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Neighborliness

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“I am here in the interest of being more neighborly and because I’m convinced we can and must work together”. - President Barack Obama, U.S. Chamber of Commerce, Washington D.C. February 7, 2011

It is no secret that relations between the US business community and the White House have been strained since the inauguration. Maybe the President just got off to a bad start.

Early in his tenure, the President announced plans to revamp international tax rules on US multinationals, arguing that the U.S. tax code has made it "all too easy for a...small number of individuals and companies to abuse overseas tax havens, to avoid paying any taxes at all. ...and it's a tax code that says you should pay lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York."

The vibe took a turn for the worse last summer when (then) head of the U.S. Business Roundtable, Ivan Seidenberg, sent a stinging rebuke to President Obama for “an increasingly hostile environment for investment and job creation” and lambasted an administration that is “reaching into every sector of American life” and “making it harder to raise capital and create new businesses.”

But then, a few weeks ago, President Obama strolled across Lafayette Park to speak to a packed crowd at the U.S. Chamber of Commerce, a first appearance for him. The President received “a nice, warm introduction” from more than 200 Chamber members. Chamber President Tom Donohue welcomed him to the podium saying that his members “welcome and take seriously the President’s commitment to working with the American business community, and that there’s no better place to deepen that relationship than right here at the U.S. Chamber of Commerce”.

The Chamber event was timed to follow Mr. Obama’s Wall Street Journal op-ed of a few weeks earlier in which he expounded on his reasons to launch his government-review of the US regulatory system. The article began by noting that “[F]or two centuries, America's free market has not only been the source of dazzling ideas and path-breaking products, it has also been the greatest force for prosperity the world has ever known. That vibrant entrepreneurialism is the key to our continued global leadership and the success of our people”.

Things have changed in the nation's capitol. With a ballooning budget deficit and unemployment still hovering around 9%, the White House and Congress now realize that the business community can be part of the solution to America's economic woes. Wall Street may still be enemy #1 for most folks in the US, but hard hats and assembly workers have found new friends in Washington DC.

Now that fences are mended within the family, the President turned his attention (albeit too briefly) to another neighbour, Canada. There wasn't much US media attention on the four-hour visit by the Prime Minister to Washington. Most Americans, including their President, were more concerned with the unfolding and dramatic events in Egypt. Bad timing for the Prime Minister perhaps, but nonetheless, the meeting of these two leaders was far overdue.

The two leaders spoke of "regulatory collaboration" and the need to eliminate unnecessary hindrance to cross border business. When it comes to the two countries, President Obama noted, "we match up more than any other two countries in the world". During their joint press conference, they announced a new border management dialogue formally called a "Declaration on a Shared Vision for Perimeter Security and Economic Competitiveness".

The details were slim but suffice here to suggest that we can expect to hear the tired and oft-spoken phrases such as "smart border", "modern border" and "trade facilitation at the border". We have heard them so often that they have become part of every border speech by our leaders. But let's not kid ourselves. An efficient border is an oxymoron. A border is a border and a border is a barrier. It's a line that divides communities, stops cars and trucks for inspections and where a host of fees are collected for the privilege of crossing the border.

In the last year alone the United States has proposed a foreign manufacturers' agent requirement on importers, including Canada. (The proposal died in the 111th Congress but can be expected to reappear in the 112th). Then they lifted a decades-old exemption for Canada of an agricultural border inspection fee that will only increase the cost of food shipments over the border. And now the President's FY 2012 budget proposes a legislative amendment that would lift another Canadian border fee exemption, this time for travelers arriving by sea and air to the U.S. from their northern neighbour.

Just as the President has recognized the role of the US business community to pull the economy out of the red so should he recognize the role of Canadian businesses in getting Americans back to work. Eight million American jobs depend on business with Canada. Canadian tourists in the United States rank #1 in travel volumes, #1 in tourism dollars spent in the United States and #1 in the US travel trade balance.

More fees = more inspectors = more inspections = more border delays.

Using words such as “efficient borders” might make good speech material but it’s not the reality. Worse, it deflects the real issues of modern-day cross-border business.

Adding fees and requirements is a barrier for North American manufacturing and a tax on our competitiveness. It also decreases exports, raises consumer prices and stifles new job growth.

That’s not “a source of dazzling ideas” and it sure isn’t neighbourly.