

Canada – United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada – États-Unis
Section canadienne

Report of the Canada–United States Inter-Parliamentary Group

Canadian/American Border Trade Alliance Conference

Washington, D.C., United States of America

October 6-8, 2019

Report

DELEGATION MEMBERS AND STAFF

From 6–8 October 2019, Senator Michael L. MacDonald, Co-Chair of the Canadian Section of the Canada–United States Inter-Parliamentary Group (IPG), and Senator Paul J. Massicotte attended the 2019 fall meeting of the Canadian/American Border Trade Alliance (Can/Am BTA) in Washington, D.C. They were accompanied by Mr. Brett Capwell, advisor to the Canadian Section.

THE EVENT

The Can/Am BTA holds two meetings each year: a spring meeting in Ottawa and a fall meeting in Washington, D.C. The Can/Am BTA is a coalition of businesses, public-sector organizations and individuals with an interest in bilateral trade and tourism. Its mission is to maximize commercial activity and ensure the continued growth of cross-border trade, as well as improving border-crossing capabilities.

Attendees at the event included private-sector representatives involved in a number of tourism, transportation and trade-related activities, as well as representatives of a variety of U.S. and Canadian federal departments and the Canadian Embassy in Washington.

DELEGATION OBJECTIVES FOR THE EVENT

The IPG's Canadian Section has long participated in the Can/Am BTA activities, and members of the Canadian Section typically attend both its fall and spring meetings. Given the Can/Am BTA's focus, attendance at the meetings provides members of the Canadian Section with an important opportunity to gain insight about trade and tourism related problems being experienced by businesses and individuals, as well as about efforts and actions by governments in both countries to address these problems.

As well, attendance at Can/Am BTA meetings enable members of the Canadian Section to interact with, and learn from, private- and public-sector organizations and individuals who manage Canada–U.S. border issues on a daily basis. It also provides the Canadian Section with an opportunity to inform attendees about the range of actions taken by it in respect of shared bilateral goals, especially through the invitation that is given to attending IPG delegates to make remarks at the meeting. In speaking to attendees at the 2019 fall meeting, Senator MacDonald highlighted recent and ongoing efforts with respect to bilateral cooperation in areas such as the removal of U.S. section 232 tariffs on certain Canadian steel and aluminum products and the ratification of the Canada–United States–Mexico Agreement (CUSMA).

ACTIVITIES DURING THE EVENT

Sessions with the following titles were held:

- Customs and Border Protection: Operations Overview, Expediting Low-Risk CBP Priorities and Initiatives

- Beyond Preclearance Initiative: Overview and Update
- Department of Commerce: USMCA and Trade Insight and Perspective
- Federal Railroad Administration
- Customs and Border Protection: Overview of New CPB Approaches & New Cargo Inspection Initiatives
- View from the Hill, the White House on Canada/U.S
- Homeland Security: View of U.S./Canada
- Can/Am BTA Advisory Board: Insights and Opportunities
- Keynote Speaker: Ambassador David Wilkins, Overview and Insights.

This report summarizes some of the points that were made during these sessions.

CUSTOMS AND BORDER PROTECTION: OPERATIONS OVERVIEW, EXPEDITING LOW-RISK CBP PRIORITIES AND INITIATIVES

Brenda Smith, *Customs and Border Protection*

- The Customs and Border Protection agency (CBP) recognize that there are emerging challenges to border crossing, and it appreciates the private sector's contributions to addressing these challenges. CBP recommends that businesses continue to make use of the Trade Support Network for providing them with feedback on CBP operations.
- Over 300 CBP officers from the U.S. northern border were redeployed – on a 30-day rotational basis – to the southern border as a result of increased immigration activity.
- The CBP officers who were rotated to the U.S. southern border were selected in a manner that was intended to minimize the impact of their absence from the northern border. As immigration activity at U.S. southern border is returning to previous levels, all northern border redeployments have stopped.
- CBP is cognizant that e-commerce businesses, such as Amazon, use different commercial processes than the established methods of older businesses. For this reason, CBP is working to develop a “trusted trader” model for e-commerce.
- Efficient operations at the U.S. borders depend on information sharing practices between government agencies.
- CBP Textile Production Verification Teams – or “Jump Teams” – are used to audit apparel factories in countries with a high-risk of textile related trade infringement

practices, and similar teams are now being used with respect to other trade issues such as anti-dumping enforcement.

- CBP is ready to implement the United States–Mexico–Canada Agreement (USMCA) upon its ratification, and actively participated in the renegotiation of the *North American Free Trade Agreement* (NAFTA). It will also engage in information campaigns to educate the public of the changes the USMCA would bring.
- CBP endeavours to make their information as clear and succinct as possible to aid small businesses with their understanding of CBP requirements.
- The “pre-clearance initiative” is not a CBP priority, though some of the agency’s priorities overlap with its goals.
- With respect to CBP pilot programs using blockchain technology in shipping manifests, the CBP has learned that it should operate a non-proprietary blockchain standard in order to allow the systems of other participants to freely interact with it. Eventually, one technological system will emerge as the most efficient and become the industry standard, but the agency wishes to make the base system as neutral as possible to allow all systems to operate on it until the industry standard becomes clear.
- With respect to the use of blockchain, it is important to identify specific problems that the technology is apt to solve, and not seek to apply it to every problem because of the perceived usefulness of the technology.

BEYOND PRECLEARANCE INITIATIVE: OVERVIEW AND UPDATE

Gerry Bruno, *Vancouver Airport Authority*

- The Beyond the Border Initiative was launched in 2011 and has not expanded significantly since. As a result of this lull in federal bi-national border strategy development, industry stakeholders formed a coalition – the Beyond Preclearance Initiative – to examine ways to expand on the Beyond the Border Initiative.
- The coalition has 59 members and has raised approximately US\$500,000 to date. Stemming from this coalition, the firm Intervista wrote a white paper that made 54 recommendations to the Canadian and/or U.S. governments. The paper estimated that the implementation of these recommendations would result in US \$13 billion of annual trade related benefits.
- With respect to creating more efficient airports, airlines need to be part of these discussions, as baggage systems are the biggest delay – or “bottleneck” – in airports.
- Air passengers can now have their baggage automatically checked through a connecting flight – not needing to collect it and re-deposit it with security – having gone through preclearance.

- Travelers must remember that gaining entry into another country is a privilege and not a right, and that border officers need to take reasonable steps to verify their identity.

Solomon Wong, *Intervistas*

- 10 Beyond Preclearance working groups are examining ways to advance the efficiency and security of the Canada–U.S. border, such as the application of blockchain technology to various processes.
- It is crucial to pay attention to developments in one mode of commercial transportation – such as rail, air, ferry or trucking – to examine if such developments could be implemented in other modes.
- Facial recognition pilot programs in Detroit are allowing border officers to process 2.7 times the number of travellers in the same time-span, relative to their counterparts elsewhere.
- Looming privacy concerns remain common in relation to facial recognition initiatives; as the management, collecting and retention of traveller data are complex legal and social issues.
- Next year, the Arab Civil Aviation Organization (ACAO) will be moving forward with the use of electronic travel documents, allowing passports to exist on a mobile phone with acceptable levels of security.
- The construction of new bridges across the Canada-U.S. border must be done with the newest technology in mind.

DEPARTMENT OF COMMERCE: USMCA AND TRADE INSIGHT AND PERSPECTIVE

Anna Guavera, *Department of Commerce*.

- The Department of Commerce has conducted over one hundred outreach events with the private sector with respect to the USMCA.
- The U.S. Administration’s priorities are implementing “pro-job” policies and the removal of regulations which might hinder business growth.
- U.S. unemployment is now at 3.5%.
- The U.S. Administration is committed to promoting free and fair trade.
- The USMCA is the largest trade deal in U.S. history.
- During the renegotiation of NAFTA, the U.S. had two objectives: modernizing the agreement and rebalancing U.S. trade.

- The Department of Commerce is optimistic that a vote on the USMCA will happen this fall.

FEDERAL RAILROAD ADMINISTRATION

Michael Lestingi, *Department of Transportation*

- The Federal Railroad Administration's mission is "to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future."
- There are 31 rail ports of entry between Canada and the U.S., four of which are exclusively for passenger travel.
- Approximately 248,000 rail passengers crossed the Canada-U.S. border in 2018.
- The use of passenger rail service in the United States has increased by 10.6% over the last decade, averaged between service providers and routes.
- The U.S. Administration has invested \$38 million into rail safety, reliability and economic competitiveness.
- Over 132 million tons of freight crossed the Canada-U.S. border by rail in 2018, an increase of 12.8% in volume from the previous year.
- Freight transported by rail represents 21.8% of all freight transported across the Canada-U.S. border by volume.
- The Federal Railroad Administration continues to partner with Transport Canada on the following priorities: safety, data sharing, and joint inspections, as well as research and development, among others.

CUSTOMS AND BORDER PROTECTION: OVERVIEW OF NEW CPB APPROACHES & NEW CARGO INSPECTION INITIATIVES

Rose Marie Davis, *Customs and Border Protection*

- CBP officers on the Peace Bridge are piloting the Pre-Arrival Readiness Evaluation (PARE) program, which uses license plate readers to identify commercial vehicles and checks if their cargo manifest has been filed with CBP and if their border crossing fees have been paid.
- Collecting toll fees through the use of cash at passenger border crossings is a considerable bottleneck for traffic, and other bridges are piloting initiatives that photograph passenger vehicle license plates while the vehicle is in motion and send a bill to the owner's home using Department of Motor Vehicles' data.

- The Department started testing biometric technology in 2017; it has been working with stakeholders since that time.
- In order to limit the data sets that facial recognition searches need to use – and therefore speed up processing time – the technology uses the passenger information exchange system that is limited to the passengers that are arriving that day into U.S. airports as opposed to all data under CBP control.
- The CBP’s facial recognition software aims to achieve a successful identification in less than two seconds, but it usually occurs much faster.
- There are now 28 U.S. airports working with CBP to implement exit control processes, 15 of which have already begun implementing them.
- A 2017 pilot program in the Atlanta airport is using a “tokenless” process, where passengers do not need to display a passport during the boarding process, as their pictures are matched with their flight information via facial recognition software.
- CBP believes that technologies such as facial recognition allow their officers to focus on security concerns rather than burdensome administration processes.
- With respect to traveler privacy, U.S. citizen data is deleted within 12 hours of use, while private sector partners cannot store it at all. Non-U.S. citizen data is stored for 2 weeks to allow CBP time to ensure that their facial recognition algorithms are accurate.
- Most individuals attempting a border crossing with a fraudulent credential do not use forged documents. It is more common for these individuals to use someone else’s travel documents.
- The biometric facial recognition technology employed by CBP is 98-99% accurate.
- CBP’s experiences with Canadian Border Services Agency (CBSA) have been very positive.

Matt Schneider, *Customs and Border Protection*

- With respect to land border crossings, traveler information is generally not transmitted prior to their crossing. For that reason, different approaches must be taken to limit the data sets that biometric facial recognition searches need to access in order to speed-up traveler identification. CBP is piloting the use of 90-day traveler biometric data retention, assuming that most travelers leave and return the U.S. at the same land crossing, and therefore limit the data sets that biometric facial recognition searches to the data from the last 90 days at that port of entry.
- Additional pilot projects at land border crossings include the use of traveler identification by facial recognition through the travellers’ car windshields.

- The Canadian approach to entry/exit procedures at land border crossing is mostly biographic data, and the United States is pressing the Canadian government to increase its use of biometric data.
- With respect to the movement of cargo across the border, the Peace Bridge is moving from PARE to PARE 2.0. PARE may soon be upgraded to an approach that integrates additional crossing related data, such as that related to immigration controls and food and safety inspection services.
- 100% of biographic data is shared between CBP and CBSA.

Dan Randall, *Customs and Border Protection*

- With respect to moving beyond PARE 2.0 into 3.0, future border crossings will aim to increase commercial trucking throughput from 30 trucks an hour to 80-100 trucks an hour.
- The secondary screening of commercial vehicles crossing the border are very time consuming, averaging 8 trucks an hour. PARE 3.0 will aim to minimize these to the greatest extent possible through technology such as non-intrusive inspection (NII) that will occur before the truck reaches the border and pair its manifest with all relevant data. That would allow the truck to be approved for crossing before it arrives.
- In the near future, when an operator of a commercial vehicle pays their border crossing fees in advance of a commercial crossing, its owner will be mailed a radio-frequency identification (RFID) transponder that will be linked to that commercial vehicle. In this manner, the United States is pushing for all commercial cargo vehicles to have transponders.
- These RFID transponders can be linked to a payment system similar to toll systems currently used on North American Highways.
- CBP cannot mandate the prepayment of commercial crossing fees – which would speed up border processing times – but is working to disincentivize cash payments by no longer having cash tills in the border officers' booths, forcing drivers to stop in secondary processing to make their payments.
- Through the use of NII technology at border crossings, the system will take a picture of the commercial vehicle's license plate, take a low dose x-ray of the vehicle's cab and high dose x-ray of its trailer, retrieve the e-manifest, take a picture of the driver. If everything is in order, the truck would not need to stop at a border crossing at all.
- CBP process almost two million packages a day and is looking to improve its capabilities in this respect. It has challenged industry to come up with a method for detecting opioids in packages moving at their current processing speed. After

receiving proposals, eight finalists were selected and received US\$100,000 to create their device. The winner will receive US\$500,000.

- CBP is also using deep learning technology to identify what packages containing opioids look like in order to seize them more effectively.
- CBP and CBSA are currently working together on harmonizing their respective approaches to e-manifests.

VIEW FROM THE HILL, THE WHITE HOUSE ON CANADA–U.S. RELATIONS

Peter Friedmann, *Columbia River Customs Brokers & Forwarders Association*

- President Trump is becoming increasingly isolated in Washington as a result of withdrawing U.S. troops from Northern Syria. Many believe Kurdish citizens have depended on U.S. troops in the fight against the Islamic State of Iraq and Syria (ISIS) and they will likely be killed as a result of this withdrawal. Many of President Trump's longstanding allies – such as U.S. Senator Lindsey Graham and Representative Liz Cheney – have publicly criticized the President for that decision.
- The Democratic Party is conflicted with respect to their presidential impeachment efforts and the desire for congressional representatives to work collaboratively with the Republican Party to pass the USMCA.
- The Speaker of the United States House of Representatives controls when the USMCA will be tabled in Congress.
- It is difficult for congressional representatives to argue that NAFTA was not a success, or that the USMCA would not be an improvement for U.S. trade.
- Most congressional representatives appear to be in favour of implementing tariffs against China, and the U.S. farmers that primarily face the consequences of the Chinese retaliatory trade practices are not turning against President Trump. Farmers are generally aware that China is a “bad actor” with respect to certain trade practices and are willing to suffer certain losses in order to have these practices addressed.
- The Trump Administration has had considerable difficulties with staffing their operations since coming into power. Many former republican political staff refused to work for the Trump Administration. For example, the “Never Trump” movement was founded by a number of prominent Republicans, including the family of former Republican Presidents George H.W. Bush and George W. Bush. Many political staffers from the Bush Administrations have joined the movement. In addition, the staff of former Democratic Presidents Barak Obama and Bill Clinton refuse to work for the Trump Administration, leaving the Administration with relatively few experienced political staffers.

- An incoming U.S. Administration appoints approximately 4,000 employees upon its coming to power, but can also appoint individuals into federal departments and agencies for a 90 day acting period. The Obama Administration used these acting positions to populate the federal government with individuals who shared the President's priorities, and this strategy proved to be effective at helping to advance the Administration's policy goals. In contrast, the Trump Administration does not appear to have used the same approach and, as a consequence, has been less effective at advancing its policies in the federal bureaucracy.
- Members of the Democratic Party who speak-out against the USMCA generally seem to communicate identical speaking points, which indicates that they are deferring to the party position and do not necessarily have their own opinions on the matter. This likely shows that these members will vote for the agreement if told to do so by the party's leadership.
- There are no decisive political leaders in the U.S. Senate from either party, making it particularly difficult for the chamber to move forward on contentious issues such as gun control, immigration reform, or paying for transportation infrastructure.
- With respect to transportation infrastructure, President George W.H. Bush's sincerity was questioned by certain pundits after declaring "read my lips, no more taxes" when accepting the 1988 Republican nomination and subsequently signing the "gas tax" into law in order to fund infrastructure projects in 1992. As a result of this negative public perception and potential political backlash surrounding the issue – notably his subsequent defeat in the 1993 Presidential election – U.S. infrastructure policy has not meaningfully advanced since 1992.

HOMELAND SECURITY: VIEW OF U.S./CANADA

Michael Dougherty, *Department of Homeland Security*

- With respect to foreign goods entering the United States, the Committee on Foreign Investment in the United States (CFIUS) is working on new anti-counterfeiting recommendations for private sector importers, such as Amazon, Ebay, Fedex, and Etsy to adopt. A public version of this report should be available in November 2019.
- The U.S. Administration takes the counterfeiting of goods entering the country very seriously and will take certain actions to address it through the use of Presidential powers if the U.S. Congress refuses to support the Administration.
- Canadian and U.S. businesses continually need to notify government actors of the second and third order effects created by government policy.
- The Department of Homeland Security (DHS) is prepared to implement the USMCA as soon as it is ratified.
- The USMCA was passed by the Mexican legislature on 19 June 2019.

- DHS's northern border strategy includes the following priorities for Canada-U.S. operations:
 - Improve and expand intelligence agreements.
 - Co-ordinate national vision for "key" transportation networks.
 - Strengthen emergency response agreements.
- DHS is struggling to keep pace with the rise of e-commerce and the increased flow of goods entering the United States.
- Individuals can order illegal goods from the dark web – and elsewhere – directly to their house with relative ease, and the businesses that facilitate these deliveries are unaware of the illegal nature of the packages they are transporting. This lack of screening is an issue that DHS is pushing the private sector to address on their own; failing which, the government will need to strictly regulate their package screening procedures.
- Canada and the United States are now sharing all entry and exit traveler data from border crossings. This sharing was formerly only done for the citizens of other countries entering or exiting either country.
- The 2015 Land Marine Rail Agreement (LMRA) entered into force in 2019, and built on the preclearance initiative by contemplating the additional modes of rail and marine travel.
- The LMRA is reciprocal and allows for the co-location of CBSA and CBP officers in remote areas of the northern border.

CAN/AM BTA ADVISORY BOARD: INSIGHT AND OPPORTUNITIES

Tom Winkowski, *Customs and Border Protections*

- CBP's responsibilities with respect to immigration have been expanded in recent years.
- CBP is also playing a larger role in crisis management than it previously has, such as contributing to the security of the Super Bowl.
- Commercial border crossing would be much improved if the Canadian government encouraged or required the use of RFID technology in private sector commercial vehicles.
- CBP believes that better information sharing practices with CBSA are possible without endangering the privacy of Canadian citizens.

- Technological improvements at border crossings will eventually reduce the need for officers to be stationed at the border.
- Commercial vehicle traffic across the northern border is decreasing as the North American auto sector moves its operations to other jurisdictions.

Lew Holloway, *Niagara Falls Bridge Commission.*

- “Flagpoling” is the act applying for certain credentials – such as the renewal of a work or study permit – at the Canadian border by crossing into the U.S. and re-entering Canada immediately. This practice forces border officers to complete the renewal immediately upon re-entry, which circumvents the normal renewal process of mailing an application to Immigration, Refugees and Citizenship Canada (IRCC).
- Flagpoling occurs because IRCC can take several months to respond to an individual’s application, and individuals are seeking faster services or greater certainty in the processing time of their applications. This practice places an undue administrative burden on border officers and slows border traffic with unnecessary crossings. It could be resolved if the IRCC implemented reasonable service standards in these areas.
- The peace bridge project is exploring the use of NII technology, but the approval of its use is currently under the review of the Canadian Nuclear Safety Commission.
- It is expected that the use of NII technology at the bridge will reduce commercial processing time by 50%.
- CBSA is behind CBP in the use of biometric technology, but it may be looking to catch-up in the near future.
- Canada is starting to install RFID readers at border crossings but has not issued or mandated RFID technology for commercial trucking operators.
- Border crossing efficiency could be improved if passports and other identification documents were able to be scanned at a greater distance, so that they do not need to be physically handed to a border officer.

Matt Parrott, *A.N. Deringer, Inc.*

- The *Trade Facilitation and Trade Enforcement Act of 2015*, raised the de minimis threshold – the value of a shipment of merchandise imported by one person on one day that can generally be imported free of duties and taxes – from US \$200 to \$800.
- The only countries with a higher de minimis thresholds are Kazakhstan and Georgia.

- Governments should be examining who controls or is liable for the health and safety standards of goods entering their borders.
- Entry type 86 – a new CBP package categorization that applies to duty-free goods for which certain screening data is transmitted to CBP prior to its arrival at the border – will help expedite commercial importing into the United States.

KEYNOTE SPEAKER: OVERVIEW AND INSIGHTS

David Wilkins, *Former U.S. Ambassador to Canada*

- Trade does not appear to be a priority in Washington in light of the current political climate.
- The most important issue for members of the U.S. Congress is getting re-elected, not passing the USMCA or any other legislation.
- There will be 35 U.S. Senate seats up for re-election in 2020, with seven Republican seats that may be closely contested by Democrat candidates.
- In the U.S. House of Representatives, Republicans would need a net gain of 20 seats to retake the majority, which is unlikely.
- It is also unlikely that the USMCA will pass the U.S. House of Representatives in advance of the U.S. federal election, given the limited number of sitting days that remain. Interested parties should continue to push for this outcome, as it nevertheless remains possible.
- The USMCA would pass the U.S. House of Representatives if it were tabled today, as at least 40-50 Democratic Representatives would support it, in addition to the majority of Republicans.
- It has been argued that President Trump's impeachment proceedings might help the USMCA's ratification prospects prior to the next U.S. federal election, as Democratic Representatives want to demonstrate to the electorate that they can simultaneously govern and advance high-profile issues in Washington.
- It could also be argued that Democratic Representatives who voted against NAFTA have an incentive to pass the USMCA, as not passing the new agreement entails defaulting to the former agreement, and could be seen as supporting NAFTA.
- Mexico's most recent budget did not provide funding for the labour reforms required under the USMCA, though money may be directed to these reforms by other means.

Respectfully submitted,

Hon. Michael L. MacDonald, Senator

Co-Chair

Canada–United States Inter-Parliamentary
Group

Hon. Wayne Easter, P.C., M.P.

Co-Chair

Canada–United States Inter-Parliamentary
Group

Travel Costs

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| ASSOCIATION | Canada-United States Inter-Parliamentary Group |
| ACTIVITY | Canadian/American Border Trade Alliance (Can/Am BTA) Conference |
| DESTINATION | Washington, D.C., United States |
| DATES | October 6-8, 2019 |
| DELEGATION | |
| SENATE | Hon. Michael L. MacDonald Hon. Paul Massicotte |
| HOUSE OF COMMONS | |
| STAFF | Mr. Brett Capwell |
| TRANSPORTATION | \$ 3,050.20 |
| ACCOMMODATION | \$ 2,596.42 |
| HOSPITALITY | \$ 0.00 |
| PER DIEMS | \$ 991.14 |
| OFFICIAL GIFTS | \$ 0.00 |
| MISCELLANEOUS | \$ 2,478.05 |
| TOTAL | \$ 8,974.07 |