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Crossing Bridges: Observations and Strategies by Cross-Border Business Communities in an Evolving Regulatory Environment

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About the Border Policy Research Institute

The BPRI focuses on research that informs policy-makers on matters related to the Canada-U.S. border. Policy areas of importance include transportation and mobility, security, immigration, energy, environment, economics and trade.

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Introduction

Until recently, the international border between Canada and the U.S. was frequently referred to as the world's longest 'unguarded' or 'friendly' border. While the border was never truly left unguarded, Canadian and U.S. citizens enjoyed relatively open borders, without the enforcement of passport requirements. On September 11, 2001, the porous border that had symbolized international co-operation, friendship and the world's largest bilateral trade relationship, was abruptly re-defined in the public eye as a potential liability in the U.S. national defense system.

In a post-9/11 environment, a new sense of vulnerability crept into the American psyche. Reducing the risks of terrorism became an immediate priority—and border policies and protocols that encouraged relatively unimpeded traffic flow became objects of immediate political scrutiny.

Over the past decade, border policies and infrastructures have changed under the mandate of national security. Canadian and U.S. border policies have undergone multiple re-writes; government agencies have re-organized; and physical infrastructures have been re-designed and re-built. Social infrastructures of Canada-U.S. borderlands have also undergone transformation, largely in response to new perceptions of risk.

The first decade of the 21st century has invited an intensified dialog about the roles of international borders in a multitude of Canada-U.S. relationships. An abrupt decision to close U.S. ports of entry in the hours and days immediately following 9/11 affected businesses and travelers en masse by creating a temporarily relatively impassable border. The intervening years have been characterized by changing regulatory and social conditions of passage. Both the Canadian and U.S. federal governments have re-organized the legal and regulatory environment of the shared border.

In a context of international business, the uncertainty associated with changing laws and protocols can have serious ramifications. Small and medium sized enterprises (SMEs), firms with time-sensitive cross-border supply chains, and firms located in proximity to the border are potentially at greater risk than larger firms, as well as firms that are located a longer distance from the border.

This paper explores the effects of changing border regulations on the business environments of two key cross-border trading regions. Surveys detailing the effects of and responses to changing border regulations on individual businesses are supplemented with qualitative interviews with individuals, businesses, and institutions that serve supporting roles to businesses in their respective communities. By including supporting actors (i.e., those who frequently mitigate border-related challenges on behalf of their business customers), this paper explores challenges from a uniquely-informed perspective.

Historic Context: Business in the Canada – U.S. Borderlands

Canada and the U.S. share the worldwide distinction of the single largest bilateral trading relationship—a distinction that has endured for decades. This relationship has been institutionalized and reinforced by a series of broadly-sweeping trade agreements—notably the AutoPact (1965), the Canada-United States Free Trade Agreement, CUSFTA (1989), and the North American Free Trade Agreement, NAFTA (1994).

It is worth noting that, while the U.S. and Canada generate more two-way trade than any other country pair, the Canadian economy is proportionally more reliant on access to the U.S. economy than is the U.S. on the Canadian economy. While nearly 20% of U.S. exports are destined for the

Canadian market, nearly 75% of Canadian exports are destined for the U.S. market. For the purposes of this study, it is assumed that similar proportions likely hold at the level of the firm.

Cross-border trade between Canada and the U.S. is not limited to traditional imports and exports of finished goods. Canadian and U.S.-based firms have frequently selected strategies such as Foreign Direct Investment (FDI) in order to gain access to the cross-border inputs and markets, as well as to take advantage of differences in the economic and political structures between the two countries. (see Harrington et.al. 1986; MacPherson, 1997; Morgans, 2007). Indeed, a majority of manufactured goods that cross the border are un-finished products within intra-firm supply chains that may cross multiple times before they are market-ready (Andrea and Smith, 2002; Blank, 2007a, 2007b; Mingus, 2002; Quayes and Pescatrice, 2004).

When describing complex intra-firm supply chains such as those of large auto manufacturers, it is important to point out that flexible cross-border supply chains increasingly rely on inputs from SMEs. Components may be manufactured by small firms in related and diverse auto *parts* industries. In many cases, such highly-specialized and closely-related firms tend to locate in close proximity to their major suppliers, customers, and competitors.[1]

Political economist Stephen Blank describes this system of inter-twined economic systems, inter-linked industrial districts and labor markets, and cross-border supply chains as a continental system of 'deep structural integration' (Blank, 2008). He argues that the competitive economic strength held by Canada, the U.S. and Mexico is mutually reinforcing, and relies heavily on the facilitation of intricate cross-border networks and supply chains. If these supply chains are disrupted by, for instance, inconsistent border crossing times and procedures, negative consequences can quickly ripple throughout the three countries' inter-linked economies, affecting not only sales of finished products, but the availability of work.

When speaking of North American structural integration and success, it is critical to note the uneven geography of competition and economic activity. In many cases, North American borderlands represent instrumental locations for highly-integrated supply chains. Constraints of time and distance can be minimized for firms located in proximity to each other. When a fluid border falls within an otherwise cohesive industrial district, benefits related to cross-border locations can also be realized.

Many of the advantages that are derived from easy access and proximity to cross-border locations are at least partially attributable to border policies that facilitate easy, predictable, and inexpensive transport of goods and people. These benefits are particularly important to manufacturers that have increasingly turned to Just-in-Time (JIT) systems that rely on prompt delivery of inputs.

Cross-Border Regions

Regional and urban economic development scholars have pointed to the importance of inter-firm networks in regional industrial success. A firm's network involves a wide range of formal and informal contacts and is characterized by interdependency of relationships. Involvement in regional networks enables participating firms to access business opportunities as well as agglomeration-specific skills and tacit knowledge (McLean and Vance, 2002; Malecki and Tootle, 1996; Scott, 1992). Networks are of interest, not only to firms that directly benefit from the formal and informal contacts, but also to professionals involved in local economic development, as places compete with each other in attracting investment.

[1] Allen Scott has written extensively about industrial districts.

Firms located in localized cross-border industrial districts can glean the benefits that come from involvement in regional networks, as well as those that come from easy access to two national markets, and the complementarities of political and economic conditions at multiple scales. As long as border crossings are fluid and accessible, it is not difficult to imagine a highly-localized cluster of interdependent industrial regions. Indeed, historically, it could be argued that the automotive industry has created such an environment throughout the bi-national Great Lakes region.

Borderlands scholarship points to the interconnectivity of cross-border regions (PRI, 2008; Konrad and Nicol, 2008). However, borders do continue to present challenges to residents and businesses in the borderlands—especially during times of shifting border governance regimes or economic change. Cross-border regions may be uniquely situated in terms of the geographic nature of business networks. Understanding the geography of inter-firm networks within cross-border regions can reveal how integrated cross-border regional economies are. The types of networks that span the border (or fail to span the border) can indicate the extent to which cross-border businesses perceive each other as local or international competitors, or whether they have extensive local cooperative interactions.

Borderland locations have the potential to become strategically important for international business. However, the benefits associated with borderland locations can also become vulnerabilities during times of shifting political and economic environments. Fluctuations in exchange rates, for example, can send price-savvy shoppers from one side of the border to the other for decades at a time, and can cause cost-conscious manufacturers to drop long term suppliers in favor of overseas competitors. Changes in Canadian or U.S. national border or trade policies can, likewise, affect real and perceived costs either directly (as in the case of tariffs), or can act as non-tariff barriers as a consequence of border delays or systematic 'thickening' of border crossing procedures.

In short, the mix of complementarities within cross-border regions is subject to change. Policies that have the potential to shut down, delay or complicate border crossings also have the potential to sever cross-border supply chains, and weaken local borderland economies to a much greater extent than is likely to be witnessed in generalized national, provincial, or state-level figures.

Cross-border regions represent locations of tremendous opportunity during times when economic and political environments are favorable. They also represent locations of great vulnerability depending on the nature and direction of economic and political shifts. Local borderland-located businesses and communities are affected by shifts in border policies and exchange rate fluctuations, for example, in advance of communities that are geographically removed from borders, and with greater intensity. Consequently, borderlands also represent locations where creative solutions are, out of experience and necessity, likely to be found in response to potentially harmful top-down regulatory shifts that have direct or indirect implications to cross-border interactions.

Cross-border regions provide unique laboratories for understanding effects of national-level border policies, international trade agreements, and economic shifts for some basic geographic reasons. Waldo Tobler's First Law of Geography states "Everything is related to everything else, but near things are more related to each other." In a community context, this implies that people who live and work in proximity to each other are more likely to interact with each other than they are to interact with people who are geographically distant. In a context where a relatively porous international border divides neighborhoods, interactions should not be impeded greatly by the presence of the border.

Victor Konrad and Heather N. Nicol (2008) and PRI researchers (2008), among others, have documented 'border cultures' in Canada-U.S. borderlands regions. Canadian and U.S. proximity, thus, extends beyond political delineation. Cultural, linguistic, historic, political, legal and economic similarities are both consequences and facilitators of cross-border interaction.

It follows that businesses located in proximity to a porous international market are more likely to try (and succeed at) entering that particular market due in part to geographic and social proximity. Cross-border regions can be expected to be highly inter-connected relative to international connections between non-neighboring communities.

Shifts in national political, economic and legal environments that neighbor each other across a border line will arguably be felt most intensely by the people, businesses and communities that flank the border, as they are more likely than more distant neighbors to cross for routine activities.

Assuming a fluid border, and easy access to two strong national economies, borderlands regions may present a special case for regional competitiveness in a global economic system. Michael Porter (1990) drew attention to the idea that nations compete with each other for investment in a global economy, and that the success of international firms depends largely on the natures of the environment that incubated them. At the geographic junction of two international economies, firms may glean benefits of complementary systems and gain early experience in international trade. Hence, firms within borderlands regions may be well-equipped to compete in an international marketplace, and borderlands regions themselves may be attractive locations for industrial investment.

The 21st Century Canada – U.S. Border

The terrorist attacks in 2001 prompted a temporary emergency shutdown of the U.S. transportation system. Airports were closed, U.S.-bound commercial flights were grounded at airports world-wide, and all major ports of entry into the U.S. from Canada and Mexico saw unprecedented delays. Many residents of cross-border regions vividly recall impressive truck lineups at major crossings that, in some cases, forced temporary halts to JIT manufacturing processes.

In the moments after 9/11, the border between the U.S. and Canada was abruptly re-defined. The porosity of the border had previously been celebrated, institutionalized and held up as a model for international relations and trade. After 9/11, the fluid border came to represent a flawed system of U.S. national defense.

An initial wave of published works addressing the new context of the vulnerable border tended to rest on assumptions that physical security could only be attained with increased screening at border entryways, and that lengthy border wait times would be a natural and necessary consequence. This assumption fueled a heated and emotional debate that pitted scenarios of physical security directly against those of economic security, assuming increased border delays and inconsistencies. Arguments on both sides were driven by fear—fear of another terrorist attack on one hand, and fear of a damaged North American economy and a dysfunctional border on the other.

A number of articles in this initial wave projected estimated damages to state, provincial, national and continental economies, and indicated a growing sentiment that anti-terrorism measures at the border would necessarily 'trump trade' (Dobson, 2002; McMahon and Curtis, 2004; Goldfarb, 2004; Robson and Goldfarb, 2002; Harvey, 2004). For the most part, these early projections and observations indicated worse proportional damages to the Canadian economy than to the U.S. This is not surprising at the national level, given the asymmetrical economic relationship that characterizes trade between Canada and the U.S.

At the level of the firm, this also seems to have been the case. If Canadian firms are, in fact, proportionally more dependent on access to the huge U.S. market, it would be expected that Canadian firms would also have been more negatively affected by a hardened border than their U.S. counterparts. A study by MacPherson, McConnell, Vance and Vanchan (2006) suggests that, as of 2004, this had been the case for firms in the Niagara Gateway region. Furthermore, they observed, Canadian firms are more likely to have both forward and backward linkages that traverse the border.

The same study also revealed an interesting trend in terms of likely firm level strategic responses. U.S.-located participants were more likely than their Canadian counterparts to entertain strategies of cross-border disinvestment (i.e. replacing Canadian suppliers with U.S.-based suppliers). Canadian participants apparently anticipated the possibility of U.S. disinvestment. They were more likely than their U.S. counterparts to sense border-related vulnerability and entertained an extensive range of alternative strategies including costly geographic strategies such as physical relocation and investment in additional facilities.

Many studies addressing 9/11 impacts on cross-border trade have been conducted at the national, state or provincial scales (Burt, 2009; Globerman and Storer, 2006, 2008, 2009; OCC, 2004). Few have specifically set out to address the conditions within cross-border localities. There are several reasons for this, notably that: (1) Economic data tend to be aggregated at larger scales; (2) Cross-border regions are difficult to define and may not follow predetermined jurisdictional lines; (3) Policies dealing with 'national security' are likely to be made with attention paid to state, provincial and national scales—recognizing borderland localities essentially as 'interest groups'; (4) Data sharing can be difficult between jurisdictions due to different definitions and informal spatial delineation. As a consequence, there is a gap in the literature about cross-border regions at meaningful local scales[2].

Cross-border regions are becoming increasingly recognized as locations of competitive advantage in the global economy (see PRI, 2008). Benefits of accessing complementary systems and environments within a local sphere of shared culture and meaning are described earlier in this paper, and help to explain the rationale underlying this notion of competitive locational advantage.

From a research perspective, borderlands regions present an interesting laboratory for understanding the effects of policy shifts on local economies. Borderlands-located firms and communities are likely to experience political and economic shifts immediately, and with greater intensity than national, provincial or state reports would reflect. Firms located within Canada-U.S. cross-border regions face tremendous location-specific advantages; however they also inherit location-specific risks and vulnerabilities during times of institutional and regulatory change.

Literature Review

The first wave of reflective academic literature addressing the actual impacts of 9/11 on trade between Canada and the U.S. emerged two years after the 2001 attacks. Scholarly studies have, for the most part, reached conclusions pointing to economic damage as a consequence of regulatory changes at the border. The Canadian and U.S. economies were negatively impacted and North American businesses absorbed a range of negative externalities including increased costs related to cross-border logistics and voluntary compliance programs, as well as damaged commercial relationships. (see MacPherson et. al. 2006 for an overview).

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[2] In response to this gap in local borderlands research, programs such as the Border Policy Research Institute at Western Washington University and the Regional Institute and the Canada – U.S. Trade Center, both at the University at Buffalo, have encouraged scholarship at a local scale.

Negative effects were arguably the most pronounced in the months immediately following 9/11, and appear to have tapered off thereafter. Several studies offer an explanation of evolving institutional and personal learning curves, and strategic adjustments by firms with a stake in the maintenance of fluid and reliable cross-border access (Burt, 2009; Globerman and Storer, 2008, 2009; Vance 2008a, 2008b).

With changes in policy come changes in the consequences of those policies on businesses, individuals and communities. Today, businesses continue to experience challenges related to border policy, but the nature of the challenges seems to have shifted. In the immediate wake of 9/11, inquiries focused on the conditions of border crossing locations themselves. Uncertain delays caused anxiety for both the business community and casual travelers alike.

In the intervening years, policies have shifted toward a paradigm that physically moves administrative processes away from the geographic border, effectively 'thickening' the border. Policies have also shifted toward greater reliance on technological solutions to move traffic through common chokepoints. Automated customs processing and prior-notice requirements present one example. Exporting firms are required to fill out extensive standardized paperwork that must arrive at customs at least one hour prior to the arrival of the shipment. In order to streamline processes at the border, administrative functions increase at home offices—thereby geographically 'thickening' the administrative border. Although wait times can actually decrease at border crossings as a consequence, the total time investment required to successfully move products and personnel across the border has arguably increased. Other concerns for businesses are somewhat more removed from the border. One example cited by Vance (2008) is rising costs for cross-border shipments. After 9/11, many logistics firms are reported to have modified their pricing structures in order to compensate for potential idle time at the border.

If necessity is the mother of innovation, firms and individuals whose livelihoods are dependent on cross-border access are compelled to find solutions that will help them maintain cross-border connections in light of a changing regulatory environment.

Some options that have been explored by firms include increased outsourcing of expertise, strengthening relationships between participants in international supply chains, changing the location of some operations, increasing warehousing, and seeking options to replace North American products with price-competitive products sourced overseas (Vance, 2008). Such strategies have worked well for many, and have proven more appealing to firms than enrollment in voluntary U.S. and Canadian government-sponsored programs such as FAST[3], C-TPAT[4] and PIP.[5]

Since 2004, negative effects at border crossings seem to have decreased, as a consequence of firm-level strategic adjustments and overlapping institutional learning curves among border stakeholders. One particular strategy that was emphasized in a 2006 study (Vance, 2008a, 2008b) was that some borderland-located firms were less likely to use company vehicles in the transport of goods and employees across the border than they had been prior to 2001. It was not uncommon for firms to report greater reliance on third parties for customs brokerage and transportation services. Most interview participants in this study described the importance of maintaining close, long-term

[3] Free And Secure Trade, a voluntary compliance program that pre-approves registered truckers for expedited clearance through Canadian and U.S. customs.
[4] Customs-Trade Partnership Against Terrorism, a voluntary U.S. government compliance program that offers expedited processing at customs for companies whose supply chains have been approved and deemed secure by U.S. Customs.
[5] Partners In Protection, a Canadian-government voluntary compliance program for approved importers into Canada.

relationships with service providers. Managers frequently described the relationship itself as being of greater importance than price-based competitiveness or other transactional efficiencies.

Formation of relationships between firms and international service providers seems to have become a key strategy for many SMEs during this period of fluctuating border regulations. By subcontracting for services that may once have been routine (such as cross-border deliveries), firms are able to focus on core competencies rather than concerning themselves with details related to a changing regulatory environment.

Negative effects continue to linger, but firms for the most part seem to have adjusted well to the new security environment, and trade between Canada and the U.S. continues to rebuild. Indeed, many of the setbacks cited by firms after 2006 seem to focus on issues such as the price of fuel and exchange rate fluctuations rather than direct regulatory hurdles (Vance 2008a, 2008b).

This is encouraging news from the standpoint of any border stakeholder, but some concerns remain. In particular, it is important to note that Canadian and U.S. laws concerning border governance continue to evolve. The U.S. Western Hemisphere Travel Initiative, for example, went into effect in 2008, requiring U.S., Canadian, and Mexican border crossers to present a passport or other secure photo document that verifies citizenship. The regulatory environment surrounding the border thus continues to change. Firms, individuals, and government employees must continually adjust to the changing environment.

Furthermore, concerns still remain that another unforeseen emergency could lead to another border slowdown. Questions concerning adjustments and strategies related to border-crossings are still highly relevant today. Firms seeking to mitigate risks related to changing policies or possible future emergencies are likely to consider network-building strategies.

Strategic Responses

Current border policies and management practices in Canada and the U.S. can best be described as evolutionary processes. Issues surrounding the roles and natures of national borders are in flux, as are border-related problems and their solutions.

If the policy environment can be described as a series of moving regulatory targets, then those who are charged with the responsibility of enforcing policy are engaged in continuous learning curves. Likewise, individuals and businesses that engage in border crossing activity must be flexible and able to adapt to new protocols and the challenges associated with navigating an environment where most actors are simultaneously navigating and learning about changing conditions. (See Vance, 2008 for further discussion). Firms that require consistent cross-border access are reported to have formulated a variety of strategies to mitigate risks related to border crossing activities. Some notable strategies are identified by MacPherson et. al. (2006) and Vance (2008a, 2008b).

Few studies addressing the impacts of regulatory shifts on businesses after 9/11 have been conducted at the level of the firm, or with a specific focus on firms located in borderland locations. Studies that fit these criteria used surveys of borderland-located businesses (MacPherson, et. al., 2006) or face-to-face interviews with executives as primary research methods (Vance, 2008a, 2008b; Goldfarb, 2007). This study begins with a survey of borderland-located businesses but then goes one step further and adds the dimension of cross-border business networks.

A common response to a thickening border is to thicken cross-border supply chains. The most prevalent strategy of borderland-located firms involved shifting responsibility away from the firm, often by adding links to supply chains such as increased usage of third parties for services such as logistics, warehousing and customs brokerage (Vance 2008a, 2008b).

A metaphor of geographic 'thickening' has been applied as a common description of administrative changes in border policies since 2001. Border thickening protocols include advance notice for cross-border shipments and increased documentation requirements overall. In effect, protocols for border crossing shipments are pushed away from the physical location of the customs booth. Indeed, in a 2006 interview-based study, 100 percent of interviewed executives described increased documentation requirements, and increased time allocations for the completion of additional customs paperwork (Vance, 2008).

Additional factors that may contribute to a thickening border (i.e., widening of the border-located structural barrier) include increasing or unpredictable border wait times, changes to the pricing structure of cross-border transportation services, increasing fuel prices, passport requirements, economic declines, 'buy American' and 'buy Canadian' provisions, and general negative perceptions of the border.

Social Networks

Social network scholars have found that businesses and individuals are more likely to succeed when they are connected into multiple minimally-overlapping networks. Mark Granovetter's (1973) theory of 'weak ties' provides a framework for illustrating the nature of business networks and can be applied to a cross-border context. 'Weak ties,' or contacts with whom one is loosely socially connected, are likely to have access to different information and social contacts, whereas contacts with whom one is closely connected ('strong ties') are more likely to possess redundant information. In a business context, access to diverse sources and types of information and personal and professional contacts can be critical for finding and winning contracts, business expansion, and ultimately entrepreneurial success.

Ronald Burt's work on social capital builds from Granovetter's theory. Burt takes one step back, recognizing that in order for 'weak ties' to exist in a meaningful way, there must first exist information gaps. Burt refers to information gaps between networks as 'structural holes' (Burt, 1997). Structural holes represent often significant hurdles between people in different networks. They also represent potential opportunities, as individuals and organizations that successfully bridge them are well positioned for success relative to their peers. In a 1997 study, Burt demonstrates that managers who effectively make connections between otherwise independent networks are more likely to succeed in innovative and entrepreneurial ventures.

In a cross-border region, the border can be thought of as a location potentially riddled with structural holes. Actors located on one side of the border are more likely to have frequent interactions and close, redundant connections ('strong ties') with others who are located on the same side of the border. They are likely to have intimate knowledge of their immediate business environment and may have limited information about the business environment just across the political boundary. Firms and individuals on the other side of the political boundary have 'strong ties' within a separate parallel network and have access to other specific sets of information. Sharing of information and meaning is somewhat constrained by border protocols and processes. Knowledge gaps are produced in this type of environment. These knowledge gaps can be thought of as structural holes. Successful cross-border connections represent bridges across a structural hole that theoretically coincides with the international border. During times of regulatory change, the potential for the emergence and expansion of structural holes increases, as actors try to bring themselves and their networks up to speed with new information, as others do the same. The exchange of information and learning can bridge these information gaps eventually. The challenge is to navigate the changing environment effectively, particularly during times of tumult.

Actors who successfully bridge information gaps are well-positioned to access diverse information and opportunities compared to those linked only into redundant geographically localized networks.

Furthermore, individuals, organizations and firms that possess specialized knowledge about the border and who have established footholds in abutting near-border social networks may be well-positioned to create and preserve bridges spanning structural holes for firms that seek their services by assuming intermediary roles. In the case of borderland business communities, bridges might be represented by: (1) businesses that successfully enter the cross-border market; and (2) network intermediaries that facilitate SMEs' cross-border connections. Intermediaries could include any individuals, businesses or organizations that have specialized knowledge or provide services to SMEs that are interested in crossing the border.

International trade scholars have emphasized the effects of informal barriers to trade in light of overall declining tariffs and transportation costs.[6] In order to overcome informal barriers and succeed in an international marketplace, successful firms must possess specialized knowledge. Individuals and businesses that possess 'deep knowledge' are well-positioned to succeed on their own, or to act as network intermediaries on behalf of other businesses, by linking them into already-established business networks or matching clients to foreign contacts (Rauch, 2001; Rauch and Watson, 2004). James Rauch explains that businesses are more likely to succeed in international markets if they gain introduction through an intermediary that has experience in the host country. Such intermediaries could include programs through consulates, NGOs and international trade organizations, existing international businesses, or even specialized service providers who are intimately familiar with the local laws, customs, and political systems.

If structural holes increase or expand, casual and instrumental cross-border contacts can also be expected to decline. On the level of the firm, this could mean lost opportunities, lost contracts and decreased growth potential. From a regional economic development perspective, the competitive ability of a well-connected cross-border region to attract investment is conceptually stronger than that of two distinct and separate neighboring regions. The attractiveness of cross-border regions for investment could decline in the context of widening structural holes and damaged networks.

For SMEs located in cross-border regions, cross-border access may require firms to bridge knowledge gaps. One way to bridge these gaps is to seek the assistance of customs brokers, transportation and logistics providers, and specialized professional and legal services specifically geared toward cross-border governance and trade.

While the presence of an international border in a community certainly represents a 'literal' political border, other border-types have been explored in urban and regional economic development circles. Women- and minority-owned businesses, for example, are often found to have less access to diverse networks relative to their peers. Institutions such as chambers of commerce, industrial development agencies and entrepreneurial programs, and a variety of professional services can be instrumental in bridging structural holes between networks(see McLean and Vance, 2002).

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[6] In the context of global trade scholarship, and over the past few decades, there has been a relative decline in the costs of transportation services and a decline in the quantity and intensity of tariffs. These have not disappeared, however (See Dicken 2003 for an overview). In the contemporary North American context, issues such as rising transportation costs and a recent 'Buy American' initiative point to the continued relevance of these factors of international trade.

Little is known about the extent to which local, community-focused network intermediary organizations extend across international borders. A strong presence of border-crossing initiatives by highly-localized business networks would imply a highly interconnected and cohesive cross-border region.

International intermediaries described by Rauch and local intermediaries described by McLean and Vance (2002) share many similarities. Both facilitate formal and informal connections between clients, through individual introductions, network memberships, or specialized services. Cross-border regions such as those straddling the Canada-U.S. border clearly play host to both international and local network intermediaries. However, the nature of membership rosters and services offered by intermediaries within cross-border regions may help reveal some critical information about the nature of the border as a structural hole (i.e., what specific difficulties are the most prevalent?), and may offer some insight about how businesses located in cross-border regions use network intermediaries as part of their cross-border access strategies.

Furthermore, a study that includes intermediaries that facilitate international trade as well as those that specialize in local economic development efforts will help to create a characterization of the nature of local cross-border networking. Are cross-border regions better characterized as proximate international markets (where the border is a prominent feature), or are they cohesive business communities that happen to straddle an international border? The nature of cross-border linkages, firm level strategies and roles of intermediaries may offer a more accurate representation of two Canada – U.S. cross-border regions.

Geography

Two key cross-border regions were identified for the purposes of this project. The Niagara and Cascadia Gateway regions represent the second and third largest trade and traffic corridors between Canada and the U.S. respectively. To date, most contemporary borderlands studies in North America have focused on one region at a time. This study incorporates two regions in an attempt to capture the similarities and differences of the effects of national-level border policies on different communities. A comparative study can shed light on best practices within the two regions, while highlighting region-specific challenges and assets rather than implying a one-size-fits-all vision.

For the purposes of this study, the Niagara Gateway region is defined as the Niagara Peninsula in southern Ontario, and Erie and Niagara counties in western New York. The twin cities of Niagara Falls, ON, and Niagara Falls, NY, as well as Buffalo, NY, lie within the region, and Hamilton, ON, marks the westernmost extent of the region. The Niagara River, which connects Lake Erie and Lake Ontario, bisects the region and coincides with the international border. Four international bridges cross the Niagara River, connecting the region. The Peace Bridge between Fort Erie, ON, and Buffalo, NY, and the Queenston-Lewiston Bridge connecting Queenston, ON, and Lewiston, NY, are the two most prominent crossings. They are open to both commercial and passenger traffic. The Rainbow Bridge, connecting the twin cities of Niagara Falls, ON, and Niagara Falls, NY, is open to passenger and bus traffic only, and the Whirlpool Bridge is exclusively for use by NEXUS pass holders.

The Niagara Gateway region is a diverse economic region, whose industrial bread-and-butter was historically heavy manufacturing industries such as steel, automotive and automotive parts. The U.S. portion of this region in particular has been negatively impacted by large-scale disinvestments by prominent manufacturers in the second half of the 20th century. JIT supply chains for commodities often traverse the border multiple times within this region. The presence of an iconic waterfall has also provided the platform for a strong tourism base. Nearby, Toronto has contributed to the growth of information, services, and high-tech industries as well. The manufacturing legacy that characterizes both sides of the border in the Niagara Gateway region is of particular interest, as cross-border JIT systems are conceptually particularly vulnerable to delays and hiccups in the border crossing process.

For the purposes of this study, the Cascadia Gateway region is defined as the Lower Mainland, BC, and Whatcom County, WA. Vancouver, BC, and Bellingham, WA, are two prominent cities that lie within this region. The Cascadia Gateway region is geographically constrained to the east by the presence of the Cascade and Coast Range Mountains, and to the west by Puget Sound and the Georgia Basin.

The Cascadia Gateway region represents the third largest cluster of crossings between the U.S. and Canada in terms of volume. Five border-crossing points are contained within the region. The Peace Arch and Pacific Highway crossings are located within 1km of each other along the shore of Puget Sound to the south and Georgia Basin to the north. They accommodate the greatest volumes of commercial and passenger traffic within the region. The Lynden-Aldergrove and the Sumas-Huntingdon crossings are located inland. The fifth crossing provides access to and from Point Roberts, WA, a community that is located south of the 49th parallel, on a peninsula that extends from BC's Lower Mainland.

An industrial profile of the Cascadia Gateway region includes some considerable differences from that of the Niagara Gateway region. Structural differences between the two regions include production activities that are more oriented toward finished products, rather than the signature highly-intertwined cross-border supply chains found in the Great Lakes. This implies that JIT manufacturing is less of a concern. Furthermore, cross-border shipments in the Cascadia region are more likely to be partial or "less than load (LTL)" shipments. Cross-border traffic on the west coast is also more closely intertwined with a north-south string of Pacific seaports in Canada and the U.S. Ports up and down the west coast compete with each other for international business. Containers are loaded and unloaded, and goods are transported throughout the continent by tractor trailer and rail. The transport of finished goods to and from ports may be less time sensitive than the JIT networks in the Great Lakes.

Despite their differences, both regions face theoretically identical regulatory environments at the border, as border regulations (and other rules regarding the transport and import of goods) are written at the national level. Goldfarb and Robson (2003) note that industries have been impacted by changing border regulations and conditions differently. If the industrial mix and social contexts of two distant cross-border regions differ, the impacts of border policies are likely to differ as well.

Research Focus

The focus of this study is twofold, seeking to enhance knowledge about: (1) perceptions of changing border regulations and conditions by borderland-located businesses, and the strategies that they use to thrive in an environment of perceived difficulties; and (2) social network structures that exist within the two borderland study regions—primarily those that touch the business communities within the respective cross-border regions. A two-tiered inquiry involved mailed surveys and face-to-face interviews.

Research Methodology

Surveys were distributed to known importing and exporting businesses in the two study areas. The surveys asked questions pertaining to perceptions of the border over time and inquired about the nature of strategies considered and pursued in light of shifting border conditions.

In-depth interviews were conducted with individuals who serve in some capacity as structural bridges or network intermediaries, usually at a local scale. Intermediaries were asked to identify challenges faced by their clients or members, or in their personal travels, and how they address these challenges.

By understanding the challenges (i.e. the structural holes) perceived by businesses and network intermediaries as they relate to international border passage, better connections may be possible within the study regions. A description of best practices also lends itself to improved cross-border communications and systems of governance, as well as the exposure and promotion of best practices for navigating a shifting policy environment.

Surveys

Surveys were distributed in early 2009 to business managers of known importing and exporting firms throughout the two gateway regions described above. 69 were returned for analysis.[7] 66 completed surveys were received from businesses located in the Cascadia Gateway region (34 from the Lower Mainland, BC, and 32 from Whatcom County). Three were returned from firms in Southern Ontario in the Niagara Gateway region.[8]

Survey participants from both sides of the border tended to be small businesses, characterized as employing 50 or fewer people (46, or 72 percent, of all responding businesses fit this size classification), and tended to describe the functions of their regional facilities as either headquarters (58 percent of total) and/or manufacturing facilities (59 percent of total).[9] Survey participants represented, for the most part, goods-producing industries. In most cases, business owners were citizens of the same country where the reporting facility was located.

One interesting (albeit not entirely unexpected) contrast to previous studies in the Niagara Gateway region (see MacPherson, et.al. 2006 and Vance, 2008a, 2008b) was that reporting firms were less likely to describe themselves as involved in JIT supply chains. 63 percent of all returned surveys indicated that they were not part of a JIT process.

Although a vast majority of participating firms indicated involvement in importing goods or services across the border, Lower Mainland-located firms in the Cascadia Gateway were more likely than their Whatcom County counterparts to indicate involvement in importing activities (30, or 91 percent, compared to 23, or 74 percent, respectively). Slightly more than 50 percent of all imports originated within 100 miles or 160 km of the Cascadia Gateway border crossings. Since 2001, the mix of cross-border imports is reported to have *decreased* or remained *unchanged* by a significant number of participants (16, or 30 percent, and 25, or 47 percent, respectively). While *unchanged* was the most common response for both regions, participants in British Columbia were more likely than

[7] Due to the small number of participants, the sample is assumed not to be statistically significant. Straightforward counts and qualitative content are included for reference.

[8] For the purposes of this study, survey responses are only assumed to characterize perceptions of Cascadia Gateway participants due to the response rate. Questions pertaining to firm level perceptions of the Niagara Gateway region were obtained from previous research specific to the Niagara Gateway region. See MacPherson, et.al. (2006) and Vance (2008a, 2008b) for more information.

[9] Survey participants often checked more than one category when describing the function of their regional facilities.

their Washington counterparts to indicate *decreased* importing activity. Not surprisingly, the vast majority of cross-border imports were delivered by truck.

84 percent of all survey participants exported goods or services across the Canada-U.S. border. Proportions were similar for both Lower Mainland and Whatcom County participants. However, participants in British Columbia were far more likely than their counterparts in Washington to be heavily reliant on exports. The average percent of total business transactions that was dependent on cross-border sales was 48 percent for British Columbian firms and only 9 percent for firms in Whatcom County. Over the past decade, an equal proportion of export-intensive British Columbian firms were likely to report either *unchanged* or *decreased* cross-border exports (11, or 37 percent, each response). Washington firms were most likely to report *unchanged* (13, or 57 percent), or *increased* exports (7, or 30 percent). Cross-border exports were most likely to be delivered by truck (80 percent for each side), and Washington exports to British Columbia were far more likely to remain local (average 55 percent, median 60 percent) than exports that originated in British Columbia (average 24 percent, median 10 percent).

A sample copy of a cover letter and survey instrument is provided in Appendix A at the conclusion of this report.

Interviews

The second research methodology selected for this project involves the use of semi-structured interviews with people in organizations and firms that are likely to serve intermediary roles in cross-border supply chains within the chosen study regions.

Network intermediaries were asked questions pertaining to the nature of the specific services they provide to clients and members, strategic trends they have witnessed among small businesses, and the difficulties (and opportunities) that they have encountered in the course of their border-crossing / network-bridging services.

In recent years, a greater amount of attention has been paid to the topic of active engagement of the public, private and academic sectors within cross-border regions. Shared interests such as the health of the physical environment, regional economic vitality and competitiveness, and transportation-related concerns have led to increased dialog and interest in local cross-border governance structures. (See PRI (2008) and BPRI/UBRI (2009) for a sample list of regional organizations that address cross-border issues). These publications provided compilations of initial contacts with such organizations that fill roles whereby they facilitate active cross-border dialog and collaborative efforts.

A second set of intermediaries targeted for this study included local economic development officers. Economic development interests assume a variety of forms, governance structures and sectors including economic development agencies and local chambers of commerce. Organizations and individuals were identified by word-of-mouth and through internet searches. This second set of intermediaries was selected due to their local orientation. Cross-border networks are expected to be local in nature.

A third set of intermediaries came from the private sector, and included providers of specialized business services. Logistics (i.e., transportation and warehousing) firms, customs brokers, and specialized legal services fall under this category. Possible contacts within the private sector were identified at informational meetings within local business networks, through internet searches, and through personal contacts. Emerging strategies in this category are expected to reflect cross-border networks as international in nature.

Firms and organizations were contacted during January, 2010, and most interviews took place in the final week of January and the first week of February. Whenever possible, on-site interviews were conducted in person, and recorded. In cases where face-to-face interviews were not possible, telephone interviews were conducted.

In total, 29 individuals participated in semi-structured interviews. 16 intermediaries participated from the Niagara Gateway region and 13 interviewees represented the Cascadia Gateway region. A complete list of interview participants can be found in Appendix B at the conclusion of this report.

Economic Downturn

One of the difficulties associated with chasing moving targets is that they tend to be surrounded by multiple other moving targets. At the time that this report was being written, the U.S. and Canada were in the midst of a severe global economic downturn. At the time that surveys were distributed and interviews were taking place, a "Buy American" policy (and reactive "Buy Canadian" conversations) resulted in fear-driven rhetoric similar to the rhetoric that dominated the immediate post-9/11 period.

Globerman and Storer (2009) point out that the economic downturn may actually be in part responsible for the illusion of a temporarily functional border. They reason that usage of border crossing points between Canada and the U.S. has not increased at the rate that would normally be expected. Current traffic volumes are therefore not representative of the traffic that *would* pass through during times of economic health or normalcy. If continental border crossings had to accommodate normal rather than current reduced volumes of cross-border trade, they argue, border delays and other impediments would be worse than they currently appear. By extension, economic recovery will reveal negative impacts. Economic decline, then, masks or postpones economic damage related to border impediments.

Border Conditions: Firm Level Observations

As discussed earlier in this paper, the regulatory, physical and social environments of the Canada – U.S. border have been in flux for much of the past decade. Studies shortly after 2001 posited that border regulatory shifts would have negative impacts on businesses in cross-border regions. To a certain extent this seems to have been the case, however interviews in the Niagara Gateway region in 2006 revealed that firms in that region were well on the way to recovery (Vance 2008a, 2008b). Businesses had made strategic adjustments and the border conditions were less obtrusive for managers who had a better idea of what to expect as a function of time and experience with new protocols.

Between the 2006 study and the survey distributed in 2009 a new piece of legislation went into effect. The Western Hemisphere Travel Initiative (WHTI) constrained the range of acceptable identification for crossing into the U.S., possibly triggering another wave of obstacles for individuals and firms (particularly in the service sector) to overcome.

Some of the most frequent comments regarding negative border crossing experiences in the afore-mentioned studies had to do with efficiency, consistency and costs associated with cross-border travel or shipment. Survey participants were asked to rate their border crossing experiences for the following years: 2000, 2002, 2004, 2006 and 2008.

For the questions of efficiency and consistency, there was no strong consensus past 2002 about whether border conditions had improved, stayed the same, or gotten worse. For the most part, survey responses came back relatively neutral, showing no change, or only a slight and gradual perceptual adjustment toward better or worse conditions over the time period in question. Few responses were returned identifying drastic perceptual changes between 2002 and 2008.

For the question of cost, respondents, with a few exceptions, indicated either no change or an increase in the cost of doing cross-border business. In some cases the reported perceptual adjustments were drastic.

In addition to descriptions that could be summed up as “lines at the border” or “long waits,” some responses described learning curves or specified where increased costs entered into the process.

Some participants described different parts of the bureaucratic process. For one respondent, the problem was the regulations themselves: “Since 2001 the bureaucratic requirements have increased unnecessarily as have the costs associated to meet those requirements.” Another participant focused on the institutional learning curve faced by government employees: “With changing regulations, border officials have a learning curve to climb in implementing and enforcing. Also, knowledge is sometimes uneven among border officials.” One participant pointed out the learning curve that was taking place within the firm: “Efficiency is fine, cost we can adapt to, inconsistency in interpreting legislation is hard to adapt to.”

Two respondents who indicated no change in terms of efficiency, consistency or cost (a response that was not at all uncommon) attributed their even-keeled border crossing experience to participation in voluntary compliance programs: “Typical startup of FAST was impacting clearances. Today, FAST is efficient and seamless;” “We are C-TPAT certified which does seem to make things easier.”

Cost tended to be the single category that had the highest degree of consensus among survey participants—that being a sense that costs related to border crossing activities were rising. Participants attributed rising costs to increased wait time, taxes and permits, rising fuel prices, brokerage fees, customs fees, transportation costs, exchange rates, increased paperwork, and softwood duties.

When asked whether changing border regulations had actually impacted businesses, the most frequent response was “no change” for firms both in the Lower Mainland and Whatcom County. However, respondents were far more likely to respond that they had experienced “negative” or “somewhat negative” changes than they were to report changes for the better. Participants in Whatcom County were far more likely to report that they experienced no setback as a consequence of border regulations than were Lower Mainland located firms that were somewhat divided on the matter.

To what extent and in what way has your firm been impacted by post-9/11 border legislation (check one)						
	Total		**Lower Mainland, BC**		**Whatcom County, WA**	
Response	Responses	Percent	Responses	Percent	Responses	Percent
Significant and Negative	12	18%	7	23%	4	13%
Negative	16	24%	6	19%	8	25%
Neutral	26	39%	13	42%	13	41%
Positive	2	3%	1	3%	1	3%
Significant and Positive	1	2%	1	3%	0	0%
Uncertain	9	14%	3	10%	6	19%
Total	**66**		**31**		**32**	

Table 1: Effects of Post 9/11 Border Legislation on Cross-Border Firms

Do you feel that your business suffered any setbacks as a consequence of changing border regulations?						
	Total		**Lower Mainland, BC**		**Whatcom County, WA**	
Response	Responses	Percent	Responses	Percent	Responses	Percent
Yes	24	36%	14	42%	7	23%
No	39	58%	16	48%	23	74%
N.A.	4	6%	3	9%	1	3%
no answer	2		1		1	
Total	**67**		**33**		**31**	
If yes, to what extent do you feel that your firm has recovered?						
Completerecovery	4	17%	3	21%	1	17%
Partial recovery	16	70%	8	57%	5	83%
No recovery	3	13%	3	21%	0	0%
Total	**23**		**14**		**6**	

Table 2: Setbacks and Recovery of Cross-Border Businesses, Post 9/11

This finding comes as little surprise, due to the asymmetrical nature of the Canadian and U.S. economies with respect to their dependence on each other, and due to the cross-border export orientation of the Canadian firms in this sample. When asked about their recovery, responding firms were mixed on the issue, and were most likely to respond that they had partially recovered from border related setbacks.

Transportation costs were almost universally reported to have risen over the period in question, with an average reported increase of 29 percent since 2001.

When asked about the important issues surrounding cross-border business, the overwhelming response focused not on border regulations, but rather the complementarities inherent in cross-border regions that make them competitive and vulnerable, regardless of the regulatory details at one time or another. Because the border is a location where two national economies meet, businesses are able to take advantage not only of the local conditions of the borderland, but are able to take advantage of easy access to multiple national business environments. The exchange rate was regarded as the single most important issue by the majority of participants. This was followed by the economy at large (i.e., a deep global economic recession at the time of this study) and transportation costs. One survey respondent concisely described how some of the contemporary challenges all contributed to his firm's current situation. "Security and regulatory expenses increased—as did time to process them. Export business to Canada stayed fairly consistent over this timeframe but fuel costs increased and the economic recession has affected all commerce."

Border Conditions: Observations by Network Intermediaries

Network intermediaries in both study regions (and on both sides of the international border) tended to identify their regions as locations of opportunity for business, recreation, local diversity and regional competitiveness. Border crossings, however, were generally regarded as potential constraints to residents and businesses for accessing the full gamut of regional opportunities. Similarly to many of the businesses who participated in surveys, discussions about the nature of border crossings revealed that the border represents a highly variable impediment and a potential black box for occasional and frequent crossers alike.

Interviews with network liaisons in both gateway regions emphasized some of the differences between the business and regulatory environments across the political boundaries. Intermediaries also tended to emphasize the importance of individual and firm-level preparedness in confronting the challenges. However, differences in approach and social infrastructure differed between the two study regions. Interviews in both regions revealed that directional social connections were plentiful. Mission and vision statements of service providers in the public and private sectors often revealed their orientation and commitment to export assistance or inward direct-investment / local economic development goals. However, the extent to which players in the Niagara and Cascadia Gateway regions bound their actions to these mission statements differed.

Interview participants in the Niagara Gateway region emphasized goals and missions that coincided with jurisdictional boundaries at multiple scales. While each individual interviewed supported the idea of cross-border networks in both directions, most were limited by direction-specific mission statements and were constrained to specific jurisdictional boundaries. Actors on both sides of the border actively advertised their proximity to the border and accessibility to cross-border markets; however, their stated professional interests, actions, and efficacy were frequently ultimately defined by jurisdictional boundaries. The international border is one of many jurisdictional borders and defines some geographic legal and strategic parameters. One Niagara Gateway-area participant explained:

> "It bothered me a lot to hear comments (like) 'You know, I don't really know who these economic development people (on the opposite side of the border) are'…Why didn't anyone ever think to have those conversations? Why don't we know who each other are? We should be working together."

Another participant went on to explain an environment of multi-scalar inter-jurisdictional competition:

> "We are still (involved in) competitive old style industrial mentality turf wars. Historical industrial…territorialism. The fact (is) that we are still dealing with 12 municipalities in Niagara and with all the villages and hamlets in western New York. People are slowly making changes happen, but it all comes down to cooperation and global competitiveness. If we don't fix these things we are out of the game."

The same participant went on to explain that, at the time of the interview, people were beginning to talk and that fruitful strategic collaborations across borders are emerging in a meaningful and productive way. The participant also noted that such efforts in the Niagara Gateway region are being led by actors in the private sector.

Mission statements of individual businesses and institutions in the Cascadia Gateway region also tend to be directional in nature. However, individuals and businesses who participated in this series of interviews seemed less likely to confine their activities and networks to pre-defined jurisdictions. Participants were more likely to describe cross-border business activities and networks. Explicit regional networks have formed that facilitate instrumental information gathering and referrals for cross-border business services.

Professional networks were created as tools for businesses to grow through information provision and cooperative exchange of information and professional services. The competitive abilities of individuals and businesses in the Cascadia Gateway region seem to be linked to their abilities to cooperate and build service linkages, regardless of (but reinforced by) jurisdictional boundaries. A pattern that emerged from discussions with key Cascadian intermediaries was a region characterized by a network of professional referrals. Competitive advantage for professionals in this region lies in establishing and maintaining (and advertising) explicit cross-border connections with other professionals working on specific tasks. This network arrangement supports the idea that the economy is viewed as a dynamic and evolving series of interpersonal interactions.

Both regions are characterized both by the borders that constrain activities and by the bridges that can reduce the relative impact of those borders. The primary observed difference, based on this set of interviews, is that instrumental networking activities in the Cascadia Gateway region were easier to identify. They were also more likely to lead to explicit connections with professional business services, from the private sector to the private sector.

During interviews, network intermediaries tended to echo several of the sentiments described above. Indeed, the theme of inconsistency at border crossings specifically emerged in nearly every interview conducted over the course of this research project. Laws and regulations continue to evolve within the halls of the Canadian and U.S. federal systems of government. Enforcement of sometimes conflicting goals (i.e., preservation of security, facilitation of trade, and generation of revenue) places undue pressure on government employees responsible for making critical decisions from customs booths. Job turnover among government employees at border posts adds to inconsistent enforcement of laws due to overlapping individual learning curves.

Businesses have adjusted to multiple regulatory changes over the past decade, but for reasons described above, the border had generally been regarded as an unpredictable zone by businesses as well as those people who were identified as experts in this realm. During the course of interviews, a number of anecdotal stories emerged about border inconsistencies that had caused problems at one time or another, and remain fresh in individuals' memories. In recent years, crossing the border has become a stressful process due to a high level of qualitative variability—even for those who cross routinely. The stress related to inconsistent information, information that is somehow difficult to obtain, or simply the stress that comes with a sense of powerlessness as one approaches the customs booth can be a powerful deterrent in the decision to make future cross-border trips regardless of the reason. Individual stress or anxiety can be a deeply damaging structural hole.

Legally, international borders and ports of entry are considered the domain of federal governing bodies. Regulatory decisions affecting ports of entry are debated and decided in Ottawa and Washington D.C. This is not inherently problematic, but from the perspective of people, businesses and communities that have a high level of investment in their cross-border connections (and who often share greater cultural similarities with each other than with compatriots at geographically distant capitals) there is a high level of frustration that stems from a perception that federal lawmakers are unfamiliar with the border in practical terms. There is frustration that regulatory changes do not take into consideration the culture or functions of borderland communities, the needs of local border stakeholders, or appreciate local impacts of border reforms. Although most individuals interviewed expressed empathy that regulations were necessary and/or enforced reasonably in most instances, interviewees relayed a number of stories about negative or unintended impacts of regulatory changes. Frustrations are particularly evident in the Cascadia Gateway region.

One participant observed that, despite the contemporary political rhetoric of 'security *and* trade' promoted by U.S. Customs and Border Protection (CBP), political dialog continues to defend the notion that the two goals remain at odds. This is not necessarily because technologies cannot speed up border crossing processes (this has been the dominant strategy), but because of the need for an element of surprise. In order for a border to facilitate trade, it must be predictable. However, in order for a border to catch creative criminal elements, border processes must be unpredictable. One Cascadia Gateway participant explains:

> "From a security perspective, unpredictability is exactly what you want. You don't want it to be predictable, 'cause otherwise the bad guys are going to figure it out…So you have these two opposite…imperatives working against each other. For business the most important thing is predictability. For security, it's unpredictability. And so how do you mesh those two things? They're really contradictory."

How do agencies charged with the enforcement of multiple imperatives (as well as enforcement of countless other agencies' regulations) prioritize and achieve increasingly diverse lists of objectives? The technological interface at the border has become more intricate, but processing times have increased. In the case of the United States, CBP falls under the umbrella of the Department of Homeland Security: structurally, the dominant imperative of the agency is related to security, and therefore requires a certain level of unpredictability.

Early publications emphasized challenges related to inconsistency of wait times and the potential for long or variable border waits to negatively impact JIT systems that rely on temporal predictability. In 2010, the problematic inconsistencies described in interviews were for the most part not focused on wait times. Rather, uncertainty was discussed in terms of shifting regulatory targets and unpredictability of how regulations would be interpreted at the moment of face-to-face contact at the customs booth.

Interviewees in both gateway regions described ambiguity of regulation as problematic for casual travelers, who had difficulty accessing the information in the first place, as well as for frequent business travelers who were caught off guard by a new regulation or a new interpretation of existing laws. Multiple scenarios were described during the course of interviews. Inconsistency is a persisting problem across geography and over time. (See Vance et.al., 2004; Vance, 2008a; 2008b).

Several interview participants also pointed out that the problem of inconsistent enforcement of border regulations is further compounded by a lack of known formal or informal appeals processes.

Strategies: Businesses

MacPherson et.al. (2006) and Vance (2008a, 2008b) found that businesses in the Niagara Gateway region were strategically motivated in different manners depending on the side of the border in which they were located. In short, U.S. located businesses were more inclined than their Canadian counterparts to consider strategies of disinvestment from existing cross-border suppliers in favor of U.S. suppliers, if the border had become a large impediment. In stark contrast, Canadian firms expressed interest in pursuing a variety of strategies including facility relocation or investment, trade diversion and transportation strategies.

One key strategy used among Niagara firms involved simply subcontracting transportation and customs services to third party providers. Survey participants from the Cascadian Gateway region overwhelmingly echoed this strategy.

When asked to outline other strategies that had been used or considered, two interesting trends surfaced: (1) Only a handful of firms responded to this portion of the survey, possibly indicating that they had not or were not considering any strategic changes as a result of changing border regulations. It may simply be the case that impediments present at the border are not significant enough to warrant conscious strategic adjustments above and beyond filling out more paperwork or absorbing increasing costs. (2) Canadian firms, as in the Niagara studies, were more likely to respond that they had been and were continuing to consider alternate strategies in order to ensure the continued success of their business in a cross-border setting. This is not a surprising finding given the asymmetrical trade relationships between the two countries.

The most common strategies identified by Canadian and U.S. firms alike had to do with augmenting warehoused inventories. Eighteen firms from the Lower Mainland indicated that they had already made some shifts involving increases of warehoused stock, and sixteen were considering warehoused increases as a possible future strategy. In other words, Canadian firms were interested in moving toward a Just-in-Case supply model that incurs additional costs to house inventories, but ensures availability and can therefore reduce some risks, such as late delivery or temporary halts to the manufacturing process. Another dimension to this decision is that it can, in the words of one participant "decrease (the) number of shipments" that have to be made across the border. If the border is a variable or risky environment, a strategy that involves infrequent crossing reduces risk. This is consistent with findings from Goldfarb (2007b) as well as with findings from Niagara Gateway studies. Although U.S. firms were less likely to pursue this strategy, it still remained as one of the most commonly referenced strategies for Whatcom County firms. U.S. firms were more likely to consider warehouse strategies involving the *reduction* of warehoused stock. In fact, this was the most frequently referenced strategy for Whatcom County participants. This was also a common strategy on the Canadian side of the border.

A closely related strategy often pursued by Canadian firms was a strategy of purchasing, expanding or renting additional facilities. Sixteen Canadian respondents indicated pursuit of this strategy, particularly for the establishment or expansion of warehouse facilities to house larger stocks.

Other frequently referenced options included expansion of overseas markets, replacement of cross-border suppliers with same-side suppliers and expansion of domestic sales.

Indeed, many of these strategies are tightly inter-related and subject to forces beyond the immediate conditions of existing supply chains or regulatory frameworks. Considerations such as the nature of the product can make a difference as to which backward linkages or end markets make sense. For some, cost reduction drove the primary strategic decisions, as represented by the following responses: "Any available Canadian supplier to avoid cross-border delays and costs" and "depends on exchange, quality and price." One respondent indicated that "diversification of markets is required: (We) can't depend on (the) U.S. economy all the time. Although the U.S. is our closest neighbour, the "buy American" policy that they are trying to implement will hurt all Canadian exporters."

Strategies pursued or considered by borderland-located businesses				
	Lower Mainland, BC		**Whatcom County, WA**	
Response	Pursued	Considering	Pursued	Considering
Increase warehoused stock	18	16	8	7
Decrease warehoused stock	14	12	16	6
Purchase, expand, or rent additional facilities	16	13	7	7
Disinvest from existing facilities	13	12	7	7
Enroll in government programs such as C-TPAT, FAST or PIP	12	9	6	6
Replace (cross border) suppliers with (same side) suppliers	14	6	6	1
Replace (same side) suppliers with (cross border) suppliers	12	10	7	6
Change price structure	14	11	6	6
Choose alternate transportation routes	13	8	6	6
Choose alternate transportation modes	11	8	7	7
Subcontract transportation services	10	7	8	6
Increase overseas sourcing	13	12	6	6
Relocate overseas facilities to North America	9	6	5	5
Expand overseas markets	17	15	6	6
Focus on North American markets	9	7	7	6
Expand domestic sales	14	11	7	7
Join trade organization or chamber of commerce	9	7	6	6
Other (please explain)	2	0	2	1

Table 3: Strategies Pursued by Borderland-Located Businesses

Strategies: Network Intermediaries

Movement of Material Goods

The movement of material goods across the Canada – U.S. border is vital to the strength of North American integrated economic structures—but it is important to recognize that the act of transporting goods across the border represents only a portion of the administrative and logistical requirements required to conduct business across international borders.

Fundamentally, the production, movement and sales of goods and services are built on the ideas, strategies, and movements of people. Cross-border shipments of material goods by truck, for example, involve interactions between customs agents and drivers; installation, maintenance and repair activities often require cross-border movement of technicians; the generation of innovative ideas upstream or sales downstream frequently involves face-to-face meetings; and industries that are customer-driven and spatially fixed (such as retail, tourism, education and health care) rely on easy cross-border access by customers. Furthermore, in an integrated cross-border economy, labor pools—not just customers—often extend across the international line of demarcation.

Generally speaking, cross-border transport of physical products was not at the forefront of interview participants' concerns. Participants described standardization of goods and processes. They explained that rules and regulations governing the movement of physical goods are reasonably straightforward. They acknowledged that paperwork had increased, but were quick to note that paperwork was generally straightforward and consistent. As long as manufacturers are familiar with their product, and take the necessary steps to ensure consistency of product and of regulatory compliance, participants argued, manufacturers have little excuse. In the words of one Cascadia Gateway participant:

> "We're professionals. Tell us what we need to do. We'll do it. And, if it's a long list of things we have to do, as long as it's clear and they don't change,… Predictability is what it all boils down to. And I think that's one thing that any professional—and in life generally—in the professions you've got to have predictability."

In terms of the transport of goods, customs was described as an extension of the general regulatory environment, and simply a matter-of-fact in a broader context of international trade. Common strategies described by interview participants (and the advice they provide for clients where applicable) involved strategies of preparedness—namely, being familiar with rules and regulations, and hiring third party experts (i.e., logistics and customs providers) to handle those parts of the process that were not the businesses' proclaimed core competencies. These observations are consistent with findings from previous studies (Goldfarb 2007a; 2007b; Vance 2008a; 2008b).

Interview participants explained that federal border regulations are changeable from the top-down, but largely immovable without federal government mandate. Regulatory aspects of the border were generally regarded as a hurdle to be overcome through information gathering and adherence to regulations. The top-down model of governance and impact of policy was evident, and the responsibility to ensure passage of goods was that of the firm.

> "If you're going to be going (across the border), it's your responsibility to find out what the rules of the road are. You can't go down to the border unprepared and then complain you ran into a problem…. On the whole, I think that when people prepare themselves to start with, then at least they have a right to complain. But if they're unprepared or ignorant and unprepared then, you know, go and prepare yourself!" explained one participant.

With respect to uncertainty at border crossings, material goods are relatively safe and easier to standardize in terms of paperwork, processes and general identification. People, however, can present a problem. Simply stated, people are more dynamic than goods. They cannot be standardized and therefore pose a greater potential security challenge. Maintaining an element of surprise is in the interest of an agency whose primary mandate is to maintain national security by blocking passage of people who present a threat.

Movement of People

Almost without exception, network intermediaries shifted the topic of conversation from the cross-border movement of material goods to the cross-border movement of people. In the Niagara Gateway region, the discussion often shifted toward concerns in the local tourism and hospitality industries, while in the Cascadia Gateway region, a clear emphasis was placed on the cross-border movement of professionals.

In a broader context, it is worth noting that the North American system is increasingly reliant on a service-oriented economy. It could be argued that the potential costs associated with hindering the movement of people and information exceed negative externalities related to delayed or inconsistent movement of material goods. High value and cutting edge industries rely on interpersonal interactions to facilitate generation of innovative ideas, products and processes, and to offer quality customer service.

The regulatory environment of the Canada – U.S. border, as it stands today, and as it was defined under NAFTA, is inherently better equipped to accommodate the movement of material goods than of people. This is extremely problematic if high value industries (and high value elements of supply chains) rely on interpersonal interaction.

Tourism and the Cross-Border Movement of People

In the Niagara Gateway region (and to a lesser extent—as the Olympic Games approached—in the Cascadia Gateway region) concerns about passenger traffic were at the forefront of discussion. The Niagara Gateway region relies to a great extent on the revenue from the tourism and hospitality industries centered around Niagara Falls.

Passage of the Western Hemisphere Travel Initiative (also referred to as WHTI or the 'passport law') by the U.S. government created confusion about acceptable documentation for entry into the United States. For the tourism-dependent Niagara Gateway region, WHTI has been particularly damaging, according to survey participants. The introduction of new travel document requirements has arguably made bi-national Niagara Falls a less competitive destination compared to other U.S.-located tourism destinations, as well as in comparison to competing international tourism destinations. Potential tourists must obtain a passport or other valid form of identification in order to experience the bi-national attraction to its fullest—a potentially expensive and time consuming process. However, spontaneous travel was of greater concern. Spontaneous travel can easily be thwarted based on group composition. Each traveler in a party must have appropriate travel documents. One Ontario-based participant explained:

> "There are three forms of identification that we're aware of: passports, enhanced drivers licenses and the NEXUS pass. All of those items kind of hinder the impulsiveness of the potential traveler, and also hinder the convenience of that traveler. At some point there was a discussion about cost. I'm not so sure that it has to do with the cost associated with acquiring those items. I just literally think that people don't bother to be processed. And in the decision making process of the plan to come visit a cross-border destination, their party composition doesn't always have all these credentials in place. Rather than for them to mitigate that, they just avoid the destination altogether. And rather than propose the idea to friends and family and have a few people left out because they don't have the appropriate credentials with the time frame of travel that they have in mind. To me, that's the most significant challenge—having those credentials."

Furthermore, casual or infrequent cross-border consumers are less familiar with border crossing protocols and more likely to be swayed by negative messages delivered by the media, word of mouth, or memory.

When discussing the movement of goods, participants made the case that businesses and business travelers must take on the responsibility of knowing regulations in advance of their arrival at the border. In the tourism and hospitality industries, the locus of responsibility is less clear. Is the knowledge about border regulations the responsibility of the individual traveler, the government entities at the border, or businesses in the tourism and hospitality industry?

Official government websites and public service announcements make the case that travelers should 'know before you go' and, indeed, information is available. However, more than one intermediary made the case that information can be difficult to obtain, particularly for infrequent travelers or those without computer access.

Furthermore, casual travelers have less incentive to repeat cross-border travel if their experience of the border is cumbersome or negative. For the casual cross-border consumer, a regulatory learning curve likely begins and ends with a single trip.

The primary border-related challenge for the tourism industry is that of delivering accurate, up to date and reliable information to potential tourists about both the destination and the process necessary to ensure access to the destination. Information, interviewees explained, is out there, but can be difficult to track down. Furthermore, since enforcement can be irregular, even well-prepared individuals can find themselves waiting in a long queue or facing a series of intimidating questions.

If numbers tell a story, for the Niagara Gateway region, the story involves longer average waiting and processing times, and smaller queues of passenger traffic. Across the board, participants who were familiar with or vested in the regional tourism industry observed this pattern and expressed concern that their regional competitive capability was being compromised by conditions at the border that amount to a deterring force overall.

Cross-Border Movement of Professionals

The cross-border movement of professionals was also of great concern, particularly in the Cascadia Gateway region. A number of anecdotes emerged during the course of interviews that emphasized the notion that even well prepared individuals can face challenges related to uncertainty and inconsistency at the border.

> "Your first point of contact can often be your last point of contact. That individual has enough power to be able to block you from going into the country ever again."

Situations such as these, incidentally, are the types of situations where intermediaries frequently become involved in the process—i.e., after a problem has already occurred. The challenge, they all explained, was frequently a combination of insufficient research on the part of the traveler and inconsistent enforcement of regulations.

Increased technological and information requirements have led to a shift in the nature of enforcement. Interview participants in both cross-border regions remarked that enforcement of laws that existed prior to 2001 has changed. In a way, the border has become more consistent in the sense that enforcement has become more universal. One Cascadia gateway participant explained:

> "…stricter U.S. Customs rules. You know, just a buildup of personnel, obviously, and stricter U.S. customs rules that apply not only to new legislation and new rules, but actually a reinterpretation of the old rules as well."

While this doesn't in itself present a problem, it does make it more likely that cross-border travelers and shipments are delayed at the border because of regulations they had been unaware of because they had never been enforced.

The issue of enforcement is particularly important in the context of the movement of people across the border. Increased standardization and enforcement of immigration requirements creates an uncertain environment for people who had been accustomed to crossing the border without consequence. Anecdotal accounts were given of professionals that legitimately crossed the border, but were stopped because their job categories were fluid or somehow not understood by customs agents as able to fit into a predetermined NAFTA-approved professional category. One participant explained:

> "Often when we think of business we are drawn to commodity flows (trucks and stuff like that) but I think in terms of the (professional) service sector. The border in some way presents even more difficult problems because it's that sector that seems to be sort of in the cracks…(For example), what is the purpose of a laptop? And what is a consultant?.... and maybe it is that anything you do that provides a service on the other side of the border that involves a fee, but sometimes there is even a gray area with that—whether you are really getting a fee, or how you're getting paid. What are the tax laws? It's just a complicated area."

(On a related note, during the course of a routine entry interview as I passed through the border, a border custodian explained that she routinely catches people who are not in compliance with regulations. She added that the job has taught her that most people are good, and that their minor legal missteps are generally unintentional.)

The advice most frequently relayed by interview participants was for businesses interested in establishing themselves in a cross-border expansion (or working to stay afloat in a difficult economy and changing regulatory environment) to simply be well informed about regulations, and to seek professional advice when regulations are not clear cut. Of course, each individual interviewed acknowledged that uncertainty at the border is a major problem for cross-border business travelers. Ultimately, their goal is to reduce the likelihood that the uncertain border will be a problem for their clients.

Additional advice offered by the border experts interviewed involved expansion of business networks and outsourcing responsibilities that are not core to the firm. Interview participants in both regions also emphasized the value of government-sponsored voluntary trusted traveler programs for reducing the incidence of uncertain border crossing conditions.

Workshops and Networking Sessions

In both study regions, seminars and workshops are hosted to help disseminate basic information about rules and regulations, voluntary compliance programs and the like. Programs tend to be targeted to origin-specific audiences, and offer opportunities for participants to network with each other and with hosting organizations and companies. A number of network intermediaries are involved in hosting these seminars and workshops, which provides the intermediaries with potential business, and provides participants with contacts that can be helpful through the cross-border network building process. In the Cascadia Gateway region, such seminars are a frequent occurrence, particularly with an orientation toward a British Columbian business community.

Voluntary Compliance Programs

In addition to frequent suggestions of general preparedness, intermediaries were highly supportive of strategies of enrollment in government-sponsored 'trusted traveler' programs such as C-TPAT, FAST, PIP and NEXUS. Most people interviewed carried NEXUS cards. Across the board, participants praised the programs and explained that they are a good, if partial, solution. Generally speaking, programs operate on the theory that the process of obtaining trusted traveler status reduces uncertainty for the governments. In exchange, enrollees' uncertainties can be reduced as they are expedited through the border crossing process.

In practice, interviewees generally found voluntary compliance programs to deliver what they promise. However, concerns over inconsistent enforcement continued to arise. Several interview participants in both regions explained that the inconsistent enforcement has occasionally backfired on trusted travelers due to perceived gaps in training for customs officials and a lack of a formal appeals process for confiscation of NEXUS and FAST cards.[10]

Interviewees explained that voluntary compliance programs were not 'one size fits all' in nature. Programs such as FAST are more likely to facilitate cross-border business in some regions and for some industries than for others. One participant in the Cascadia Gateway region explained:

> "We don't have integrated manufacturing here as much as the east coast. So, companies here don't really seem to care if their carriers are FAST or not. Carriers want the benefits of avoiding congestion or not paying drivers for as many hours or saving on fuel costs or whatever, but they don't really have any leverage on their shipper customers. Whereas on the east coast, where there is more integrated manufacturing, it's actually the shippers—the manufacturers—that are requiring their carriers to be in the FAST program….The push for complying with those new regulations starts at the origin of the trade flow—with manufacturers themselves."

In short, geography matters, and enrollment in government-sponsored voluntary compliance programs can be a viable strategy for businesses in some regions or industries, but not in others.

[10] For more information, see Vance (2011)

The Nature of the Cross-Border Region

During the interview process, one conceptual question was raised for discussion. "Reflecting on this region, do you tend to think of it more as two adjacent communities (i.e., separate, but with many connections) or as more of a singular community that has to deal with an international border?" Although the question is highly conceptual in nature, it lends itself to a better picture of how cross-border network intermediaries viewed their region and their place in it. Some conceptual differences about the border emerged between participants in the Cascadia Gateway region and those in the Niagara Gateway region.

Residents of the Niagara Gateway region were more likely to respond that the two regions were adjacent but separate. They explained that day-to-day activities for area residents tend to be confined to one side of the border or the other.

Two different types of stories unfolded and supported this argument: personal anecdotes of changing border-crossing practices supported the notion of *recent* government–driven fragmentation; and business and governance-focused anecdotes painted a picture of a *long-standing* fragmented regional system.

While many businesses do take advantages of proximity to the border, successful businesses treat the international border as a dividing line between two separate and distinct markets. Digging deeper into the explanation revealed a detailed discussion about the scales of governance—with a particular emphasis on the different scalar emphases between governance in New York State and the province of Ontario. In short, stories gleaned through this process exposed challenges associated with navigating multiple jurisdictional and regulatory borders in addition to the primary international border at the heart of this inquiry.

Niagara Gateway participants were also more likely to point out the differences of the legal, regulatory, and business environments both between the two Niagaras and within. At the local level, lines that divide municipalities and counties were described as strong, and an impediment to regional cooperation at all levels. This particularly seemed to be the case in Niagara, ON. Several interviews touched upon the idea that municipal governing bodies operated in a highly competitive way that hindered regional, let alone international cooperative efforts.

At the scale of the province or state, a similar story emerged. Participants described Ontario's comprehensive planning initiatives related to transportation infrastructure and "Green Belts" in the provincially-defined "Golden Horseshoe Region." Participants advocating cross-border coordination expressed concerns that these planning initiatives would directly affect the cross-border communities in New York—for better or for worse—but that New York had no such plans, and needed to engage in the planning process.

A few Niagara Gateway participants described the contemporary region as a unified bi-national entity, but they were in a minority. Examples of 'one region' arguments frequently emphasized the nature of the cross-border Niagara Falls tourism, as well as structural integration in the manufacturing sector. More often than not, a description of declining levels of routine interaction dominated discussions.

Regardless of scale, it was evident that Niagara-area residents were oriented toward and limited by jurisdictional boundaries at all scales of governance. Political borders at the level of the municipality or county; state or province; and at the federal level are all enforced and stand in the way of the creation of a cohesive regional identity. Competitive relationships were characteristic of the landscape as described in a number of interviews.

With a clear orientation toward the waterfront border, part of the reality that Niagara area residents face is the daily visual reminder that they live in a region that, for many, feels like a region only recently divided.

Participants in the Cascadia Gateway region were more likely than their Niagara Gateway area peers to respond that the Cascadia Gateway region *is* one region. Explanations tended to focus on scales and definitions that differed from jurisdictional boundaries. Participants frequently described Cascadia in terms of a shared physical environment. At the local level, some described the region as the Fraser River Valley; while at a larger scale, environmentally-focused participants described an economic and social corridor flanked by the Pacific Ocean and the Cascade Mountains. In both cases, a very distinct cultural orientation toward environmental awareness was made apparent. When political boundaries were used to describe the Cascadia region, the PNWER coalition was often described.[11]

In the Cascadian geography that is often described in terms of corridors and flows, a hardened border seemed antithetical and artificial.

In contrast to Niagara area accounts, Cascadian descriptions of the border seldom described 'spontaneous' cross-border travel. Due to the distances between dominant urban centers, cross-border travel in the region has often taken on a deliberate character—whether it be a daily commute or business travel or a cross-border shopping spree.

Conclusion

The first decade of the 21st century has been a time of urgency and growth in North American border scholarship. After the terrorist attacks that punctuated the start of the decade, the regulatory environment of the Canada – U.S. border changed, and it has continued to evolve into the present. Cross-border regions were arguably affected more acutely by changing regulations than most. They represent both locations of opportunity and vulnerability. The combination of locally-available complementarities as well as generally easy passage create opportunities unavailable elsewhere. But cross-border regions are also locations of vulnerability. Shifting exchange rates and regulatory environs, for example, create information gaps that can prove detrimental to actors who are unable or unwilling to navigate them.

This project builds upon previous work addressing the changing regulatory environment, the impacts of change on border-located communities and actors, and the reflexive relationship that exists between regulatory constraints and the actions taken by those who are impacted.

Surveys distributed to businesses throughout the Cascadia Gateway region and the Niagara Gateway region reveal that actors in the business community have made adjustments to their way of doing business in order not only to avoid border-related impediments, but to continue to grow and succeed in a changing North American context.

Individuals who are highly knowledgeable about border regulations and the cross-border communities themselves, and who are well connected into the business environment were identified

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[11] The Pacific Northwest Economic Region (PNWER) currently boasts legislative memberships in Washington, Oregon, Idaho, Montana, and Alaska in the United States; and British Columbia, Alberta, the Yukon Territory, Saskatchewan, and the Northwest Territories in Canada.

as network intermediaries. Without exception, the individuals who were identified as network intermediaries or structural bridges for this study were highly knowledgeable about the border and were well networked throughout their respective cross-border business communities. The advice they provide to their clients and the people in their networks places responsibility on the business or individual to be informed and prepared, and their professional lives often included tasks of helping clients overcome barriers that emerged due either to being unprepared or to the randomness that sometimes characterizes the border.

One item was addressed implicitly, but left unspoken: interview participants were involved in multiple cross-border activities ranging from hosting or participating in workshops to involvement in a variety of organizations and even regional sports leagues. Intermediaries are able to provide professional assistance for their customers not only because they understand policy but because they are socially and professionally involved in their unique cross-border communities. Knowing the regulations, while necessary, is only part of forming and sustaining successful cross-border business connections.

In other words, the benefits associated with cross-border regional location come, not as a function of physical proximity or regulatory familiarity, but from social and professional relationships and the familiarity that comes from frequent interaction. Physical proximity and preparedness play supporting roles in the formation and maintenance of successful networks and, ultimately, successful cross-border business.

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Appendix A: Sample Cover Letter and Survey

Document 1: Sample Cover Letter

Date

Address

Dear:

Since September 11, 2001, the regulatory environment and protocols associated with the Canada – U.S. border have undergone significant transformations. Eight years after the initial installment of new border policies, we are beginning to see the effects of regulatory changes on cross-border traffic flows, businesses, and individuals.

I am writing to ask for your assistance in a study that will address the impact of recent anti-terrorism measures upon your company's cross-border supply chain. Specifically, I wish to find out how businesses within the borderland region of Lower Mainland, BC and Whatcom County, WA have been impacted by regulatory changes at the border. This survey is part of an ongoing research project at the Border Policy Research Institute, Western Washington University, and will be used to generate policy recommendations to improve border-crossing conditions.

Responses to this survey will be kept anonymous, and will collectively contribute to a research / policy report. The goal of this report is to make policy recommendations for improving conditions of cross-border trade and travel. Recommendations will be made based on the experiences and feedback of people and businesses within this region. Your participation in this research is completely voluntary and you need not respond to all the questions unless you wish to do so. Thank you, by the way, for having indicated an interest in this study when contacted earlier this week. I appreciate your interest and look forward to your feedback.

This brief survey consists of four parts. You'll be asked to answer general questions about your business, followed by questions addressing cross-border transportation, border-crossing conditions, and strategy.

Would you please complete the survey (it should take no longer than ten minutes), and fax or mail it back in the enclosed postage-paid envelope in the next couple weeks? A summary of the results should be published within the next three months. If you would like to receive a summary report, or have any questions or concerns about this survey, please contact Anneliese Vance at the address listed below or e-mail me at Anneliese.Vance@wwu.edu.

Thank you for your help in this important project.

Sincerely,

Anneliese L. Vance, Ph.D.
Visiting Fellow
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Western Washington University
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Bellingham, WA, 98225-9110 USA
Tel. 360-650-7509
Fax. 360-650-3995

Document 2: Sample Survey

A. General Information

1. Broad industry classification (main product line or NAICS): ________________

2. Where is this facility located? (name of city or town): _____________________
   How many employees work at this location? ○ <50 ○ 51-100 ○ 101-250 ○ 251-500 ○ >500
   Date established at this location? ________
   What is the primary function of this location? (Please check all that apply)
   ○ Headquarters ○ Regional operations ○ Manufacturing ○ Warehousing ○ Distribution ○ Other _______
   The owner (or parent company) of this firm is: ○ U.S Citizen ○ Canadian Citizen ○ Dual Citizen ○ Other _________

3. Do you have facilities located elsewhere in North America?
   Please list locations and dates established in the space below.

4. Does this business work within a JIT system? ○ Yes ○ No ○ N.A.

5. Since 2001, has your business **imported** goods or services from the US? ○ Yes ○ No
   Approximately what percent of total imports originate in the US? _____%
   Has this changed since 2001? ○ increased ○ decreased ○ no change ○ unknown
   Approximately what percent of US imports are transported across the border by truck? _____%
   Has this changed since 2001? ○ increased ○ decreased ○ no change ○ unknown
   What percent of US imports originate within 160 kilometres of this facility? _____%
   Has this changed since 2001? ○ increased ○ decreased ○ no change ○ unknown
   Please explain:____

   ____

6. Since 2001, has your business **exported** goods or services to the US? ○ Yes ○ No
   Approximately what percent of total exports are bound for the US market? _____%
   Has this changed since 2001? ○ increased ○ decreased ○ no change ○ unknown
   Approximately what percent of exports to the US are transported across the border by truck? _____%
   Has this changed since 2001? ○ increased ○ decreased ○ no change ○ unknown
   What percent of US-bound exports are sold within 160 kilometres of this facility? _____%
   Has this changed since 2001? ○ increased ○ decreased ○ no change ○ unknown
   Please explain:____

   ____

B. Transportation

1. If your company owns its own vehicles, how are they used? (check all that apply)
   Delivery to customers in ○ Canada ○ US ○ NA
   Pick up from suppliers in ○ Canada ○ US ○ NA
   Has the ***extent*** to which company vehicles are used for cross-border business changed since 2001?
   ○ increased ○ decreased ○ no change ○ unknown
   Please explain:____

   ____

2. Do you contract out for cross-border transportation services? ○ Yes ○ No ○ N.A.
   If *yes*, what characteristics are the most important when selecting a logistics provider? (check all that apply)
   ○ Full load transport ○ LTL carrier
   ○ Large company (such as UPS or Purolator) ○ Small independent or local carrier
   ○ Long term relationship (since date) ○ Lowest price

3. Customs brokerage responsibilities are taken care of:
   ○ Within this firm ○ By third party brokers ○ By our transportation provider ○ Other

4. Have the costs for transportation services changed since 2001? ○ Yes ○ No ○ N.A
   How much would you estimate that prices have changed? ○ Increased ○ Decreased by _______%
   How much do you estimate shifting prices are a consequence of (please rank)
   _____ Border regulations _____Border delays _____Fuel prices _____Exchange rate fluctuations
   _____Compliance in voluntary programs such as FAST or C-TPAT _____Other

C. Border conditions

On a scale of 1-5, please describe the condition of border crossings between 2000 and 2008.

1a. Border crossings in this region were ___ in:
1= Very Efficient – 5 = Very Inefficient
2000 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2002 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2004 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2006 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2008 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.

1b. Border crossings in this region were ___ in:
1= Very Consistent – 5 = Very Inconsistent
2000 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2002 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2004 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2006 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2008 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.

1c. The overall cost of cross-border business was:
1 = Least Expensive – 5 = Most Expensive
2000 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A
2002 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2004 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2006 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.
2008 ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 ○ N.A.

Please explain:____

____

2. To what extent and in what way has your firm been impacted by post-9/11 border legislation? (check one)
   ○ Significant and Negative ○ Negative ○ Neutral ○ Positive ○ Significant and Positive ○ Uncertain
   Please explain: ____

   ____

3. Do you feel that your business suffered any setbacks as a consequence of changing border regulations?
   ○ Yes ○ No ○ N.A
   If *yes,* to what extent do you feel that your firm has recovered?
   ○ Complete recovery ○ Partial recovery ○ No recovery
   Please explain: ____

   ____

4. Which of the following present barriers to your ability to compete in a cross-border market? (Rank in order of importance).

____ Border delays ____Border regulations ____ Other regulations (taxes, etc) ____ Local governance (permits, etc.)
____ Immigration ____ Exchange rate ____ Transportation costs ____Security related costs
____ Recession ____ Competition ____ Labor ____ Other (explain)

Please explain: ____

____

D. Strategies

1. Have you pursued or considered any of the geographic / supply chain strategies identified in the grid below?

For the following questions, please indicate (where applicable)
1. The years during which any of the following strategies were pursued,
2. The likelihood that each strategy will be pursued in the future
(1= very likely, 2 = likely, 3 = uncertain, 4 = unlikely, 5 = very unlikely)
3-4. The city or town, and country where a strategy is being considered or has been executed
5. Please explain the rationale behind a strategy

	Pursued		**Possible future strategy?**	**Location**		**Explain: (e.g. type of facility)**
	From (year)	***until (year)***	***(1-5 scale)***	***City or town***	***Can / US***	
Increase warehoused stock						
Decrease warehoused stock						
Purchase, expand, or rent additional facilities						
Disinvest from existing facilities						
Enroll in government programs such as □ C-TPAT, □ FAST or □ PIP						
Replace US suppliers with Canadian suppliers						
Replace Canadian Suppliers with US suppliers						
Change price structure						
Choose alternate transportation routes						
Choose alternate transportation modes						
Subcontract transportation services						
Increase overseas sourcing						
Relocate overseas facilities to North America						
Expand overseas markets						
Focus on North American markets						
Expand domestic (Canadian) sales						
Join trade organization or chamber of commerce						
Other (please explain below)						

Please use this space to explain any of the above strategies.

2. Has your company undertaken employee training regarding border compliance or supply chain security?
○ Yes ○ No
If *yes*, who provided the training?
○ In house ○ Parent company ○ Government agency ○ Carrier or customs provider
○ Trade organization ○ Industry organization ○ Other ____

3. What do you think is the likelihood of another major border disruption?
Very Likely ○ 1 ○ 2 ○ 3 ○ 4 ○ 5 *Very Unlikely* ○ N.A

4. Does your company have contingency plans in the event of a border slowdown? ○ Yes ○ No
Please explain: ____

E. Contact Information and Follow Up

The following information will be kept strictly anonymous and will be coded separately from your answers. Your contact information will be used only to verify whether you have participated so that I do not send you a second survey. I would also like to send a copy of the study once completed. Please indicate whether this would interest you.

1. Your name and professional contact information (telephone and / or e-mail):

2. The name and address of your business:

3. Would you be willing to participate in a follow-up interview? ○ Yes ○ No

4. Would you like to receive a summary of results from this survey? ○ Yes ○ No

Thank you for your time!!!

Please send completed copy to Anneliese Vance at the Border Policy Research Institute, Western Washington University, Bellingham, WA 98225-9110 USA - Fax: 360.650.3995

Appendix B: List of Participants in Qualitative Interviews

Niagara Gateway, Ontario, Canada:

- David Siegel Niagara Community Observatory, Brock University
- Victor Ferraiuolo, Niagara Falls Tourism
- Ron Rienas, Peace Bridge Commission*
- Alan Teichrob, Niagara, Ontario, Economic Development Corporation
- Wendy Canavan, Economic Development, City of Niagara Falls

Niagara Gateway, New York, U.S.A.:

- Arlene White, Binational Economic +Tourism and Alliance*
- Maryann Stein, Erie County Industrial Development Association (ECIDA)
- Kathryn Bryk Friedman, Regional Institute, University at Buffalo
- Patrick Whalen, Canadian / American Border Trade Alliance (CanAm BTA)**
- Jim Phillips, Canadian / American Border Trade Alliance (CanAm BTA)**
- Chris Johnston, World Trade Center, Buffalo-Niagara
- Daniel Kolundzic, Canadian Consulate General, Buffalo, NY, U.S.A. office**
- Ed Kovalowski, Empire State Development Corporation
- Rosanna Masucci, U.S. Trade Service
- Jim Trubits, Mohawk Global Logistics
- David Griggs and Carolyn Powell, Buffalo Niagara Enterprise

Cascadia Gateway, British Columbia, Canada:

- Marion Robson
- Ray Hudson, Surrey Board of Trade
- Jonathan Sparks, Small Business B.C.
- Lynn Whitehouse, Langley Chamber of Commerce

Cascadia Gateway, Washington, U.S.A.:

- Matt Morrison, Pacific Northwest Economic Region*
- Don Alper, Border Policy Research Institute (BPRI), WWU
- Greg Boos, Cascadia Cross Border Law
- Jim Pettinger, International Market Access
- Ken Oplinger, Bellingham Whatcom Chamber of Commerce

- Hugh Conroy, International Mobility and Trade Corridor (IMTC)*
- Peter Lloyd, Canadian Consulate General, Seattle, WA, U.S.A
- Dodd Snodgrass, Port of Bellingham
- Neil Norman, PE

"*" indicates an entity whose organization structurally straddles the border and whose orientation is specifically regional in nature. The location listed is in these cases is the location where the interview took place.
"**" a national level entity. The geography described here is the location where the regional office or headquarters is located.