perimeter in the Canada U.S. discourse has to do with whether we should put our security at the perimeter of North America in order to lower the level of security on our bilateral border. So, perimeter as a strategy, but here what I mean is something else, that there is a perimeter of North America, which we have whether we like it or not. There's an edge to our continental economy, and at that point we can also do some things. The debate about whether we should shift things to that perimeter is a separate debate, but there's always been a perimeter.

And whether it's the Navy, the U.S. and sometimes the Canadian Navy stopping ships 90 miles off shore to make sure that they know -- well not necessarily stopping the ships to make sure they know what the contents are, or the American Missile Defense Systems protecting us against North Korean's or someone else. Or whether it's our airport preclearance or our coordinated immigration policies, or our separate immigration policies to some extent

now coordinated as we try to think about who comes into North America from the outside, whether -- and what their purposes are.

We have a perimeter. The Container Security Initiative, which was designed to screen oceangoing containers increasingly at Rotterdam, not at the Port of Montreal, or Halifax. But where we've already put inspectors from the United States and Canadian ports, and Canadian inspectors in some of the American ports. So, the perimeter is another important part of our geographic border.

User types however are the -- really the drivers of a lot of our DHS and other programming, and there are five user types that I think jump out right away when you start looking at the trade, but also looking at its nature.

The first and the most obvious is the commercial border, and we've heard from the business panel today the importance of people who use the border for business. Primarily we're talking about trucks 70 percent of our traffic in North America our



trade moves on land, so it's truck and it's rail. These are vehicles where -- which will have sometimes one shipment for one customer, but often times less than truckload they have multiple shipments for multiple customers, each of which has to have its bill of lading and be confirmed.

Often because so much of our trade is intra-company, these are dense users. Users with a lot of information they're willing to share, maybe not happy to share -- willing to share with governments. They follow consistent patterns, they go again and again through the same crossings everyday. This is a very knowable part of trade and we have programs designed for them like C-TPAT, like FAST.

We also have a set of big commercial users that I classify in a slightly different way, and I think of them as the energy shippers. Most of our energy this year -- or 2008 will be the largest component of our Canada/U.S. Trade. And Canada is our largest energy supplier in the United States. Supplier not only of oil, more oil than we get from

anywhere else in the world, but also natural gas, electricity, also uranium for nuclear power plants. The energy border largely relies on pipelines and power lines. There is no point of inspection; there is no backup on the Ambassador Bridge, because these things are moving through. But they still go through a process of security. They're part of our critical infrastructure that we have to protect.

One of the reasons that this kind of energy -- this kind of trade has grown so much is because it has had fewer problems at the border. But we're very close to the capacity of current infrastructure, and as we look forward to where we're going to have to go, we're going to have add more infrastructure. And that means getting through the same kind of permitting headaches that we've had at Detroit-Windsor for building a bridge, because now we're going to build a pipeline or a power line and unlike a bridge this is something that could blow up. So, we have to be very careful to make sure that it doesn't damage the environment or increase risk.

But a lot of our trade now is service trade. A growing proportion, it's often not captured in the numbers. Canadian architects helping us to build buildings, American automotive engineers helping to design auto parts, artists and you know I guess Madonna's on tour. There are a few Canadian bands that we occasionally see here.

And so trying to take advantage of that, these are service trade workers who come across the border all of the time. They're part of what I call the commuter border. And the commuter border doesn't just include those service practitioners; it includes people who have grandmas on the other side of the border, or a sick relative that they go to visit on a fairly regular basis. The commuters have a big advantage over other kinds of crossers they do it often. And as a result, as programs change, as demands of DHS change, they're able to adjust, and they have an incentive to join trusted travelers programs like NEXUS, because they do use the border so intensely.

It was mentioned by Governor Engler this morning that we have nurses that go across everyday. Live on the Windsor side of Detroit, but go across to Detroit hospitals everyday. We also have students, especially in the Detroit-Windsor area, but also in the Buffalo Niagara area who live on one side of the border and attend classes everyday on the other side of the border. That's a pretty important part of the commuter border, but it's not high end in terms of big bucks for trusted traveler programs and their important constituency that's easy to forget.

Well if those are the regular users, another category of our border users that causes us no end of challenge are the amateur border users, people who don't go often -- or very -- or over the border very often maybe for lunch. Maybe they don't have cause to, but they heard it's getting scary and so now they think, "maybe I shouldn't go." Maybe it's a family with a minivan full of kids who are going to go on vacation, and none of the kids have ever left the country before, and they don't have the documentation,

and do they're easily you know nervous or intimidate about border crossings.

That minivan, when it gets to the border can delay trucks that have all the fast enrollment and etcetera, but can't get to the border inspection point because they're behind the family with the kids and one of them is crying and so on and so forth.

Amateurs are not insignificant, and when you heard Congresswoman Slaughter this morning, she's very much pointing to the amateur border. The people in her constituency who feel that the passport requirement, the Western Hemisphere Travel Initiative puts an undue burden on them, and she's concerned that they're going to be really hit hard. We have to do a lot more public information and outreach to reach this group.

And then finally, we have a sort of illicit border crosser. There are bad guys out there. Sometimes they're the bad guys that we really are worried about these days, the terrorist types. But they're also the drug dealers and the drug traffickers, human traffickers, which we've had

increasing problems with at the border. People who would get involved in one kind of bad activity or another that's what all the security is for, of course to catch those individuals. But many of our programs like our Integrated Border Enforcement Teams are designed to catch them both at the border, and behind the border through better coordination. So, we have to keep them in mind as a population that our programs are designed to reach.

Because of this diversity of user type and region, we have a hard time speaking with one voice about what the Canada U.S. border needs from the American side. We're too aware of the particular problems. Talk to some people and the biggest problem is getting a new crossing at the Detroit-Windsor. Talk to someone in Seattle, they don't care about that, that's not their problem. Their big problem is the Olympics are coming up. Talk to someone in a small rural crossing in North Dakota, and they'll tell you the fact that we don't have 24/7 service within 500 miles is a real headache, and we need to deal with

it. Or we're having more and more problems, because you're putting cameras up all along the border, and we're pretty sure the government's using those to spy on us.

I know it sounds paranoid, but there are an awful lot of people who don't trust the American Federal Government. You probably have heard of them, and I will tell you that they're out there, and so you have problems like that, where you have communities that are very diffuse that you have to reach out to when you're designing these programs.

So, we don't speak with one voice, and Canadians will say things to us like, why don't we come up with a more rational, sane policy? In Canada much easier, why? Because so many Canadians live near the border, so many Canadians are dependent on the border for their trade. They come around common interests in the border much more easily than Americans, most of whom don't live right on the border, but live in the interior of the country, or

live on the southern border and have a very different prospective on this debate. So, it's hard for us.

And that is another cheap ploy for sympathy, but not applause. I wanted to use that as a jumping off point for where I think this paper is going, but also needs your help to go successfully. And let's talk about what do we do about it? How do we actually try to develop a more coherent strategy for the border?

I think the first and critical element is we need to develop a consensus about what our border future will be. David Biette raised this in his panel, challenged his panel to think about what kind of border do you want? And we heard, well we'd like a border like we used to have, except more secure, but one which doesn't put up a lot of hassles.

It's a very valid vision that a lot of border stakeholders have. But how do we get there? How can we build a broader consensus? Well, I would suggest to you that the biggest obstacle we have now



is our small problems that are regional or specific to our user group are getting in the way.

We can't talk about a beautiful Utopian future, because we no sooner open the subject then somebody says, yeah well I want know how come I have to carry a passport now when I cross the border? That's my biggest problem. Or I want to know why my particular truck is getting held up for an extra half hour everytime I go across, I thought FAST was supposed to fix it. The little problems, the inefficiencies, the hang-ups that are still there in our systems are getting in the way.

Now there are two types of those problems, some are transitional; you build new infrastructure, it takes time, you put in a new computer system people adjust to it. So, there are transitional frictions that we have that we need to mitigate.

But there are also problems that we're not dealing with. Mentioned this morning by Kelly Johnston was the issue of the APHIS fee. The APHIS fee for Animal Plant Health and Inspection's, which is

applied to everyone one; airline travelers in to the United States, is a surcharge. It's a big tax, it's invisible to most people, it adds to the cost of operating on the border including people who aren't -- well, I guess they're all animals or plants in some way. But, they're not primary users of the service, and so we have issues where we have a mismatch of revenue collection and user type.

These are persisting problems because there's no attempt to solve them. We're not going anywhere near solving them, so we need to think about how we deal with those while we mitigate some of the transitional problems.

If we can start to tie up these problems that emerged after the reform of the border after 2001, we'll begin to get to a place where people can start talking again about the future, which I do think is coming.

To do that we need to be more precise about what our border problems are first, because I think precision will help. Too many times you come to a

border conference -- I'm sure you're thinking about it at this one, where we say the problem with the border is X, but because we don't respect the diversity of the border, we're laying on the border a large problem, which is actually a very specific problem, a problem for this community, or for this industry group.

Some of the problems that people have with FAST for example, they don't have in the auto industry, for which the program's well designed. But when you go to the Pacific Northwest and you're shipping lumber, you may find that you have so few steps in the supply chain that the cost of FAST participation don't seem to weigh as well against your bottom line. And so maybe your enrollment is lower there.

We have to design our programs, target our responses so that we're actually better able to address the fact that our program's mismatched. They go for constituencies or regions, but they don't often harmonize very well.

What you hear from border community residents often is that the Federal Government in Washington, DHS or whichever agency is on their nerves doesn't listen. That they've had problems, they've talked about these things for years, and nobody here really gets what they're dealing with. We're too slow, and insensitive in responding to the concerns and we've been bringing in this idea of one border, and trying to impose it. And they want local flexibility. But if you talk to folks at DHS or people here in the Federal Government, they say the problem with the local people is they don't cooperate. You know they say yes, we're going to work with you, but there's always a "but." They always want to hold back because they have specific concerns they need to address. They don't understand that national security is national. There is one level of security that we all have to have. We need to do that for the good of the American people. That's our mandate post 9/11; we can't have little weak points to accommodate grandmas in Buffalo.

There's logic to both of those positions, but there needs to be better listening and cooperation. I think the only way to do that is to build more stakeholder consultation. The first step to that as I outlined in the paper is a kind of decentralization. Now, I'm not talking about making mayor's responsible for border security that would be going too far. What I am talking about is empowering local federal representatives. Port Directors for customs, heads of FBI offices, commanders at National Guard bases that are getting involved in critical infrastructure protection or emergency response.

Empowering them and mandating they spend more time talking to mayors, county executives, governors, local state participants firms that they may have an opportunity to work with. That they listen to what the problems are and they get better engaged.

Now there's a lot statutorily that they can do now, but they're not given much of a push from Washington to do it, or the resource flexibility that

they may want to act. And I think that that's something that we can address; by decentralizing at least some authority to engage in dialogue everybody wins. Why? Because local people have somebody to talk to in the Federal Government who can feed those pieces of information. Those perspectives back to Washington and Washington gets a more granular perception of what the operations of the border look like.

I think this will help once we solve problems, improve the operation of the border so there is a better feedback loop. And then if that works, we come to the happy point where we can actually build a border consensus once again. And I do think building a consensus about moving forward is the only way to move forward. And some of you who made it through a little bit of the paper will know that I note that the success of the smart border accords Declaration and Action Plan after 9/11 is directly attributable to the fact that, after 1996 because of the 1996 Illegal Immigration Reform and Immigrant Responsibility Act that brought us what some people still remember as

Section 110, an entry/exit control mandate from Congress on the border.

It gave us a wakeup call that got stakeholders involved. And it was the dialogue with stakeholders over the course of eight years that led to a series of really good ideas that popped up. That Canadian's I think took the initiative under John Manley, Mike Kergin the Ambassador who's here. Putting those ideas together into a coherent agenda that American's could work with. And then it was the urgency of post September 11<sup>th</sup> that got us to overcome our regional differences and our user group differences to say, yes we have to deal with this neglected border.

And now the punch line, this is why the border is so important for us now. Because we do have a crisis in this country, and it's the economic crisis, it's the ongoing threat of terrorism. And fixing the border so that its little problems go away is essential to fixing the economic crisis, and to protecting us against terrorism. It is a critical

component. And what we leave on the table by continuing to put up with border inefficiencies, by continuing to keep stakeholders out of the debate is making the border part of the problem, not part of the solution.

So, it isn't the crisis of the border that should bring us here and then send us out the door fired up. It's the crisis in our economy and in our national security that should lead us to look to the border for the kind of answers that we need to be safer and also more prosperous. And my suggestion in this paper is that we begin by looking to stakeholders to help us figure out how to do that. Thanks very much.

I guess I'm allowed to take questions before I'm going to sit in the response panel, and you can ask me more questions. But I'll have people to protect me. David?

DR. BIETTE: I actually read your paper  
Chris --

DR. SANDS: I'm sorry.

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DR. BIETTE: It really lays down some nice catalogue and everything that's out there, I'm sure people here can help me fill in some of the gaps because (inaudible) but I -- can you flip this and look at it from a gating point of view? I mean you sliced and diced the American side very well, (inaudible) slices, and dices (inaudible)

DR. SANDS: Well, there are a couple of different things I would say about the Canadian side. One, I do think it's easier for them to form a consensus in Canada about the importance of the border. It affects so many more people as a percentage of the population. That's the first thing. Second, the regions coincide much more with their provinces, so it's easier for them to speak on behalf of these regional voices because they have governments organized with large amounts of space sort of between the population centers and the provinces. So, they sound more coherent and they have a Federal Government that has been very aggressive in saying, when it comes to dealing with the United States we take the lead.

So, we're going to organize, coordinate, facilitate a dialogue to make sure that we speak with one voice.

Those are three things that don't happen on our side of the border. And we're both guilty in Canada and the United States of looking at the other side and seeing ourselves. Margaret Atwood's famous line is it's like a one-way mirror, like the police use for investigations. We just -- the American's just look and see a mirror and see themselves and so that -- I actually think sometimes it's a mirror on both sides.

Canadian's expect more coherence from us then our system of Federalism is likely to produce, and the American's look and expect the Canadian's to have some of the same powerful regional poles, which they actually manage a bit better. So, I think that's a big part of the distinction from the Canadian side. At the same time though, one of the things we're going to face is the question of policy energy. And I find on the Canadian side, provinces have time to talk about the border as they do in PNWER and other groups.

The Federal Government has time to talk about the borders, they're sending ministers down to participate; this is great.

But on the U.S. side, the Federal Government has many borders to deal with, business think globally about competitiveness. It's often hard to focus people on just the Canada U.S. peace; it's almost too parochial. And so the one group in our society that does think parochially because they have to, are the states, the local communities, the metropolis' that are along the border, and some of the businesses that are small and regional, or the tourist related businesses that have a kind of regional base. Those are the stakeholders that I want to bring into this dialogue, and I think that they'll have an easy time working with their Canadian counterparts.

The PNWER example is a powerful one, some of you will know on enhanced drivers licenses as an alternative to the passport card as an alternative to the passport a secured document but one that you can apply for in an office that's conveniently near you.

I know everybody's DMV has long lines and that's a hassle, but still they're more convenient than sometimes the Federal Passport you know office or the local post office. They're a little easier to work with. That's a great idea, but that's not an idea that came out of the debate in Congress, or the debate in Washington. It's a debate that came out of people in a local area saying, we're already giving out a document, we already have to upgrade to real ID standards, can we do more?

That's the kind of ingenuity that comes from the regions, and I think we've seen that when we've empowered it, and I would like to see them powered a bit more. Scotty?

DR. KALACSKA: (inaudible) fantastic presentation.

How's that?

DR. SANDS: Yes, well now --

DR. KALACSKA: I was just saying how great you are --

DR. SANDS: The microphone's working if you want to say it that it was a fantastic presentation --

DR. KALACSKA: Fantastic.

DR. SANDS: Presentation that would be great.

DR. KALACSKA: I think it really is important insight, and one thing that you say is the border isn't a crisis but the economy is. I think that's absolutely right, and what I want to know is the you know the United States military and militaries around the world look at economic warfare. They plan for it; they deal with it, they figure out how to defend against it. So, protecting our critical infrastructure, protecting electricity, even the Internet, things like that are seen by the military to be a very important part of our security strategy.

In contrast, and without criticism I say this, but the Department of Homeland Security doesn't seem to have an economic security mandate right? They -- their mandate seems to be you know, if you talk to

-- and I say this with a great deal of respect to law enforcement, but Customs and Border Patrol are about stopping the bad guy, or stopping the you know whatever's not allowed, illegal illicit traffic.

So, do you think there's a chance with the new Secretary of Homeland Security and her team that we'll hear from in a little bit that they could begin to a paradigm shift to take economic security into consideration in a very serious way? Not just lip service, yes, we're all about border facilitation, when in reality it's all about I'm not -- not on my watch will the next terrorist come into the United States. Do you think that kind of a paradigm shift is possible? And how do we get to it based on the economic crisis that I think you correctly identified.

DR. SANDS: I would say that for the most part my experience is that its never been -- I've never encountered people at DHS who say that from their point of view economic facilitation is not important. But they prioritize that we've got to have security first. After September 11<sup>th</sup> there's a logic

to that, they're playing catch up, and especially at the Northern Border where infrastructure and other things had been neglected. Personnel were shorthanded; data systems were thin on the ground and had to be upgraded. I remember being in Port Huron living along the border when they were introducing ACE the Automated Customs Environment. And we were only seeing that roll out after September 11<sup>th</sup> on 2006 actually on the border.

So, I think that there was a feeling that they had to play catch up. And I talk a little bit about this in the paper. I think that there is an opportunity now that these policies have matured a bit, and some of the first drafts have been scrapped. You might remember the National Security Entry/Exit Registration System, which was one of the first sort of programs for Visa holders, was later replaced by U.S. Visit. It got a little bit better, it was more user friendly, it functioned well.

The early NEXUS that we had, because we sort of inherited it, it was there pre-border -- pre 2001,

functioned but you couldn't use the same NEXUS card at Port Huron and at Buffalo, and you had a lot of issues. That program has matured and has now moved a little bit further.

So, I think that we -- just to be fair to everybody, I think that DHS is now coming to the point that their baseline of security -- because they'll never say no security, but now their baseline of security should be good enough, or is getting close to that point that they can begin to say, all right we're doing this, it's working very well, can we give more time to facilitation? What can we do to keep the economic cost going? And I think maybe you would argue, or you would be totally fair to say, I wish we had gotten to this point four years ago, couldn't we have done this sooner? But saying that we are where we are, and we have a new administration that doesn't have to necessarily defend the past, but they inherit a legacy to the past, and the systems look better then they did in you know 2002, can now say, all right we've got a good base, how do we make it work better?



How do we make it work better for users? How do we make it work better for regions?

So, I think we're on the verge of the paradigm shift from what I hear from the new administration they're very sensitive to that. And I'll tell you if you have a 2 percent cost disadvantage because of using the border, in good times like we used to have back in the good old days, 2 percent plus or minus what everybody's buying everything you can sell is manageable. But when times are tough 2 percent is a killer. And so I think that too will drive us to be a bit more sensitive on the economy side. And at least that's my hope. Okay. Michael could --

MR. KERGIN: Chris, this morning a number of the panels and panelists were talking about this is the time to try and engage the heads of government to sort of inject some political will into the border issue that with that political will that would drive the process top down.

Your remarks have talked about the importance of the process also being driven to some extent regionally or bottom up. These are by no means incompatible, but would you be prepared to talk a little bit about how you see these two Washington Ottawa top down regional bottom up, engaging, and coming to a mutual sort of result, which would be hopefully rejigging the border?

DR. SANDS: Sure, I honestly think that -- I mean I come at this from I guess the prospective that we have in the U.S., our Federalism is a little different then in Canada's in the way that it operates. And that there is a healthy competition between levels of government to please their mutual voters. And so, we're used to a system whereby if we're having a national problem with healthcare costs, Minnesota and other jurisdictions can experiment with Single Pair Plans, and create HMO's. If you have a problem with you know Welfare Reform, states like Wisconsin can take a lead in trying to come up with experiments. And Louis Brandeis, the Justice Supreme

Court years ago described us as the laboratories of reform aspect of American Federalism.

I think that what we should have is a healthy respect for both levels. There's a leadership aspect that comes from the Presidency and from his Senior Cabinet. They're the people who are actually in charge of the physical border; they have more resources, more authority. And I think that they can take the lead, but I would encourage them to open to more experimentation coming from regional areas.

Tap into the fact that the Governor's are seized of this, Christine Gregoire and her counterpart Gordon Campbell the Premier of British Columbia, Governor of Washington Premier of British Columbia have time to talk about the Olympics. Time; it's a high priority, they'll spend time and there's something that's often missed at the border, and I'm really going to sound academic here, but just bear with me a bit.

Robert Putnam the political scientist talks about something social capital. The notion that in

certain communities and certain constituencies, frequent interaction gives them a sort of richer trust relationship that allows them to do things as a community that are easier then when they're working with strangers.

We have a lot of those sort of high social capital relationships across North America, but in the local area where you can look at each other eye to eye, you can spend time with each other. As Strobe Talbott told us this morning, he had seen Jim Balsillie and he had gone to his house, and he knew the name of Jim Balsillie's dog. That's very nice.

But those kind of personal connections make a huge difference, and I think that for experimentation purposes and innovation, leveraging that social capital that exists in border communities, or in areas of high trust. People in the auto industry who've dealt with each other for year, and know how the problems work, and understand a great deal of complexity of their businesses. That social capital should be put to work for all of us in

improving our competitiveness. And I do think a good relationship between Barack Obama and Prime Minister Harper will be very important moving forward. But it shouldn't be -- it should be the fire department of the relationship. Where we go when things are tough. Day to day we need to engage these other stakeholders in the management of the border, and in coming up with good ideas, pilot programs, other ways that we can make improvements on the base that we have. That would be my recommendation.

I don't go away, I have to sit right here and --

DR. CRAWFORD: Why don't you take a seat.

DR. SANDS: All right.

DR. CRAWFORD: And -- thank you Chris. You have provided us with much food for thought. Let's see how well the audience has digested it after lunch. Beginning with our impressive response panel. So, panelists if you would take your place on the stage. As before I will introduce the moderator who in turn will introduce the panelists. But first I want to

take a moment to recognize Chris was just talking about former Governor's. We've had -- we've heard from former Governor Engler today, we've heard from former Ambassador's, but we haven't heard from one person who has been both a former Governor and a former Ambassador. He just joined us a few minutes ago, Jim Blanchard would you stand up and wave hello? Ambassador it's nice to have you with us.

It's a great pleasure to introduce one of the countries leading experts on border policy. You've heard a little bit about him already today, so I'll be brief, but Doctor Don Alper. Don is has at the -- my far right, your left. He's a Professor of Political Science and Director for the Center for Canadian-American Studies, and also Director of the Border Policy Research Center, at Western Washington University. He's a past President of the Association for Canadian Studies in the United States, and in 2007 he was awarded a Certificate of Merit by the International Council of Canadian Studies, and the

Dollar Medal by the Association for Canadian Studies in the United States. Don, the mic is yours.

DR. ALPER: Well, thanks very much. It's a pleasure to be here, and I'm happy to facilitate this panel. My job is to keep this moving and to introduce each of the panelists very briefly. I would just say that I know we want to have more time at the end for questions from the audience, so I'm going to ask the panelists to keep their answers as short as possible.

The bios that you all have give fairly lengthy descriptions of our panelists, so let me do this very quickly I hope this is not rude. On my immediate left we have Professor Geoffrey Hale. Geoff is an Associate Professor in the Department of Political Science at the University of Lethbridge in Lethbridge, Alberta. Geoff is becoming one of the foremost experts on Canada/U.S. border policy.

Sitting next to Geoff we have Margaret Kalacska, who is an Assistant Professor in the Department of Geography at McGill University, and a Research Fellow in Border Security with the Canadian

International Council. And what Margaret adds to this panel, and I don't think we've heard much of this today yet is her expertise on technology on the border. So, we'll want to get to a question about that at some point.

Sitting next to Margaret we have Stewart Baker, who has been mentioned earlier in the day. Stewart is Distinguished Visiting Fellow at the Center for Strategic and International Studies from 2005 to 2009 he was the first Assistant Secretary for Policy at the Department of Homeland Security.

And finally sitting next to Stewart, we have Sarah Hubbard. Sarah is the Vice President of Government Relations at the Detroit Regional Chamber. Has been very, very involved with other Chambers across the Northern Border, in all aspects of lobbying and advocacy work on behalf of improving the Northern Border.

So, what I'd like to do is get right to it. We've all read the paper I'm hoping. They all assured me they did, and so let me just ask the -- all the



panel each of you to respond in no more than one minute to this question. Chris raises three main recommendations: decentralization, consensus, precision. In one minute do you agree that these offer a solution to some of the border concerns we face? Start with you Geoff.

DR. HALE: I think they give us a process by which we can get to a series of solutions. Because if you have a series of problems, you will not have a one size fits all solution. I think the other thing they do, and this picks up what Steve Flynn has talked about, about a resilient public. If we think about the borders as a government problem, we will ask government to fix it, and frankly we have been told today quite correctly that government has a lot of things to do. It doesn't have the time to focus on its attention on the U.S./Canadian border.

So, I'd think if we get citizens involved in cooperation with government, which involves dealing with different regions and different user groups, we can come up with a set of responses that can lead to

if not, perfect solutions. Manageable ones.

Margaret?

DR. KALACSKA: I agree with Geoffrey that it -- all three of those recommendations when taken together as a whole are an important step towards both the security and prosperity of the Canada-U.S. Border. But it is also important to remember that the border is not solely the ports of entry, and that all three of those recommendations must also be applied to the areas in-between, where there are additional concerns that may not necessarily be addressed.

MR. BAKER: I guess I don't agree with them. At least with two of them I don't think they work. I don't think decentralizing decision-making is really useful, particularly from the U.S. point of view. The border community may have a -- the same view on both sides of the border, but once people are through the border they're going to travel throughout the interior of the United States. And people who have no connection to the border are going to be affected by the results of that. So, decentralizing doesn't work

for many of the border decisions, and consensus is a way of saying everybody gets a veto. I don't see how that can be made to work and so I'm skeptical about consensus as well.

DR. ALPER: Okay. Sarah?

MS. HUBBARD: Thank you. I think they're an interesting way to shape this debate, and so I'm very intrigued by the concepts.

Decentralization however can be a double-edged sword. While it's been very good for us in many operations related to the crossings in Detroit and Port Huron. There recently was an example in the Sioux Saint Marie crossing where the local CBP folks decided to just fingerprint everybody coming through. And in fact that was an example decentralization run-a-muck. And luckily that has been straightened out with the help of Mr. Stupak the Congressman from that area, but I think there has to be an important focus on balance. That decentralization doesn't go so far that we reach the wrong side.

In the area of precision I absolutely agree that in fact I think some of the feedback Chris will get today is that we need to be as precise as possible in our recommendations relating to the border. I think this community, particularly those in the room do a great job at framing the issue, and raising the prospect of what the problems are, and getting great ideas of how to fix them. But what we're missing is writing the amendment, you know getting down to that level of granularity that we can go to our member of Congress and other officials and say, this is precisely what we want. This isn't just a concept of what we want. So, I'd like to hear more of that.

DR. ALBER: Okay. Thanks very much, let's just pick up on that for a minute. The - there is some disagreement that all of these solutions are necessarily -- or that we agree with all of these solutions. Let me just pick up on a couple of them. How do you achieve consensus? Let's start with Geoff.

DR. HALE: I don't think you'll ever get perfect consensus. However, I think it involves

breaking down problems into manageable components. The larger the number of people you have in any one room, at any one time, the harder it is to get consensus. At the same token, anybody can say, I've made a decision, I'm going to drive it through, and then discover that its implementation is a disaster.

So, there has to be an opportunity for first of all, breaking down the problems into manageable components. Secondly, we have to see how they fit together. One of the things I have found most challenging in looking at U.S./Canada relations is the absence of any functional interagency process within the U.S. Government dealing with the Northern Border. For example: I am told that Ambassador Blanchard was the interagency process or much of his time as Ambassador in Canada. And that this has not been -- this process has continued.

So, there has to be a main -- a means when dealing with problems that deal with more than one major agency as a participant to bring different groups together. I think the other one is breaking

down the distinction between the goods border, and the people border. I think with the goods border there are challenges, but they are much more manageable given the repeated nature of the interaction among shippers and importers on both sides of the border, then the people border. The people border is rather more challenging. But the trouble is our paradigm for managing the people border is a little too simplistic. We talk about trusted travelers, trusted shippers, and high risk.

The problem is to use Stewart Verdery's term; we have the haystack in the middle. Nine percent of all the people who have crossed the Northern Border would do respect to our friends South in Detroit last year were enrolled in trusted traveler programs of one form or another. There are some people in Canada whom I think Mr. Baker has a reason to be concerned about. Grandma in Grand Forks New Brunswick is not one of them. So, how do we -- or probably not anyway.

So, how do we winnow down the haystack to release more resources so the Stewart Baker's of the

world know that their troops are focusing on the people who pose the greatest risk to the United States and to the people who will never come close to the Canadian border.

DR. ALPER: I'd like to just shift for a minute. We can come back to this; let me pose this question about thicker or thinner border. We've heard a lot this morning about how the border is thickened, and people talked about their vision for a future border, which presumably would be less of a thick border. My question is, what do you see as the biggest policy obstacles to a thinner border? And I'd like Stewart Baker to lead on this one.

MR. BAKER: You know I had a dinner two or three years ago when I was introduced to the concept of a thicker border at the Embassy. And I said, well for those of us who have occasionally watched BBC TV, we know that there's really two opposites to a thicker border. It could either be thinner or it could be smarter. And it seems to me that is the answer. We need a smarter border, not one that is thicker or

thinner. We are going to have to have the controls that we have at the border, but we have to find ways to distinguish between grandma in Grand Forks, and the people that we're worried about.

I'm not sure we have time to go through it, but I have sat down and asked myself what information sharing arrangements do we have with other countries that are better than the relationship that the United States has with Canada. Even though the people from those countries have much worse deals at the border than Canada has, and it is an embarrassingly long list.

We have better information exchange with Jamaica over who's arriving you know 200 miles from our border than we have with Canada over who's arriving 80 minutes from our border. We have better information about VWP travelers who are coming to the United States from many of the VWP countries, than we have from Canada. Even though Canada has a relationship with us that could be described as super VWP.



So, there's probably -- and this is going to be I think an issue for the future. If you are going to have a smart border, you've got to have good information about who's coming, and who you are worried about, and who you're watching for. Canada can get there, but now as the U.S. has begun to expand its information sharing arrangements with other neighbors, with VWP countries, with countries that have a big immigration tradition. The bar that Canada has to benchmark itself against for information sharing is going up every year. And there's a lot of ground to be caught up there.

DR. ALPER: Sarah Hubbard, would you respond to the same question?

MS. HUBBARD: Sure.

DR. ALPER: Biggest obstacle to a thinner border.

MS. HUBBARD: Sure, well I'd like to talk a bit about this idea of a smart border, because I have another antidote that I'd like to share with everyone. And I think smart - being smarter at the border in

some cases is having a better attitude about the border, and not just better policy. For instance, recently there was a holiday in Canada, Family Day maybe?

SPEAKER: Uh-huh.

MS. HUBBARD: Something like that a month or so ago, a fairly new holiday in Canada. In fact in the morning, in the Detroit-Windsor Tunnel there was a rush of Canadian's coming to the U.S. to come shopping, to do whatever they wanted to do. But there was a spike in traffic, an unexpected spike in traffic. It's a fairly new traffic pattern with this particular holiday.

So, of course at the end of the day there was a spike of traffic going back into Canada, but no time during the day was there a discussion between the CBP and the CBSA, hey guys we have a lot of traffic this morning, you might want to get ready. Call in a couple of extra guys and open some staff -- you open some booths you know, about 5:00 p.m. to 6:00 p.m. tonight.

That to me is a local decision that could be a very smart decision. It doesn't have to cost a lot of money, and it doesn't need to be mandated by Federal Law. But it's an attitude of customer service that needs to be integrated throughout the staff that actually do the work on the ground there.

Very simple things like that, such as having better communication between CBP and CBSA in a way that would harmonize their approaches to regulation of the crosser at the border could make things a whole lot better. But in fact we have, particularly on the U.S. side, we're of a command and control approach. Most of the folks that come to us in those positions come from military or law enforcement backgrounds. And they come from a very different understanding of what needs to be done, and how to treat the customer. You know we believe we are customers when we approach the border, not guilty until proven innocent. And so how do we make our borders smarter from that prospective as well?

MR. ALPER: Usually when we hear answers, responses to the whole problem of thinner -- of thick border trying to make it thinner. Two things come up frequently, technology and infrastructure. We just heard something a little bit different talking about staffing. But what I wanted to ask Margaret is to -- have you talk a little bit about whether you think technology, or the different use of technology, or perhaps new kinds of technology. Is that the answer? Is technology going to save us this border? Make this border better?

DR. KALACSKA: Well just to preface that question. It is important to remember that the illicit trade is flourishing. They do not have the same kind of (inaudible) problems, and there are goods and smuggling and trafficking of different types of goods across the border, as well as people. And technology on its own - is not the answer. It has to be integrated with the people who use it on a daily basis.

So, if you have information from some kind of sensor that tells you at this location there are people crossing, that information needs to be relayed in a timely matter so that they can be intercepted. It's no use to the people if they are told, well yesterday there were five people that crossed with some suspicious packages. There has to be a way to integrate that information.

So, regardless of what kind of technology, or what kind of new sensors are being used, it's the full picture that I think needs to be -- that is the answer.

DR. ALPER: Geoff, quick response to that?

DR. HALE: I think the -- in addition to that there is also the training of people to use the technology, but the design of the technology to recognize staffing systems that are in place. For example: the head of the CBP Union in Montana told Senator Tester traveling road show not so long ago that it takes five minutes everytime a new CBP officer

comes online to reboot the system -- the computer system.

So, either the officer has to fly blind for the first five minutes, which is a random occurrence. Or the -- or that particular line is going to be backed up for five minutes, which can be -- you know if it happens at rush hour, or if it happens at shift change -- well the shift change actually is the worst time for border crossings in a number of different parts of the country, because frankly the flexibility of staffing isn't always lined up with traffic flow as Sarah Hubbard just mentioned.

So, the kind of consultation not just with stakeholders, but also with staff officials, and yes, they do have an axe to grind. Our CBSA people want to be seen as cops with the pay grades that go with them. And if there's any CBP officers in the audience, you've probably already gone through that debate internally.

So -- but at the same time it involves talking back and forth to see how the different

systems fit together so as Margaret says, the technology, the people, and the processes work well together.

DR. ALPER: There's been a lot of discussion today about decentralization that's been a theme in just about every panel, and it's a big part of Chris' paper. What I'd like to ask everyone on the panel, again just very, very briefly to respond. What haven't we heard today that might be important in terms of some sort of recommendation about decentralization? Is there anything that has not been said that should be said that's important in terms of trying to design a more decentralized system in the future? We'll start with Sarah.

MS. HUBBARD: I think I already said it I guess. But I think a big piece is to really encourage that local discussion amongst the various governments on both sides of the border, in a way that provides real time solutions.

So, that could be a decentralization element that doesn't put security at risk, but actually

improves the flow at the border, and creates opportunities for movement.

The other thing that's been said quite a bit today, and I just wanted to second it, is this idea of risk based assessment. For those of you that were in the room earlier when the panel was asked you know, if you had one wish and it could be granted like that, what would it be? My wish would be implementation of a true risk based assessment of people and goods crossing the border. That would be a significant improvement in any of the areas that Chris did propose.

DR. ALPER: Stewart?

MR. BAKER: So, I've already said, I'm a decentralization skeptic. So, let me address the consensus issue that you raised. When people ask me has DHS been a success. I say, you know on a lot of things it's too soon to tell, but one thing has clearly worked. The border, which used to be the responsibility of three different agencies, neither -- not one of which was particularly focused on the



border. You had the Justice Department worrying about immigration, you have Treasury worrying about customs, you have the Coast Guard and the Transportation Department. All of that is the one area where you've brought together all of the responsibilities and there just is no doubt the border is and the Federal Government said it's responsibility of the Department of Homeland Security.

When you have a cabinet meeting and border issues come up inevitably the attention is going to focus on whoever is the head of the Department of Homeland Security, and so what used to be a very difficult interagency process, is now an internal DHS decision making process, and we have developed -- we did develop, and the department will continue to have a philosophy about the border that will be derived from all of the different border circumstances that it has.

That's good news in terms of efficiency, but it's bad news if what you mean by consensus or an interagency process is you don't like the decisions

the Department of Homeland Security is making, and you wish somebody would ride to the rescue. I think it's going to be very hard to find somebody who's going to come in and overturn the approach that the Department of Homeland Security in the end takes to the border. And those folks who would like to have an interagency process that will override it are apart from real crisis where the Secretary of State, or the Secretary of Treasury has to get involved with the President are probably barking up the wrong tree.

Better to try and figure out how to persuade the department that trade facilitation is an essential part of its mission, and something that it has to do. I don't think that's a hard sell. And then to find ways to persuade it that what you want to do is consistent with both security, and trade facilitation. Otherwise, I really don't think that we're going to have a new border decision maker outside of the Department of Homeland Security.

DR. ALPER: Margaret?

DR. KALACSKA: Well one aspect of decentralization that needs to be taken into consideration is for local law enforcement on either sides of the border. They need to have a way to collaborate and communicate more effectively. So that if there is a problem on one side, that they can relay that information as soon as possible to the correct people on the other side of the border.

Because, don't forget that all of these additional requirements and hardening the ports of entry are going to make people involved in illicit activities move their activities elsewhere. They're not going to try to traffic their goods through the most -- the busiest border crossings it doesn't make any sense. They're going to be using the more rural areas, and therefore allowing the officers on the ground who are involved in trying to intercept these people on a daily basis, have the ability to communicate more effectively and collaborate would help the process.

DR. ALPER: Geoff?

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DR. HALE: I think one area where I'm in agreement with Stewart Baker is the importance of having a clear lead -- a clear agency lead in each functional area. And that has been the key to making things like the IBET process that we've discussed or Shiprider work effectively.

In terms of the stakeholder consultation that has been discussed today, I think one area that could be developed further is to align the geographic regions of Homeland Security and of Canada Border Services Agency. So you can have a set of geographical councils with identified stakeholder groups to deal with on particular functions. In that fashion you could get a positive feedback loop that could deal with the reciprocal issues so that the DHA and CBSA people who deal with one another in any of that as professionals, would have parallel stakeholder groups.

If they're hearing the same things from the stakeholder groups, they can start working together on common solutions, and where more resources are needed,

the stakeholder groups can work with the politicians as well. If they are hearing different things and that is going to happen in certain cases. Then there has to be a way of hashing those things out so there can be a discussion of ways to square the circle that brings in the stakeholders, but also takes the operational requirements of both frontline agencies into consideration. And I think as a public administration position so you have incentives for both the lead officials in each region, and the people who can either work with them or try to end run them to work together I think that is the way to get around the kind of thing that Stewart Baker is legitimus -- legitimately concerned about.

DR. ALPER: There's been at least two kind of categorical approaches to the Canada/U.S. Border over the last eight or nine years, at least on the U.S. side. The -- obviously the Smart Borders Accord, which most people think was a pretty good program, and then more recently the Security and Prosperity Partnership, which Chris suggested in his paper has

certain advantages, but it also has a lot of downsides. And I think he in balance he thinks the downsides outweigh the positive side of the SPP.

My question is, since we usually think in terms of sort of categorical approaches or some kind of labeling of ways to approach the border, should we sort of jump the SPP and move on and come up with a new approach? Or, should we maintain the SPP and just do things differently? Start with Stewart.

DR. BAKER: I actually agree with Chris on this. The SPP is an effort to say, well it's NAFTA its North America, I guess we all should get together. But the borders are so different that it's hard to have concrete discussions about real problems. And so you get you know, abstract discussions about fake problems. And, you're likely to get more of that rather than suddenly unify everybody's thinking about it.

I -- the SPP meetings are a lot of work, everybody prepares for it, people put enormous amount of effort into it. The business groups get together,

the diplomats get together, and yet the concrete return from that has been kind of modest. And it's probably the same type of return you would have gotten if you had a series of bilateral's. So, I'd actually be open to the idea of restructuring that. And then plus you've got all of these people who think that we're building a NAFTA highway with the black helicopters. You know, at least we can say okay you win. So, I would be open to the idea of restructuring that, and it may well be that this is an opportune time to do that.

DR. ALPER: Sarah?

MS. HUBBARD: Yes, I think I would focus less on the process and more on the results. WE have opportunities to have these at the very high level. However, I actually expect our government to do something when they get these reports. And I think what we have is an abundance of reports, and a lack of action. And so, how do we go into a process like this with some very important decision makers at the table that actually have the ability to move the needle.

They actually have the ability, the interest, the incentive to go in and then go from these processes and actually introduce legislation or do something.

I'm tired of having processes that end up with lots of work, lots of preparation, reams of great recommendations that would make things better, thinner, or smarter. However you want to look at it, and no action. It's time for some action.

DR. ALPER: Let's pick up on that for a minute. Because what you've touched on again, what comes up all of the time, we need a new vision, we need to you know we need to move forward. And then the big problem of course is how do you do it, and I don't mean in terms of this program or that program. But where are the pressure points, where does the leverage coming from, you know how does the so called border community that Chris talked about in his talk, which admittedly is not terribly large in the United States. Even when we look at economic stakeholders, we're still not talking about a huge number of people. How does that community put pressure on whoever it is



you need to put pressure on to get their attention and make things happen? I haven't heard a whole lot today, or a lot of other conferences about precisely how that's done. Anyone want to volunteer for that one?

MS. HUBBARD: I'm the lobbyist on the panel. And you know really that's what it takes, is engaging more people who are up -- able to engage directly with those decision makers. We have had a couple of models in the last few years that I think were very successful. The best coalition in which I was a strong part of, we were able to build a Northern Border Coalition, all the way from Washington to Maine. And we were able to really activate members of Congress around a very precise action that we thought was important.

I think PNWER has a very interesting model for collaboration in their region that might be something that should be looked at in other border regions. It may not be a model that works perfectly in every region, but it should be an inspiration. I

think for those of us in Detroit and Buffalo to seek something along those lines that could then become that voice that collaborative voice.

At the Detroit Regional Chamber we have quarterly meetings, where we convene stakeholders in our offices and have discussions of these issues, so that we can then take them to our members of Congress. But in Michigan, our members of Congress don't sit on Homeland Security. They don't sit on some of the key committees that actual deal with these issues. And that's why it's incumbent upon us to draw alliances with members, and other states. And we've built a Chamber of Commerce Network for instance throughout the Great Lakes that has 40 Chambers of Commerce, under which the border issue is huge. The U.S. Chamber is here; they do a great job on these issues as well.

But in our region in particular, what I feel even though the border has such a huge presence, and such a high value it's virtually invisible to the general population of Michigan and of Southeast

Michigan, which is not the case on the Canadian side, and not the case on other border areas. And so it's really our job to do more -- to work towards raising its profile, and we're doing what we can. But, it has been such a well functioning asset for so many years, that it was never an issue. That we just don't have those institutions built yet that in all cases that drive the policy right to the decision maker.

MR. BAKER: I would add to that when thinking about what it was that we at DHS valued about the SPP and what we did and I think it had two bureaucratic dynamics. The thing that we valued was the opportunity to have bilateral meetings alongside the big meetings. The big meetings could be used bureaucratically to drive a conclusion. That is to say that you could say to people, well you promised you were going to produce this work stream, where is it? You know you only have a month until the meeting, and so at some bureaucratic level GS-15's would be pressed to stay late and finish recommendations.

But then the discussions among the principles were very long and characterized by a lot of people who didn't have much of a stake in the issue. Nonetheless having a view, and so you have a long discussion of things, but it didn't feel completely legitimate to the people who most owned the problem, whatever it was. They felt like they were getting a lot of free advice from people who wouldn't be held responsible if the advice turned out to be bad. And the result is that when you go back to a secretary a month after the adoption of some language, and say well this was decided at the SPP, I think the reaction tends to be one of two things. Unless it's exactly what the agency wanted to do, they say, well why didn't you negotiate this into mush the way we did with everything else?

And in any event I don't remember that -- you know that wasn't a decision that made sense it was just to get out of the room. And so, you don't tend to have a strong support after the meeting for doing anything hard that comes out of those consultations.

DR. ALPER: Let me ask --

MS. HUBBARD: -- I agree on that one.

DR. ALPER: One more question. Then we'll throw it open to the audience. I think it was the CIC report and others who have advocated a kind of border czar or kind of IJC like commission that would be sort of high-level officials from both countries who would kind of look after border issues, kind of an early warning system. Do we need a border czar?

MR. BAKER: Got one.

DR. ALPER: She'll be here soon. What do you think? Do we need some kind of new institution or -- that we currently don't have to take on that kind of function? Does anyone think we do?

DR. HALE: I think any such institution is going to be of necessity, an advisory council as indeed the IJC is, as indeed the PJBD is in the defense area that the -- given the realities -- the political realities, the administrative realities related to security. Neither government is going to delegate authoritative responsibility for the border

to somebody that is not politically accountable. However, I think some kind of cross border process that could provide a way of working with senior management in each department given the varying degrees of salience the different parts of the border had, would be a very useful too.

And the fact that they had a clear mandate that the Secretary of Homeland Security, the Administer of Public Safety had agreed on to give that committee on an advisory basis could get around the kind of bureaucratic politics that Stewart Baker was so eloquently talking about.

MS. HUBBARD: If we have a border czar, I want a Northern Border czar and a Southern Border czar. I don't just want a border czar. I want somebody that can recognize the differences and press through policies that affect my backyard.

MR. BAKER: Yes, I do think DHS is going to say the borders are our responsibility and we ought to work it out. We don't need somebody to come in and give us advice about how to work with out Northern or

Southern neighbor on the border. We can just call them up and they will see this or special envoy for the borders as just an effort to say, we just don't like what DHS is doing. We'd like somebody to rescue us from it. And I -- so I think the resistance to that is going to be enormous. And I could add, it's not always that owning the border, having DHS own the border is a bad thing.

The -- we've talked a lot about how Washington State and British Columbia came up with this great EDL thing, and not so much British Columbia really, but Washington State. And they did push hard for that idea, but in fact there was a substantial amount of resistance to overcome within the Federal Government. And that was overcome only because DHS said, yes this is going to solve the problem. You know this will help us facilitate travel and still have security. And there was a long fight as you might expect having state DMV's issue the equivalent of a passport was not popular with the people who issue passports.

And there was lengthy resistance to that that was only overcome because DHS said, look we're the border experts, and we need this at the border. And so, you end up taking the bitter with the sweet, but there is some advantage in having DHS feel responsible for all aspects of the border, and I don't think you're going to get away with it with a border czar.

DR. ALPER: Margaret do you want to respond to that?

DS. KALACSKA: Well, I do agree with most of the comments on the panel today, especially the fact that there are different concerns both on the Northern and the Southern Border in the U.S., but also that there needs to be collaboration between the two countries, and that concerns from both Canada and the U.S. need to be taken into consideration.

DR. ALPER: Okay. Let's take some questions. Start -- get to Matt second, you gentlemen straight ahead.



SPEAKER: That's okay I can (inaudible) regional chamber and (inaudible) which is a bi-national group by the way that includes the eight Great Lake states touching the lakes as well as the provinces of Quebec, and Ontario.

I just wanted to follow up the recent comments about the border czar thought. It's something I've thought of as well. If our Northern Borders are so different from our Southern Borders, is it possible within DHS and would it make sense to create a Northern Borders function, and a Northern Borders decision-making process separate from the Southern Borders decision-making process. And essentially recognize that we're dealing with two different things within the same agency and empowering two different structures to make their decisions.

DR. HALE: Anyone in particular?

MR. BAKER: Yes, who would you like to have answer?

DR. ALPER: Well, Chris you want to -- you haven't had a chance to say anything.

DR. SANDS: Well, I did think about that a little bit, and this is just to say that you know as I thought about the value of doing it, what keeps striking me is those of us who live on the Northern Border you know for whom that's the big -- we actually need the Southern Border people, because they have votes in Congress too. We often from a company point of view and talking about trying to make sure systems work for the auto industry in Mexico as well, you know so they can ship things. And I think that if we deliberately encourage DHS to split the house that way, we'll find ourselves cutting ourselves off from allies who will be necessary for the funding and the political thought.

For Canada I understand it, but for our side of the border we need the rest of the people in the country to help us, and I think linking the two, even though it does create some headaches, and we always should make distinctions where they're valuable does give us some allies. But that's just why I didn't go that route.

MR. BAKER: Yes, I think there is a -- obviously a deep appreciation for the difference between the two, whether you need to organize it differently you'd have to drive that organization down deep into CBP and into the Border Patrol. And it is in many respects already a pretty decentralized operation. I you know we're coming back as a bureaucrat I'd really want to be in charge of the port of entry. It's not a bad opportunity to really shape an organization the way you'd like to shape it. And people do have a lot of authority to change their procedures at the port.

So, I'm not sure how much difference it would make, it's certainly a plausible suggestion, but I think you do lose a lot of insights that you can gain in -- just in terms of line management. What they know on the Southern Border about line management is something that you only have to use three times a year in most of the Northern points of entry.

DR. ALPER: Go to Matt and then to Chuck.

SPEAKER: Just you know twenty years with PNWER having institutional framework to have meetings regardless of the political election cycle. What if we had a Northern Border commission that was advisory but had eight to ten working groups that met on a regular basis regardless of who's in charge to create and craft solutions?

DR. SANDS: This is going to be terrible. You guys are just going to throw me out. I thought about that too. One of the nice things that I think DHS has done, maybe in a different area has been in the area of Critical Infrastructure Protection and Emergency Response. They've really reached out to Governors and they've asked Governors to have a Homeland Security Advisor who goes through a process of security clearance so that they're able to talk about sensitive information. So there's a person in that office.

Perhaps getting -- using that mechanism that already engages Governors with DHS to do more than Emergency Protection, but to occasionally advise on

things like necessary infrastructure or procedural sort of operational issues. Doesn't build a new structure, but maybe uses a structure that DHS has created and make it work a bit better. I don't know just as a quick response.

DR. HUBBARD: Yes, I don't want to sound like a broken record here but I love discussions, and commissions, and communication. I think we need to do more of it, but there needs to be buy in from people who are at levels that can actually make decisions that carry out the decisions made by those groups.

There's definitely a lack of communication. I don't want to say that we don't need certain kinds of communicative types of institutions set up, because we do at our region without question. But if it's going to be something that sounds expensive and run by the Federal Government, you know I want it to be a -- to have a result and some benchmarks and things. If it's something that's organically grown from our communities and then maybe validated or funded by the Feds that would be different.

DR. ALPER: Chuck.

DR. DORAN: To what extent is the distinction between security and economics on the border at this point passé, and that the real problems the new problems are elsewhere? By that I mean security is important, it's moved forward, technology can give it assistance and so on. But it's going to be there it's not going to change.

But I see the economic side of things expanding. I see groups thinking of the border as a screen, I mean security started, now others are going to add. I see agriculture coming in and saying we're going to do some screening, I see customs adding complications in terms of asking shippers to fill out things that are much more extensive and expansive. So, is the problem now something that gets beyond this old dichotomy of security versus economics? And in fact involves to some extent too the fact that we need more infrastructure, but the infrastructure is being vetoed at the local level. At least three major cases

as reported here. So, is the problem beyond just the old issue of security versus economics?

DR. ALPER: Let me ask Margaret to maybe respond to that first.

DR. KALACSKA: Well, I don't believe that it's possible to separate the two, because we need to have economic prosperity in order for there to be an efficient border, in order for both countries to be as strong as possible, both economically and from a security prospective. But, adding these additional layers to facilitate or to screen for different threats may on some levels seem to make sense to the agencies that want to take part, so for example screening for agricultural products, or screening for other types of materials. But on a whole in order to make it as efficient as possible, some of the comments that we heard earlier today is to have maybe stronger pre-screening as well. And to have more programs for trusted shippers as well, to lower the burden on the actual border crossings themselves.

DR. ALPER: Geoff?

DR. HALE: I think there is a real concern there; I don't think it begins with DHS. I think it - - one major source of the problem is the existence of what of - in this town often called Iron Triangles for decades. And the fact that there are 86 different committees and sub committees of Congress at last count that have some handle in dealing with the border.

And the only way that we are going to deal with the sort of thing that Chuck Duran mentioned is if in these new policy initiatives that there is some process that is in place preferably at a high level, and I know Jerry Word is here from Commerce to deal with reciprocal inspection responsibilities.

So that let us say that there is a new food safety commission that President Obama has appointed. Food safety is a problem in both countries, Peanut Corporation of America shipped to Canada many of foods, sent you dog food with Chinese melamine that somehow got mixed into the process, unknown to the supplier. And so the need for reciprocal inspections



and mutual recognition on the regulations that applied before you get to the border is critical.

I see -- I don't know if Deb Myers from DHS is still here, she wrote an absolutely wonderful piece in a previous life on the cross training of CBP inspectors to deal with the agricultural function and the -- as well as the security function. From some of the reports I'm getting that is still very much a work in progress. As the microeconomic training of some of the frontline staff could have been done by Lou Dobbs.

So, if we are going to get around this bottleneck at the border, there has to be a broader context for regulatory cooperation, so that the frontline people are not put in either an impossible position, or a position where the application of individual discretion turns the border into a form of Russian roulette for shippers and even worse, truckers that aren't paid to work through that kind of problem.

DR. HUBBARD: And along those lines, just to raise a topic that's been given a little voice today. Is this ten plus two regulations that we're all

terrified in Detroit will become a reality at the land border crossing. Chris made mention of Just In Time Trucking, and you know that's one of the issues that because of the customer makes at the crossing is much, much bigger for us then at some other crossings.

And that's where you know we wish we could get past this issue of security and the economy. But in fact you know Russian roulette is what we're playing with that particular regulation. And concern that that will eliminate Just In Time Manufacturing as we know it, and result in a lot of carrying costs and inventory situations for companies that can least afford it right now, or result of bringing the supply chain into one country or the other, because it's just too costly to comply with those kinds of regulations.

Probably everybody knows this story but, you know there are instances of products in the auto manufacturing supply chain that are conceived of in the morning, a purchase order is placed, the thing is shipped within a few hours, it crosses the border, it's put in a car, sent off to the dealership all well

within 24 hours. And so how do you implement a 24-hour preclearance rule on something that you know before the baby's even born?

DR. APLER: Further questions? Katie?  
Sorry, go ahead Ambassador Kergin.

DR. KERGIN: Just to not belabor in envoys czar. I would say envoys who would then recommend something in a time limit fashion to the heads of government on how to deal with the border. But, I don't think anybody would suggest that DHS has any but the exclusive responsibility for the border as its Canadian counterpart. I guess what I would say is that there are other factors and players in the border. We've talked a bit about the transportation infrastructure, we've talked a bit about the trade facilitation, we're talking about agriculture.

So, there are other elements or players in the border and I think DHS would not have invested on the Canadian side as much in information technologies, if there hadn't have been a lot of economic pressure

to do that in order to alleviate and to make the border work better from everybody's prospective.

So, the thought of envoys here is not to take away authority from DHS, but to provide an interagency set of recommendations where you can try to work all the various interest groups together -- official interest groups, who can then work with each other to try and make the border work as a holistic. Maintaining security, but making some of the other things work as well. So, that was sort of the thought of the envoys that you develop a kind of a more comprehensive approach to the border, not one just driven by one set of actors; transportation, or environment, or security.

DR. ALPER: Go ahead Chris.

DR. SANDS: I want to touch up on that very quickly. I think the link between Ambassador Kergin's remarks, and Professor Duran's is an interesting one. In that if we went back to the Post War period where we were eliminating a lot of the protections in the Smoot Hawley Era. People thought that antidumping and

counter railing duty were such minor parts of the law that they'd provide some minimal protection, and it'd be good to keep them in you know just in case as safeguards. But we could generally move towards (inaudible) without eliminating those.

And then what happened is interests saw this as the only option left, and turned it into those were the primary vehicles for providing protections in the U.S. They weren't necessarily designed that way, but they were all that was left, and so they were used.

Now, as we provide more discipline in international trade, there's always the risk that as we say sometimes over at Hudson, you can't repeal the fall of man. So, peoples desire for bad things will still crop up and some people will still want protection. And if you've eliminated other area people will look to border restrictions as a way, whether it's for security or something else, as a way to protect themselves from international competition or globalization or whatever they want.

And, what we learned during the Cold War was that trade negotiations that by which governments use treaties to limit the ability to abuse the system and provide protection for foreigners, but also for Transnational Commerce can be very useful. And I think what you're saying which is sort of a weakness of SPB because it's not a treaty, but the notion that our foreign partners are part of the check against our going in the wrong direction, to the extent we can establish it and statute it is very important.

And when President Obama said in Ottawa that although we were going to move towards making NAFTA better, and we worried about bi-American language in the stimulus bill, we would respect our treaty obligations. I think it reinforced the fact that our international partners are part of the consensus and the check against the abuse of the system by those sectional interests that might try to do it.

DR. ALPER: Katie (inaudible)--

SPEAKER: Thanks. I just have a comment for Chris on the actual framing of the paper, because I

think that Brookings role in all of this is very critical, which is framing the issues, and framing the debates. So that policy can move forward. I think that you answered at the beginning of your remarks you framed the questions as to how do we develop a coherent border strategy? And I think that you provided three you know three very good ideas for developing a coherent strategy. What I'm hearing from the panelists and from people here in the room is, maybe the question should be what is a coherent border strategy? What is the strategy so that we -- you know to accomplish a smart border, and at least from what I've picked up in the room it seems as if that strategy has to have strong communication and information sharing. Not only between Ottawa and Washington, but between Federal Government and counterparts as you rightly suggest in the border regions along the 49<sup>th</sup> parallel.

You need perhaps more on the ground Federal autonomy and decision making in the regions, the Port Authority Director's et cetera, et cetera. But then I

think what I'm hearing is that you also need to ensure interest articulation on the part of region, states, and provinces in this process. So, it might just mean rethinking the question but I think that you're getting there.

DR. SANDS: I appreciate that. I think that before we can get -- I guess this goes to Stewart's skepticism about consensus. And I certainly don't want to suggest that consensus among Northern Border stakeholders is a veto on Federal action, shouldn't be at all. But what I'm trying to suggest is if border stakeholders want a better border, they have to get their act together. They have to be on a broad theme because even their combined lobbying power isn't necessarily going to be enough. And it means getting you know a lot of parts of the U.S. system to work, in order to get a coherent and distinctive strategy for that Northern Border.

And I think that what holds us back from that unity along the Northern Border now are particularistic problems that fall along our regional



or our sectional say user type lines that preoccupy us, because they are here now, and so we immediately deal with those, and they prevent us from seeing our common interest.

I'm not suggesting that consensus is necessary for the Feds to move forward, but I am suggesting consensus is necessary for local move forward. And the reason that I spent so much time talking about process is I'm for a sort of dynamic active border where there's a lot of communication between Federal policymakers, and local stakeholders, because I think it will lead to better policy. I don't have a specific list of things I'd like to have happen, but I think that it's going to depend on the local stakeholders getting their act together. In a lot of ways first and foremost, so maybe I have put the cart before the horse, but the cart's full of goodies and I want them -- I want to get the cart moving and then we can I guess feed the horse.

SPEAKER: I think it's useful to point out if you're going to have a comprehensive strategy and

DHS is moving toward a comprehensive strategy for the border. And I would argue that it is -- we need better information so that we can select the few people that we actually need to spend a lot of time with, and take them aside and spend the time with them. And waive everybody else through rapidly, if that's a -- if that's the right approach to the border, that's certainly an approach that allows you to have facilitation and still have security.

That is a coherent approach and it's one that we've talked about and everybody sort of nodded away. But it is not a cost free approach. Getting information means opposing people who don't want to give you the information. That could be people who think that it's going to be used to spy on them in the North Dakota, or people who believe it violates their privacy rights when they cross the border, to have their laptop looked at. Or industry folks who say, wait a minute, I want to be able to exchange all this information, so that when I need the part I tell you today, and you get it to me this afternoon. But why

should I give that information to the government at the same time, so they know what's coming?

In fact you have to change your IT systems if you want to be able to give the Government some reassurance about what's in the shipment, so they can decide whether this is a shipment that ought have some time spent with it, or should be facilitated through. They need the data; the ten plus two rule is designed to get the data. If you say, yeah I want a smart border, but I don't want to give you any data, then you're not really going to have a coherent strategy.

MR. ALPER: I'm told we have about four minutes left. I think I saw a hand way in the back. Okay. Back there.

SPEAKER: Thanks. Just very quickly, one is I think we -- a suggestion we should stop saying trade facilitation and start using the word economic stimulus. Because there are certain things that DHS can do that don't cost any money that would have the effect of stimulating the economy.

Second observation is, as long as American policy makers view border management challenges as "Canadian concerns" it's going to be difficult to get to a solution, even though they are legitimately Canadian, I think it's important to amplify the U.S. interests, and not just along the border, but companies like Campbell's Soup, Wal-Mart, mom and pop shops throughout the supply chain in North America are really dependent on a functioning Northern Border. And it's important for American policymakers to understand that it's an American issue as well, and that's why Sarah's work is so important in Detroit, but we need more of it.

DR. ALPER: Quick comment from anybody, or we'll go to another question? Okay. Right here.

SPEAKER: Just of course I've never give Stewart of knowing consensus, but --

DR. ALPER: Microphone please?

MR. BAKER: Hey, sue me.

SPEAKER: And a lot of ways, this discussion seems very similar to what we were doing post 9/11 and

we were talking about U.S. visit in Section 110. The concepts of trusted traveler, and screening, and you know shrinking the haystack blah, blah, blah.

I guess my question is but things have gotten a lot better obviously since 9/11. I guess I'm addressing this to you Stewart, but also anybody in the panel -- and things are a lot better, and so I guess I'm kind of groping for what are the things that have worked well, and what are the things that are in place now that we can build on a little more specifics. Like the -- you know the Lexus program, or the NEXUS program I mean in Canada, or essentially in the Southern Border. But, I mean things are a lot better, and so -- but a lot of these concepts seem to be more like, well we're sort of back at square one, but we surly are not, and so things are -- I'm just kind of groping on how can we build on what's working now?

MR. BAKER: You know I think the things that have worked best, where there's been the most progress -- clearly you know we've gone a long time without an

attack. And that's -- that was not an accident. The thing that -- and we started-- and we had to shift our focus as Al Qaeda has looked for another way into the country. Their first focus once we made it harder to get a Visa coming out of the countries where they'd supplied the hijackers from was to try and get people to come out of Europe. In fact, some of the hijackers came from Europe.

And many of the attacks that we've thwarted have been people trying to blow up planes, and interestingly before they arrive in the United States so that they never have to deal with our border measures. That has all worked well. What's been surprising to me is --

DR. CRAWFORD: Excuse me for interrupting but --

MR. BAKER: Do we have a secretary?

DR. CRAWFORD: But we need to wrap this up, the secretary's here, she has to leave at 3:15 p.m. so if you will forgive me, I'm going to ask the panel to wrap this up and we will move on.

MR. BAKER: What's worked best is we've had two prosecutors at the head of DHS, and they both make --

DR. ALPER: Join me in thanking the panel.

(Recess)

DR. TALBOTT: That's pretty good, Madam Secretary; you get an ovation before you even say anything.

SECRETARY NAPOLITANO: I think I'll leave now.

DR. TALBOTT: Yeah, I was going to say me too. We'll just head out together. In any event, let me just say as having a little bit of time with this terrific group earlier today and knowing that you had a chance to see some of them last night, I'm delighted to be able to rejoin the proceedings for a few minutes anyway.

We've got about a half an hour and I know that Don Alper and the other panelists just kept to the very high standards that this conference has met so far and now for a particularly a good part.

Minister Baird, this morning, played a bit on a line of poetry from a fairly well known North American poet and that's Robert Frost; and the line, of course, was "Good fences make good neighbors." But his improvement on that was that really good neighbors don't need fences and you can imagine where he was going with that. And I suspect that resonates with all kinds of issues that all of us are thinking about in the world, including in this hemisphere.

But of course there are no better neighbors than the United States and Canada. And Minister Baird also made a point of quoting Prime Minister Harper's statement on February 19<sup>th</sup> when he had President Obama at his side during President Obama's trip up to Ottawa and when the Prime Minister said that the U.S. and Canadian security situations are absolutely indivisible.

The Minister also pointed out, as all of you knew, that Secretary Napolitano was going to be joining us today. Here she is and we're very, very grateful to her for taking some time. She has quite



recently been, of course, in close contact with her Canadian counterpart, Peter Van Loan, I think just last week if I'm not mistaken and very much in the spirit of the conference that we've been holding here today.

The two of them are looking at options for expediting cross border traffic and they will be meeting on a regular basis, twice a year if I'm not mistaken here in D.C. and up in Ottawa, in order to deal with problems as they arise and to the extent possible to nip as many of those problems in the bud. And I think that that is a very welcome and important signal.

Now I think as all of you know, Secretary Napolitano wasn't until recently, although it probably seems like not that recent, was the Governor of Arizona. She was in that post for six years, she was Chair of the National Governor's Association, in fact the first woman chair of that association. She was instrumental in creating a Public Safety Task Force

and a Homeland Security Advisor's Council for the Association.

She implemented one of the first state based Homeland Security strategies in the nation. She opened the first State Counter Terrorism Center and she spear headed efforts to transform immigration enforcement in a particularly important and sensitive part of the country.

Previously, she served as Attorney General of Arizona and also as a U.S. attorney. She helped lead the investigation into the Oklahoma City Bombing back in 1995 and also helped to design laws to break up human smuggling rings.

So long and short, she has been a leader in the field of keeping our people, the American people, but I'd also say keeping our continent and our world safe for a very long time. She's plenty busy in her current job and that makes us all the more grateful that she'd spend about a half an hour with us this afternoon. She's going to make some remarks and then she will be open to some questions from you and we'll

have her out of her by 3:15. Thank you very much,  
Madam Secretary.

SECRETARY NAPOLITANO: Well thank you Strobe and it's wonderful to be here this afternoon. I think some of you I was able to meet last night at dinner and some of you who I've met in other capacities along the way. I appreciated the reference to Robert Frost in "Good fences make good neighbors." I, of course, immediately was thinking of another Robert Frost poem, you know, the one that ends with two roads diverged in a wood and I, I took the one less traveled by, and I'm thinking but do we have a land port of entry there, are we ready to go.

So it just goes to show you in Washington, D.C. you really can get immersed in whatever it is that you are working on and in deed this morning I began the morning, actually, it didn't begin the morning, but in mid morning, testifying in the Senate on issues involving Mexico and the Mexican Border and some of the challenges that are being confronted by the

President of Mexico now and it's potential impact on the United States.

And so it is not totally unrelated that today we also talk about Canada and it's not totally unrelated because we are, in the end, talking about safety and security of the individuals who live in Canada, the United States, Mexico, and this entire continent. And when we think about our safety and security that way, that gives us the idea about the enormity of the task that we confront but also the ways that we work together.

Work together on security and also work together on this ever present issue about the tradeoff between security and facilitation; trade security and is that a necessary dichotomy or how do we deal with that particularly with a neighbor like Canada with whom we have such a close and long lasting friendship.

One I know that is valued on both sides of the border, in deed, one of the things that is happening now, and I think it makes this a very important time to have this conference, is that the relationship

between the United States and Canada has been so close for so long that in many parts of that border it's as if there weren't a border at all.

And people are used to going back and forth, and the hockey team goes back and forth, and the families are on both sides of the border, and people just don't think of it as two different countries because of the close relationship between Canada and the United States. And what we are in the midst of now is a culture change in the sense that that close relationship still exists but the reality exists that there is a border there too. And the accoutrements of a border now are being put in place.

You know, President Obama when he visited Ottawa earlier this year said that the United States and Canada are so closely linked that sometimes we may have a tendency to take our relationship for granted. And I think what he meant by that is that that is something we need to guard again. So that is a friendship and a closeness that continually needs to be reinvigorated and reenergized.

The challenge for us, now, is that it needs to be continually reinvigorated and reenergized in the midst of this culture change where there really does need to be a border and there really do need to be protections back and forth and we really do need to think about how that's going to work so that it does not unduly impact all of the trade that must be able to flow back and forth; so important to Canada, so important to the United States. That is a big challenge.

And we start there by saying all right, well what do we need to have at the border. Well we need first to have the infrastructure necessary to support increased trade and the infrastructure necessary to make sure that goods and people coming through that border are the goods and people that should be coming through that border. That it is not drug smuggling, it's not others attempting to do harm, it is not, god forbid, a terrorist or someone of that ilk seeking to use that border as a mechanism to cross.

I'm delighted that in the Stimulus Package that the Congress just passed there are millions of dollars

to go into those land ports of entry along the northern border, which will help us increase size, increase technology, and so forth, going toward that infrastructure that we need to employ.

Secondly, relationships really will matter here because we need to be thinking about how do we exchange information, how do we share data, and how do we do it in a way that embodies other values that we share, such as privacy and the protection of privacy. And so I was delighted. I've spoken with my counterpart in Canada, Peter Van Loan, also met with him at length next week and we decided that that relationship needs to be elevated to a formal agreement to meet in a bilateral sense at least twice a year because there are projects that we need to work on that simply cannot be resolved in one meeting. They need to be raised, then people who work on these things need to work on them, and then resolved again, and so that there is an ongoing relationship between us.

Next, we should act, and I should act, with the most current knowledge available and I have to pause here because as Strobe -- repetition of my resume indicated, my professional life has been in Arizona, which borders on Mexico, and I was actually raised in New Mexico.

So aside from a few years in Charlottesville at law school, I've basically spent my entire life on the Mexican border and what that means is that I've never actually spent much time on the Canadian border. And so when I became the Secretary of Homeland Security one of the first things I said is I issued an action directors of the department saying tell me what is going on on the northern border. And that immediately got translated into a front page article in the press in Canada that I was seeking to restrain trade and thicken the border between Canada and the United States.

I found that a remarkable conclusion, but here was the point and the point which is to say as we embark on this culture change, that there has to be a



real border. As we seek to improve and install more infrastructure along the border, design to make sure there is not an unnecessary division between our security responsibilities and our trade and travel desires as we seek to deal with the flow of information that needs to be shared between the government of Canada and the government of the United States.

Those decisions need to be carried out, informed with the best judgment of those with the most knowledge about the border. And so reaching out to those who have expertise, of course, is the logical thing to do. And that is what we have to continue doing moving forward. We have to make our decisions not based on assumptions, presumptions, stereotypes, or any of the like. We have to make our decisions based on actual data, data points, that allow us to proceed and really conceive now of this border.

And I want to close with this thought. Is, how do we make the U.S. Canadian border a futuristic border? In other words, how can we think beyond the

kind of existing technologies and man power needs that we use today and really think well, what could a border between two countries like Canada and the United States actually look like and how should it work and, you know, what kinds of technology can we employ that would allow us to break through that schism between security and facilitation of trade? And how do we make sure the people flow is as smooth as possible while protecting privacy and privacy right?

And is that challenge, not only to change the culture of no border to border, but what kind of border and the future of the border that groups like this really need to contribute on, which we seek your contribution because that is the area that future thinking, that outside the box, not dealing with what we have now but what we should have 20 years hence, is really where we need the most help? Thank you very much. And I'm happy to take a question or two if there are any. Yes, in the far back.

MS. RUDE: Mary Anne Rude, I represent the Canadian Province of Manitoba, so first I'll send greetings from Premier Doer.

SECRETARY NAPOLITANO: Yes.

MS. RUDE: And --

SECRETARY NAPOLITANO: How are the polar bears?

MS. RUDE: They're doing just fine; you're welcome to come and visit.

SECRETARY NAPOLITANO: Excellent.

MS. RUDE: Just in reference to your -- the request that you had made for information about the northern border. We were in deed all watching for information about this northern border report that we understood you had all requested. And I'm just curious if there was anything in that briefing that you received that was a surprise to you about the northern border, and if so, how that's influenced your thinking of how we move forward?

SECRETARY NAPOLITANO: I didn't -- it was a surprise so much about the physical structure of the

border, although, I do intend to visit myself there over the course of the spring and summer. We're trying to coordinate my visits with a few of the members of the United States Congress and so forth.

But there are differences between Canada and the United States in terms of -- the phrase I want to use is how we screen people and goods that come into our countries. There are differences I think in how we do risk assessment between Canada and the United States. There are differences, they are nuances, but they are very real in immigration and visa procedures. And those differences are important because it means we are not dealing in direct parallel terms between Canada and the United States about who and what is entering. And that, of course, is a security concern.

So it was really -- down okay; what are those differences. And now I'm at the point where I'm saying why does those -- what underlies those differences? Why does Canada do it this way? Why does the United States do it this way?

So now I'm in the process and I'm saying what's the -- I'm asking my why questions. And those are the source of things that are going to have to be a part of the agenda when Minister Van Loan and I meet. Those are the kinds of things that we need to be able to talk about very frankly and specifically. Other questions? Yes; oh, I see. There's a mic.

MR. ZREMSKI: Hi I'm Jerry Zremski from Buffalo News, good to see you again. I wanted to ask you about an issue that came up this morning which was the idea of shared border management between Canada and the U.S. in New York State, the possibility of moving the truck facilities and -- from the U.S. side over to the Canadian side. There seem to be a lot of interest among people here in that and when I talked to Roberta Jacobson afterwards, she said that there's interest in that at the State Department. How much interest is there at the Department of Homeland Security in the idea of revisiting that issue? Are you revisiting it now and where will you stand in taking a look at that?

SECRETARY NAPOLITANO: I actually think the concept of shared border management is very consonant with when I say we need to be thinking about what we want the border to look like 20 years hence. I mean that's the kind of thing that perhaps is the goal we need to reach.

Now there's a recent report, it may be GAO, that kind of goes through not the goal of shared border management but the very real hurdles that exist to getting there. They are legal; they are logistical, and so forth. And so let's not ignore, let's not pretend that we can just waive a magic wand and we have a shared border management structure. It is not an easy thing to accomplish.

What is, however, I think important is if we want to go that direction to reach that agreement and begin doing the very real work that will take to get us there. But I do share an interest in that.

SPEAKER: Hi, Secretary. Congresswoman Slaughter this morning raised concerns that the U.S. is not ready for implementation of WHTI on June 1<sup>st</sup> and

that she plans to introduce legislation to delay it for another year. I'm wondering if you share those concerns or if not whether you could explain why you think the U.S. is ready.

SECRETARY NAPOLITANO: Yes, we call it WHTI; the Western Hemisphere Travel Initiative. And the Secretary of State and I both have now signed certification that we are prepared to go forward with the June implementation date.

And there is a lot of concern, I know, on both sides of the border about being -- are we really ready and I met with the Congresswoman about this and first of all, I've deployed a team to go through chapter and verse what actually is physically in place, do the id readers, are they there, are they installed, do they work, you know, how fast can people proceed through them, you know, the kind of detail logistical questions to really say are we ready.

We're exploring whether we are -- what we can do with Canada to publicize that this deadline is coming. It is real and it really goes to that change of

culture that I talked about in my comments. I mean I think there's a sense in some places that we've always gone back and forth, why do I need to get a passport. I mean, you know, and we're going to get some of that.

But it is a real border and we need to address it as a real border. My concern, and I told the Congresswoman this, is even the introduction of a bill to delay the effective date will have the psychological effect of people saying this deadline really isn't a deadline and I'm recognizing this deadline already has been moved. And so I have some concern in that regard.

Nonetheless, my view is the law says June and I'm going to work very hard to make sure it goes as smoothly in June as it can. But I do have some concerns about the introduction of a bill, particularly if it's not going to pass immediately, just it's presence out there will psychologically have a deleterious effect.

We are going to have WHTI. It is going to be, in my view, it is going to be part and partial of the



security of the North American continent on both borders and if you think we have issues on the Canadian border, we also have issues on the Mexican border.

By the way, and this is not directly an answer to your question, but one of the things that I think we need to be sensitive to is the very real feeling among the southern border states and on Mexico, that if things are being done on the Mexican border, they should also be done on the Canadian border. That they shouldn't, in other words, we shouldn't go light on one and heavy on the other. That we -- this is one NAFTA, it's one area, it's one continent, and there should be some parity there. I don't mention that to suggest that everyone in this room would agree with that, I just mention it to suggest that it is something that I have to deal with and so I'm asking for your sympathy. Yes?

MR. MORRISON: Matt Morrison from the Pacific NorthWest Economic Region. I've been working with Governor Chris Gregoire and we really hope that

you'll be able to put some staff for the 2010 Winter Olympics. It's a great opportunity, catalytic opportunity for testing pilots on making some new initiatives and it's coming in 10 months from now.

SECRETARY NAPOLITANO: Yes.

MR. MORRISON: I'd like to invite you to the Olympics too.

SECRETARY NAPOLITANO: Yes; the 2010 Olympics. Actually, it does provide us with an opportunity to do some interesting things. We do anticipate increase traffic through the ports there and into the Vancouver area. We also anticipate that we could have people who are going to the Olympics to come into Canada from elsewhere and then drive across Canada to get to the games. So we have already identified staffing up commitments that we will make.

We're working on the Task Force or committee, whatever it's called that's designed for the games and so we want to have a very good partnership with Canada on those. They're a spectacular tourism opportunity and a spectacular opportunity to show off Canada. So

I think they'll be great and I look forward to attending.

DR. TALBOTT: I think that is the perfect note to end on and I'm sure -- you manage to pack an awful lot into both your presentation and your interaction with the audience. I'm sure our Canadian participants today noticed the emphasis you put on the fact that the Stimulus Package includes real plusing up of infrastructure and that of course isn't just security infrastructure but it's also --

SECRETARY NAPOLITANO: Trade.

DR. TALBOTT: -- an infrastructure that will contribute to the efficient passage of both people and goods across this border and you also said part of the answer you're going to get to what's going on up in that northern border is a lot of good stuff.

SECRETARY NAPOLITANO: Right.

DR. TALBOTT: And on the other side of it. I think we ought to make this a Robert Frost hat trick and I should say that the Secretary has miles to go before she sleeps.

SECRETARY NAPOLITANO: And promises to keep.

DR. TALBOTT: And promises to keep. She gets the last word. So please join me in thanking her very much.

SECRETARY NAPOLITANO: Thank you.

SPEAKER: Please remain seated while the Secretary leaves. I was going to say thank you Madam Secretary for joining us today but I think she's gone; and for the leadership she's providing. So I will conclude this marvelous day on a personal note.

For me, today has been a very special occasion, one that saw two research institutes, one Canadian, one American; come together effectively to engage a splendid audience in what I think was a rich and fruitful program. I believe that lots of learning took place, and look forward to more such collaborations in the future.

We will post video clips and a full audio tape of the proceedings. I think they'll be up and running tomorrow. And we will post a conference report, a 3,000 word conference report, as soon as we can get it

written. I hope next week. Remember to submit your comments on Chris Sands' paper by April 13<sup>th</sup>. We've given you the e-mail addresses. Special thanks to all our speakers for their special contributions today and safe travel to all of you. Meeting adjourned.

\* \* \* \* \*

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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