

North American Perimeter Security

*How Best to Keep
Trade Moving?*

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On February 4, 2011, U.S. President Barack Obama and Canadian Prime Minister Stephen Harper released the Beyond the Border vision of Canada–U.S. perimeter security. The vision renewed interest in refining and retuning the Canada–U.S. relationship in security, trade, and transportation:

[W]e intend to pursue a perimeter approach to security, working together within, at, and away from the borders of our two countries to enhance our security and accelerate the legitimate flow of people, goods, and services between our two countries. We intend to do so in partnership, and in ways that support economic competitiveness, job creation, and prosperity.

History of Perimeter Security

Cooperation has been critical in the political relationship between Canada and the United States, from joint defense through NORAD to the Automotive Products Agreement, or auto pact, and the joint management of the St. Lawrence Seaway system. The long history of cooperation includes economic integration and management of joint assets and border infrastructure investment, as well as military cooperation and intelligence activities (1, Ch. 6).

(Above:) President Barack Obama confers with Canadian Prime Minister Stephen Harper at the G8 Summit in Muskoka, Canada, in June 2010. In February 2011, the two leaders released a declaration for a shared vision of Canada–U.S. perimeter security. (Below:) A U.S. Customs and Border Protection officer checks documents at the point of entry in Sweetgrass, Montana. Canada and the United States have a longtime cooperative relationship on border security.



Photo: Gerardo Nino, CBP

Official White House Photo by Pete Souza



Halifax Stanfield International Airport on September 11, 2001. Aircraft are parked on the second runway as gates are full.

The Fortress North America concept emerged during World War II when the two governments contemplated the unthinkable—that the rest of the world might fall to the Axis powers, and the United States and Canada would need to defend the continent. The resulting Permanent Joint Board of Defense and military cooperation continue today. Other milestones include the formation of NATO and the economic prosperity following the auto pact of 1965 and the Canada–U.S. Trade Agreement of 1987.

The United States and Canada have a common view for the defense of the continent. On

September 11, 2001 (9/11), a Canadian was at the helm when military jets were scrambled in response to the World Trade Center attacks, and Canadian airports accepted diverted flights already en route to the United States.

The 1995 Canada–United States of America Accord on Our Shared Border was signed to promote trade, streamline procedures, and address smuggling and illegal entry. In 1999, the U.S. Customs Service launched the Canada–U.S. Partnership Forum to identify emerging border issues and promote dialogue to improve trade flows. The Canada–U.S. Transborder Working Group, established in October 2000 and jointly managed by Transport Canada and the Federal Highway Administration, focuses on border transportation management.

After the tragic events of 9/11, the two countries signed a long list of agreements affecting the northern border, with each agreement taking the commitments further and generating greater clarity on the extent of cooperation. The complexities of the challenges became more apparent, however, and many of the initiatives suffered from incomplete execution.

The tripartite 2005 Security and Prosperity Partnership (SPP) identified a myriad of activities, regulations, and agreements to address after the hardening of the northern and southern borders within the North American Free Trade Agreement

(NAFTA) region. The process made clear that the same solutions would not necessarily work on both borders.

Although cooperation has not reached the same degree as among the European nations, with mutual recognition of practices and policies and the imposition of supranational regulations, progress on border issues between the United States and Canada has been steady, if not always effective. Both nations recognize that further improvements are needed if recovery from the global economic crisis is to favor the continent.

Integrating Economies

The global economic crisis has fostered a reexamination of sourcing strategies and supply chains, as each of the NAFTA countries also focuses on internal economic issues. The demise of the SPP in August 2009 made clear that traders no longer were confident that the partnership was effective as a forum to address trade flows and keep the NAFTA countries internationally competitive.

Trade data show that Canada's share of U.S. trade was 22 percent in 1993, 24 percent in 2004, and fell to 16 percent by 2010. The U.S. share of Canadian trade rose from 80 percent in 1993 to 84 percent in 2004 and fell to 70 percent in 2010.

The integration of the two economies has been demonstrated; in many industries, products are made jointly—such as automobiles—but in others the integration only becomes obvious when a power failure occurs, as in August 2003, or a shortage arises, as of beef stock during the mad cow scare the same year. Yet the largest traders on the North American continent have not reaped the trade and transportation benefits that have accrued within the European customs union. The hardening of the border for security has affected trade.

The documentary processes for trade have undergone recent improvements. In 2009 the United States dropped the requirement for a packing slip for imports but added a certificate of origin. Canadian and American documentary requirements for trade are now harmonized (Table 1, left).

Nonetheless, security concerns incur significant transaction costs for trade and affect economic well-being. When Canadian and U.S. logistics performance indicators are benchmarked against those of top-ranked Germany, some of the gaps are wide (Table 2, next page). Both countries need to reduce the gap with Germany in performance benchmarks; one way would be to address the transaction costs at the border. In addition, delay along the northern border is a key cost of doing business for both countries.

TABLE 1 Canada and U.S. Documentary Requirements for Freight

Import	Export
Bill of lading	Bill of lading
Certificate of origin	Commercial invoice
Commercial invoice	Customs export declaration form
Customs import declaration form	

SOURCE: *Trading Across Borders*, The World Bank, www.doingbusiness.org.

TABLE 2 Logistics Performance Indicators: Germany, Canada, and the United States

Rank	Country	LPI	Customs	Infrastructure	International Shipments	Logistics Competence	Tracking & Tracing	Timeliness
1	Germany	4.11	4	4.34	3.66	4.14	4.18	4.48
14	Canada	3.87	3.71	4.03	3.24	3.99	4.01	4.41
15	U.S.	3.86	3.68	4.15	3.21	3.92	4.17	4.19

NOTES: LPI = composite logistics performance indicator; customs = efficiency of customs clearance; infrastructure = quality of trade and transport infrastructure; international shipments = ease of arranging competitively priced shipments; logistics competence = competence and quality of service provided; tracking = ability to track and trace shipments; timeliness = reaching destination within scheduled or expected delivery time.

SOURCE: Logistics Performance Indicator, The World Bank, 2011, <http://go.worldbank.org/88X6PU5GV0>.

The Cost of Delay

Many studies in the past 10 years have attempted to quantify the costs of delay at the Canada–U.S. border. Several have demonstrated that the border has a serious cost to both trade and transportation (2–4). Yet delay at some crossings was problematic before 9/11 security concerns. In 2000, the cost of delay at the Ambassador Bridge connecting Detroit, Michigan, and Windsor, Ontario, was estimated at US\$135.6 million to US\$180.6 million for truck trips from Canada to the United States (4). In 2001, before the terrorist attacks, crossing the Canada–U.S. border increased the cost of Canadian manufactured goods by an average of 6 percent, when no tariffs were being collected (5).

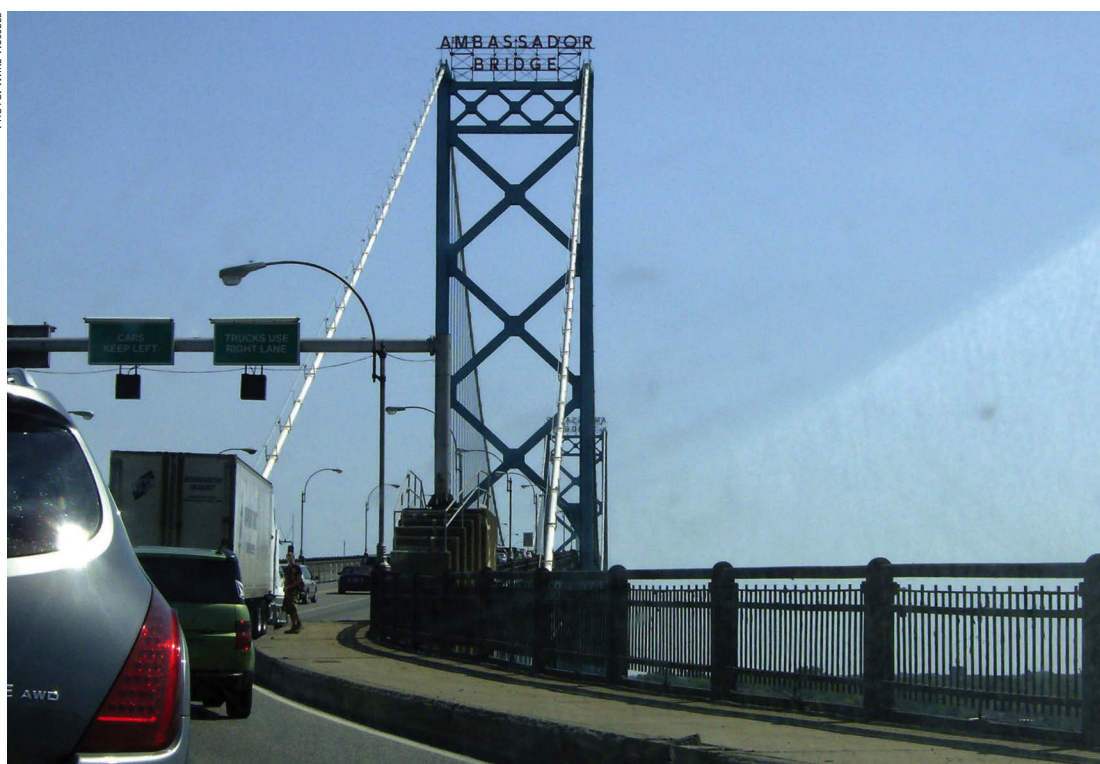
A 2003 study estimated the cost of crossing the border at US\$382.0 billion, or 2.7 percent of total 2001 U.S.–Canada trade in goods (3). A 2004 fol-

low-up demonstrated that greater uncertainty was leading buyers to reconsider sourcing decisions, although the crossing times were not dramatically different (6). The study found, however, that transborder trucking freight rates were 10 to 35 percent higher.

A 2005 report concluded that truck delay was the biggest component of the costs of compliance with security programs (2). The report noted that the cost was mitigated by industry’s ability to impose offsetting surcharges, usually passed on to the consumer, making the product less price-competitive.

With the tighter management of global supply chains in the past decade, uncertainty in border crossing times has taken a toll on the competitiveness of those who depend on the transborder movement of goods. Recent studies on the Pacific Highway (7, 8) and on the southern Ontario access

PHOTO: MIKE RUSSELL



Delays at the border can become expensive—research indicates that in 2000, the cost of delays at the Ambassador Bridge between Michigan and Ontario was estimated from US\$136 million to US\$181 million for truck trips into the United States.

Recent studies on the Pacific Highway border crossing from Washington, United States, to British Columbia, Canada, have probed causes and variability of border delays.

points (9) have explored the challenges of continued delays and the causes of variability in the delays, but without providing solutions for reducing the cost beyond programs like the Free and Secure Trade, or FAST, program.

The addition of fees and inspections, along with increases in security regulations and processes, has added to the administrative and financial burdens for all who trade with and transport goods to and from the United States. Although enhanced security is necessary to respond to terrorism and organized crime, the availability of technologies such as global positioning systems and radio frequency identification tags, along with computer-enhanced documentation, should offset these burdens.

Border delay continues to be a key issue in the latest discussions about perimeter security. Although the new Beyond the Border Working Group will enable security officials to address issues of crime, migration, and health, the coverage needs to extend to trade flow improvements to achieve perimeter security.

Perspectives on Perimeter Security

The interpretation of perimeter security varies with perspective. The perspectives of an importer and of consumers or citizens illustrate this.

Importer's Perspective

A Toronto importer has many transportation and routing options to acquire goods. For example, the

cargo may come from China directly to Canada via the Port of Vancouver, or it may come via the Port of Long Beach, California, and cross a second border to enter Canada. With seamless perimeter security, the Toronto importer would expect that the Chinese-manufactured goods arriving via Long Beach could clear customs once and not be delayed at the Canada–U.S. border.

The second border clearance, however, may not be seamless, because regulatory burdens and a lack of harmonized standards within North America work against a two-border routing. If the second clearance is seamless and not held up by the regulatory and jurisdictional differences, then the risk for the Toronto importer in choosing a Long Beach routing is reduced, if not completely mitigated.

By extension, a seamless border arrangement broadens the reach of California companies by opening the Canadian market as if shipping to Chicago. A Chicago importer buying goods in Ontario, or in China or India via Vancouver, faces a similar situation. The reduction in transaction costs improves the competitiveness and market reach of North American suppliers.

Consumer's Perspective

The Canadian citizen may view the perimeter security agreement as Americans denting Canadian constitutional rights on immigration and gaining access to private data. For this reason, the Industry Canada website notes that privacy rights will be respected in Beyond the Border commitments.

American concerns about who receives citizenship in Canada appear to be more important than concerns about economic prosperity. The lack of trust on security overshadows recognition of possible economic benefits.

At a Transportation Research Board 2011 Annual Meeting program session, North American Border Issues and Trends, immigration expert Deborah W. Meyers of the Department of Homeland Security noted that Canadians seem to hold Americans responsible for the northbound flood of cocaine, cash, and tobacco, while Americans see Canadians as the southbound source of cheap marijuana and ecstasy. This illegal activity is a shared problem that a coordinated approach to perimeter clearance could resolve.

The full implementation of trusted shipper programs, common technological standards, and other promises in the perimeter security announcement imply that fewer resources would be allocated to hardening the border and duplicating personnel, and more would address such shared challenges as halting the drug trade and enhancing trade flow through



PHOTO: SAM CAZON



A seamless border arrangement between the United States and Canada would allow goods to be imported more efficiently from places like Asia.

infrastructure investments. Mutual recognition of standards and technology could be a powerful force but does not appear on the agenda of the Beyond the Border declaration.

Refocusing Resources

If the two countries share a commitment to make the border more fluid and reliable, agreeing on standards of technology and transportation, economic prosperity will increase as transaction costs are reduced. The U.S. Government Accountability Office Report 10-106 documents Department of Homeland Security challenges in scanning containers, administering the Transport Workers Identity Credential, and enforcing cybersecurity. Full-fledged adoption of mutual recognition within a secure perimeter would help the United States find the resources to focus on security challenges outside the perimeter. Without a commitment to perimeter thinking, tinkering with security will take much longer to reach the goal of a more secure region.

Trade and transportation issues are being held up by those who do not understand the supply chain and fear the worst of their neighbors. Although mobility across the border has been a core tenet of U.S.–Canada cooperation since the 1930s (10), mobility has not necessarily bred familiarity or the understanding necessary for a common perimeter to work.

Shared Vision Framework

The 2011 declaration, A Shared Vision for Perimeter Security and Economic Competitiveness, implies that negotiations between the two countries will provide a framework for joint threat assessment, intelligence gathering, and information sharing, as well as a commitment to cross-border law enforcement targeting transnational crime. A four-pronged approach is planned:

- ◆ Address early threats;
- ◆ Facilitate trade, economic growth, and job creation;
- ◆ Integrate cross-border law enforcement; and
- ◆ Enhance critical infrastructure protection and cybersecurity.

Each initiative has the potential to improve the trade and transportation relationship.

Canada–U.S. agreements will be updated to incorporate the initiatives. The Agreement Between the Government of Canada and the Government of the United States of America on Emergency Management Cooperation, updated in 2008, and the Canada–U.S. Framework for the Movement of Goods and People Across the Border During and Following an Emergency, signed in 2009, will play key roles in a risk management approach that envi-



PHOTO: BRANDON BLACKWELL, U.S. COAST GUARD

Royal Canadian Mounted Police and U.S. Coast Guard officers conduct Shiprider law enforcement operations along the Niagara River during the G20 Summit in June 2010.

sions cooperation between agencies and agreement on intelligence gathering and information sharing.

Border Risk Assessment

The March 2011 release of the Joint Border Threat and Risk Assessment already has supplemented the declaration. Part of a shared vision for border security, the assessment provides U.S. and Canadian policy makers, resource planners, and law enforcement officials with a strategic overview of the threats along the 5,525-mile (8,891-kilometer) international boundary between the United States and Canada, and reflects a commitment to work together to “safeguard both nations’ vital assets, networks, infrastructure, and citizens.”

The threat assessment specifies categories of risks: national security, criminal enterprises, migration, agriculture, and health. On the table are joint activities that go beyond the physical movement of goods and people: cybersecurity, health security, critical infrastructure protection, common standards on biometrics, and common procedures for customs processing and regulatory compliance, as practicable. The plan is to address transnational crime, including smuggling, organized crime, and mass marketing fraud.

A key feature is the establishment of Integrated Border Enforcement Teams (IBETs) of Canadians and Americans to share information and resources across five core agencies. Although IBETs have been at work since 1996, the initiative reinforces activities such as the Customs and Border Protection teams in Canadian ports and the joint enforcement teams of the Shiprider program on the Great Lakes.

Infrastructure Investment

From a transportation perspective, the Beyond the Border vision assures a focus on “investment in modern infrastructure and technology at our busiest land ports of entry.” The initiative promises “organizing binational port of entry committees to coordinate planning and funding, building, expanding, or modernizing shared border management facilities and border infrastructure where appropriate, and using information technology solutions.”

The commitment to invest in infrastructure and technological solutions will smooth trade flows between the two countries. The border may be less hard but will be more secure through the extension of trusted traveler and supplier programs and through streamlined advance documentation. These are high goals for two countries with key differences in governance and jurisdiction for these activities.

Regulatory Cooperation

The land border commitments do not mean that the strategy is land based and inside the perimeter or that marine and air ports of entry into the secured perimeter of a Canada–U.S. region will lack coordinated effort. The declaration indicates the two countries will cooperate by developing

an integrated cargo security strategy that ensures compatible screening methods for goods and cargo before they depart foreign ports bound for the United States or Canada, so that once they enter the territory of either we can, together, accelerate subsequent crossings at land ports of entry between our two countries.

Key to this vision is the creation of a United States–Canada Regulatory Cooperation Council (RCC), composed of senior regulatory, trade, and foreign affairs officials from both governments: “The RCC has a two-year mandate to work together to promote economic growth, job creation, and benefits to our consumers and businesses through increased regulatory transparency and coordination.” Not addressed, however, is the long-standing lack of regulatory harmonization on such issues as vehicle size and weights, driver hours of service, or any of the other divergences of transportation regulations documented in *North American Freight Transportation* (1).

The government of Canada established a website for public comment from March 13 to April 21, 2011. A report summarizing the findings will be published later in the year. In the United States, the Department of Commerce gathered public comment via the *Federal Register* from March 3 through April 4.



The United States has a de facto two-border policy—tighter controls at the U.S.–Mexico border (pictured) and more open ones at the border with Canada.

Keeping Trade Moving

In 2003, Stephen Flynn proposed that the United States adopt a two-border policy: hardening the border with Mexico and opening the border with Canada, similar to the concept of perimeter security (11). The proposal supported effective targeting through anomaly detection and prescreening to identify low-risk players.

Flynn noted that a closed border is tantamount to a self-imposed embargo—a win for the terrorists, because the victim has implemented action against itself. A hardened border has other unintended consequences: the tighter controls and security provide criminals with incentives to make arrangements with, and to prey on, low-paid security staff. The failure to deliver trilateral border benefits has led to a de facto two-border policy.

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