



On February 4, 2011, Prime Minister Stephen Harper and President Barack Obama issued a joint declaration on a *Shared Vision for Perimeter Security and Economic Competitiveness*, establishing a new long-term partnership that will accelerate the legitimate flows of people and goods between Canada and the United States. This will extend the economic integration of our two countries and deepen the perimeter long-established by our shared air defense. Actions taken as part of this new initiative will aim to enhance security and accelerate job creation, economic growth and prosperity for Americans and Canadians alike.

The United States is Canada's number one export market for tourism, and the same is true the other way around. More than 65 million business and leisure travelers – 178,000 every day – made trips between Canada and the U.S. last year, with half of them staying at least one night in their destination country. Canadians spend nearly \$16 billion a year in the United States, and Americans spend over \$7 billion in Canada. We are also each other's best market in terms of geographic equity – more states and provinces benefit from Canadian or American tourism than they do from any other country.

Both the United States and Canada moved to realign their border policies following 9/11. National sovereignty and security seemed to take precedence over economic interests, and despite an agreement to work together to create a “smart border” the external borders of both countries have become more difficult and time-consuming to navigate.

Now more than ever, we need to ensure a risk management framework at our borders that enables economic growth at the same time as it ensures security. Ultimately, traffic should flow between Canada and the United States as easily as it does in the European Union.

BACKGROUND

Border Policy Post-9/11

Immediately after 9/11, Canada and the United States negotiated the 2001 *Canada-US Smart Border Declaration and Action Plan*, a 30-point agenda for collaboration on border security and travel and trade facilitation. Significant progress has been made on many of the *Smart Border* objectives, including rapid expansion of trusted traveler programs, introduction of biometric identification, air preclearance, advance passenger manifests and other information sharing agreements.

Based on the 2004 *9/11 Commission Report*, the United States passed several new pieces of legislation to increase border security:

- The *Western Hemisphere Travel Initiative* (WHTI), whose rules came into full effect in June 2009, requires all travelers, including US citizens, to present a machine readable passport or other approved document in order to enter the United States;
- In addition, biometric requirements now apply to citizens of all countries except Canada;
- The *REAL ID Act*, while facing state-level opposition, establishes national standards for U.S. enhanced driver's licenses (EDLs), including Radio Frequency Identification (RFID) capacity;
- The *Secure Flight* program requires advance passenger information for all international flights entering U.S. airspace and/or landing in the United States.

Although Canada's initial response was to focus on investment in border infrastructure, including RFID readers, the country is preparing to roll out biometric passports (ePassport), visitor visa biometric requirements, and automated self-processing kiosks at airports. The provinces of Ontario, Quebec, Manitoba and British Columbia are issuing EDLs in order to advance Canadian compliance with the WHTI. Canada is also cooperating with the U.S. on a number of other information sharing initiatives.

These new identification and visa requirements, together with increased screening processes and longer wait times at the border, were not matched by aggressive programs to promote travel of legitimate visitors. The cost of administering these programs is passed on to users, without consideration for appropriate cost/benefit ratios. All these factors increase the cost for Canadians, Americans and other international travelers visiting our two countries.

Impact on Tourism

Tourism in both Canada and the United States faces two different challenges associated with the increased security of the Canada-U.S. border. First, Canadians and Americans are discouraged from visiting each other. Second, other international travelers must pass through difficult and costly screening requirements at our external borders. For travelers from important emerging markets like Brazil, India and China, visa application processes in both Canada and the U.S. are very demanding. Consequently, international travelers are faced with a choice between visiting Canada and visiting the U.S.. "Continental travel" is desirable, but is not attractive under this system. This puts both countries at a competitive disadvantage compared with the European Union, which allows visitors to travel freely within the continent.

Over the last decade, both Canada and the U.S. have seen declines in cross-border tourism compared with levels reached in the early 1990s. Although several factors account for the trends observed, it is clear that the border is constraining tourism growth and competitiveness.

Canada

Canada has seen a huge decline in same day visitation from the U.S., as well as a steady decline in overnight travel. Canada lost 21 million American same day visitors over the last decade. In 2009, overnight travel from the United States to Canada hit a 24-year low with the mid-year implementation of the WHTI. From a high of 16 million in 2002, the overnight market has fallen 27% to 11.7 million visitors in 2010. Meanwhile, travel to Canada from all other countries has remained relatively stable, aside from a drop due to the 2003 SARS epidemic.

The appreciation of the Canadian dollar against the U.S. dollar has reduced Canada's attractiveness as a cheap destination for American visitors. But new documentation requirements and other border hassles arguably play a greater role in declining U.S. visitation. Under the WHTI, American travelers must present acceptable identification to re-enter the United States. The American passport possession rate is low (32% of American adults), EDLs are unpopular and not widely available, and passing through screening requirements is time-consuming and invasive.

United States

The United States has also seen large declines in Canadian same day visitation. Between 1997 and 2010, the U.S. lost nearly 11 million same day visitors, despite the much-improved exchange rate for Canadians travelling to the U.S.. Overnight travel to the United States from Canada has grown over the last six years. Five million more Canadians are making overnight trips to the U.S. than they were in 2003, with almost all of this increase due to air travel. The exchange rate, more competitive U.S. plane tickets and the fact that the Canadian passport possession rate is more than double that of the United States all contribute to this trend. However, Canadians are taking many more trips to other countries too. In 9 of the past 11 years, growth in Canadian travel to other countries trailed growth in Canadian overnight travel to the United States. So the U.S. is losing market share to the rest of the world.

PERIMETER SECURITY AND ECONOMIC COMPETITIVENESS INITIATIVE

The *Perimeter Security and Economic Competitiveness* initiative is an opportunity to make progress towards a common perimeter and a more efficient border, both of which will enable tourism to drive growth and prosperity across our two countries.

The Beyond the Border Working group, composed of representatives of both governments and reporting directly to the Prime Minister/President's offices, is developing an action plan containing several dozen initiatives organized around four key areas of cooperation:

1. Addressing threats early

- Intelligence sharing and integrated response;
 - Verify the identities of travelers at the earliest possible opportunity;
 - Work toward common technical standards for collection, transmission and matching of biometrics;
 - Work toward an integrated entry-exit system.
2. Trade facilitation, economic growth and jobs
 - Creative and effective management of traffic flow;
 - Invest in modern infrastructure and technology at our busiest ports of entry;
 - Expand trusted traveler programs and automated border processes.
 3. Integrated cross-border law enforcement
 4. Critical infrastructure and cyber-security

RECOMMENDATIONS

1. North American perimeter similar to the European Union's Schengen Area

This is a long-term goal that would see free flow of people across the internal border, a common set of rules applicable to people crossing the external borders of Canada and the United States, and compensatory measures to maintain security within the area.

Several measures could be implemented in the short- to medium-term that would make the border more efficient and encourage a more free flow of traffic.

2. Expand the passenger pre-clearance model

We now have a decade of experience with pre-clearance of cross-border air travel. We need to revisit land pre-clearance with a view to implementation for rail travel and bus tours. Transmission of passenger manifests to border agents before arrival at the physical border reduces congestion and delays.

3. Grow trusted traveler program membership

The NEXUS program for business and other frequent travelers currently has more than 470,000 members, having expanded significantly over the last year. The move to an online application through the U.S. Global Online Enrollment System (GOES) is positive. Additional marketing and promotion efforts are needed, as evidence shows that awareness of program specifics remains low.

4. Introduce automated border processing systems

In Australia, the SmartGate system allows Australian and New Zealand ePassport holders to quickly self-process through passport control. Face recognition technology performs the checks usually conducted by a Customs Officer. In Canada's Vancouver

International Airport, a pilot project is underway which allows Canadians to use automated border processing to re-enter the country. Automated border processing should be expanded to allow international travelers who hold biometric travel documents the ability to quickly and securely enter Canada and the United States.

5. Visitor visa sharing

A visitor visa sharing mechanism whereby possession of a valid Canadian or U.S. visa allows the potential visitor to go through a less difficult and costly visa application process in the other country. This would encourage “continental travel” – longer stays and more spending on tourism in both countries. Similar discussions are taking place on product standards regulations.

6. Use biometrics to facilitate access for key emerging markets

Canada must implement biometric collection in countries like Brazil, India, China, Russia and Mexico. This should allow for simplification of the application requirements and faster processing at points of entry for visitors from these countries. Canada should also add more Visa Application Centres so that the process of submitting biometrics does not become a barrier to travel.