

CD Howe's Michael Hart: Inadvertent Opponent of Deep Integration

by Stephen Elliott-Buckley - Saturday, March 25, 2006

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Admittedly, I am a big fan of cheese-covered popcorn. It's one of my favorite snacks at the beach in the summer. It does get somewhat difficult, however, when my friend and I play scrabble at the beach because our fingers get rather gunked up. Ultimately, though, that is the extent of real concern I have about cheese-covered popcorn.

I'm glad however, that Michael Hart, who works with the neoliberal, neoconservative, traditional-America-loving CD Howe institute, spends much more time thinking about the nightmares trying to reconcile producers' compliance with competing regulatory regimes in Canada and the United States.

Regulatory convergence is one of the pseudo-synonyms of deep integration of Canada and the United States. 49%'s and 53%'s honestly mean little to me [see below]. I understand they affect dozens of people involved in the companies that create my beloved cheese-covered popcorn, but I have a hard time building a political movement on their behalf. Especially when Gordon Campbell's neoLiberal government has lured/forced/enticed school districts to start business companies to raise revenue that was defunded through this decade.

Especially also when the Alberta government is now unabashedly flaunting the notion of two[-plus]-tiered healthcare.

Universal, equitable education and healthcare matter to me. This is why I was so happy to read [Michael Hart's opinion piece](#) [copied below] in the CanWestGlobal *National Post* this week. He wrote describing some rather compelling minutiae that can be streamlined by regulatory convergence.

I've never really been a fan of minutiae. This week was no different. I simply disliked his piece, until the last quarter of it, when, like the well-balanced academic he likely is, he introduced a number of arguments that deep integration critics make.

And then when I weighed them and compared them to the regulatory minutiae filling the rest of his piece, I have come to appreciate Michael Hart's likely inadvertent effectiveness at promoting the relatively dire importance of opposing deep integration. This penultimate paragraph resonates:

*Commitment to such a program ["regulatory convergence," "deep integration," whatever] obviously will have **implications that go beyond trade and commercial considerations**. Some Canadians, for example, are concerned that growing convergence might drag them into **applying U.S. geopolitical trade barriers that are inimical to Canadian values and interests**. Others worry that further trade and commercial integration could **undermine federal and provincial governments' ability to nurture Canadian culture and identity**. Still others fear that **further negotiations could require Canada to share its resources and leave Canadians without adequate capacity to ensure that they benefit from these assets**. Some*

Canadians are suspicious that governments' approach to health care, education, regional development and other defining policies could be compromised. [emphasis mine]

All irony aside, literally, not being a deep integration specialist I don't think I could have done a better job of illuminating some substantial reasons to be wary of handcuffing ourselves to the dying American empire than we already have.

At times, when the wind is right and the sun is setting, I can hear the mountains chant "Cancel NAFTA." Michael Hart's contribution raises the tone of the chant.

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One set of rules for cross-border trade

Michael Hart
Financial Post

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When Prime Minister Stephen Harper meets with U.S. President George Bush and his Mexican counterpart on March 30-31 in Cancun, it should mark the end of a wintry chill. Part of Harper's mission will be to signal the end of the strained relations that had developed between the Bush administration and the governments of his two predecessors. But building a more constructive relationship needn't be focused solely on high-profile trade disputes. Meaningful, lasting progress could be made by reducing the miasma of regulations that is hampering cross-border ties. At issue: reducing the "tyranny of small differences" in Canadian and U.S. regulations that is frustrating businesses, adding costs and stymieing the benefits of further economic integration.

Livelihoods are, of course, at stake. Inspectors and regulators find meaning in these small, regulatory differences. Ordinary citizens do not. Examples: In Canada, fortified orange juice is classified as a drug; in the United States, it is classified as food; in Canada, cheese-flavoured popcorn must contain no more than 49% real cheese; in the United States, no less than 53%; in Canada, anti-theft immobilizers are required on all new vehicles; in the United States, lower cost entry-level vehicles are exempt. The list goes on.

The potential benefits of greater regulatory convergence have been well documented. In September, 2004, Canada's external advisory committee on smart regulation (EACSR) advised the government that "Canada must be more strategic in its regulatory relations with trading partners. A key irritant for industry is the proliferation of minor differences between Canadian and U.S. regulations." It continued: "Minimizing these differences would remove wasteful duplication and reduce costs for consumers, industry and government."

In a similar vein, the Independent Task Force on the Future of North America, sponsored by the U.S. Council on Foreign Relations, in its May, 2005, report, urged governments to adopt a "North American" approach to regulation. On cue, the Canadian, U.S., and Mexican governments agreed in June that they would develop "a trilateral regulatory co-operation framework by 2007 to support and enhance existing,

as well as encourage new co-operation among regulators."

Progress, however, has been glacial. The default option has been to stay on the very Canadian path that has gradually emerged: co-operation if necessary, but not necessarily co-operation. The time has come for Canadians to decide whether they will stay the default course or opt for a more strategic, top-down approach of deliberately steering and determining the pace of this process.

Operating in a small, export-dependent economy next door to the world's most vibrant economy, Canadian suppliers and regulators alike have learned the benefits of Canada-U.S. regulatory co-operation. For exporters, the holy grail is "one standard, one test, accepted everywhere." The result has been an inexorable drift toward ever-greater convergence. This trend is unlikely to change, but Canadians can take steps to harness it and ensure that it develops in ways that bring greater benefits and more control than is currently the case.

As a first step, the two governments should change the current practice of discretionary co-operation at the federal level to a mandatory process of information exchange, consultation, and even coordination. The aim should be to advance a jointly agreed mandate to improve regulatory outcomes, eliminate duplication and redundancy, reduce regulatory differences between the two countries and effect a North American approach to regulation. Much of this mandatory co-operation can be implemented on the basis of existing institutions and be focused on priority sectors. Its most critical results will be experience and mutual confidence.

This program of regulatory co-operation should form part of a larger vision: a joint commitment to the creation of the necessary legal framework and institutions to govern accelerating cross-border integration and ensure that both Canadians and Americans enjoy its benefits.

Commitment to such a program obviously will have implications that go beyond trade and commercial considerations. Some Canadians, for example, are concerned that growing convergence might drag them into applying U.S. geopolitical trade barriers that are inimical to Canadian values and interests. Others worry that further trade and commercial integration could undermine federal and provincial governments' ability to nurture Canadian culture and identity. Still others fear that further negotiations could require Canada to share its resources and leave Canadians without adequate capacity to ensure that they benefit from these assets. Some Canadians are suspicious that governments' approach to health care, education, regional development and other defining policies could be compromised.

Canadians can do little about the fact that they live next door to the world's largest, most energetic economy. However, the negotiation of better rules can provide an improved basis for managing the frictions created by proximity and ensure that Canadians are able to reap the full benefits of their geography.

Michael Hart is the Simon Reisman chair in trade policy in the Norman Paterson School of International Affairs at Carleton University and author of **Steer or Drift? Taking Charge of Canada-U.S. Regulatory Convergence**, published yesterday by the C.D. Howe Institute.