



Canada-United States Law Journal

Volume 27 | Issue

Article 25

January 2001

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Recommended Citation

James E. P. Sisto, *How Do Canadian Provinces and U.S. States View the Importance of Their Relationship with Their Cross-Border Counterparts*, 27 *Can.-U.S. L.J.* 139 (2001)

Available at: <https://scholarlycommons.law.case.edu/cuslj/vol27/iss/25>

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HOW DO CANADIAN PROVINCES AND U.S. STATES VIEW THE IMPORTANCE OF THEIR RELATIONSHIP WITH THEIR CROSS- BORDER COUNTERPARTS?

*James E. P. Sisto**

When Mr. King called and asked me to recommend a speaker, I started going down the list of elected officials, which I am not, of renowned academics, which I am not, and of business leaders, which I am not. Mr. King said, "I have heard you speak at the Cleveland Rotary and you did a wonderful job." I said, "I followed the Cleveland Rotary Glee Club and I was speaking about something I knew and something I felt passionate about, and that is free trade. Anyone would have done a wonderful job. Canada? What do I know about Canada? I spent my twentieth anniversary up in Toronto last summer with my wife and we went there because of the exchange rate. It is a lovely town and we saw a wonderful show. We had a wonderful time on Niagara on the Lake. We certainly loved the hospitality of Canada and we will go back again."

However, I do have to come clean. I have a little bit of background in this area. As the International Trade Director for the Ohio Department of Development, I manage ten offices around the world, and of those ten, I managed an office in Toronto. The experience of running that office was a good one. I had to learn a little bit about Canada labor law. I had to learn a little bit about the culture and business climate. I had to work with Ohio companies trying to sell to Canada, which I think is why Mr. King thought of me for the topic.

My other role was with the Council of Great Lakes Governors and working with two Ohio governors in developing an agenda and a program for the states, plural, the eight, Great Lake U.S. states, working amongst each other, which is difficult enough, and then, occasionally, with Ontario and Quebec in particular. I wrote the speeches that these two Ohio governors gave for seven years, all about Canada and other trade issues.

The credential that I will most hold out, in preparing me for this, is working with the government officials from Canada as they arrived in Ohio. Their consular corps serves the citizens of Canada very well, as their consular corps would really come prepared. Typically, we would have a consul

* Sisto bio.

general or ambassador call and say, "We are coming down to Columbus, we would like to have a courtesy meeting with your Governor for fifteen minutes. It is our duty to do so." I would say, "Okay, that will be fine" and we would send up a report to the governor. However, we could not do this to prepare for the Canadian consular corps. The Canadian corps core came with an agenda and they wanted those items discussed. The meetings were very constructive. It is interesting, because these were issues that you think may belong on a federal basis, but, actually, were discussed very closely on a state basis with your federal government representatives.

For instance, what was Ohio going to do about that beer and wine distribution tax incentive for local breweries and wineries? Why do you have it and is it adversely affecting Canadians trying to sell their products?

What was Ohio going to do about its "Buy Ohio" procurement policies, which discriminates against road salt that is mined in Canada?

What was Ohio thinking when they passed an Ohio export tax credit, which clearly violated the General Agreement on Tariffs and Trade (GATT), (according to our visitors)?

What were we collectively going to do about these archaic rules of transportation, in other words, cabbitage, which has prevented the Great Lakes from developing as a travel and tourism location?

Another issue was what we were going to do about Section 110 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996? Granted, Ohio did not have a land border with Canada, but we do border Canada on the lakes and we certainly have people traveling down the lakes, through Ohio, commerce in particular, so what was our position going to be on that issue?

Finally, what about the Great Lakes themselves, how were we, one of the bordering states going to protect and preserve this natural resource?

From there we would move to the more serious topics. What about those Ohio fishermen drifting across the international boundaries and catching fish with Canadian accents?

On a serious note, we have asked several times, when will the Canadian provinces join the Sub-central Government Procurement Code of the World Trade Organization (WTO)?

The issues were real; the conversations were substantive, the follow-up that I was required to do was expected and the Governor would respond. However, I never gave the responses that I really wanted to give, so now here is my chance.

About that road salt; Canada, you send us all the snow, so we are going to use U.S. road salt.

Regarding that export tax credit, we can blame it the tax lawyers who do not give us a water-edge tax system. Until they do, we will get a little credit going, that is fine.

As far as the cabbitage issue; we are not going to let people choose between getting off cruise ships in Montreal, Toronto, or the Canadian side of Sault Ste. Marie, or getting off in Erie, Lorain, or Gary. Which would you choose? It is not going to happen. I am sorry. It is just not going to be possible! As far as the fish are concerned, once we detect the lack of a U.S. accent, (I am trying to be politically correct here), our guys will know it and throw the fish back, so that is about it.

About thirty-five of the U.S. states have signed the WTO Government Procurement Code, but none of the Canadian provinces have joined. Ohio will not join until the provinces join.

I have a few things on my list and this will date me a little bit, but what about that intentional infliction of emotional distress on all the U.S. lawyers who suffered through the Federal Emergency Relief Administration years? Some of us still have nightmares about that.

What about those years of offset policies that helped to build businesses in Canada who are now competing with the U.S. companies?

Finally, what about those beer commercials that make us feel so bad about not being Canadians ourselves? We feel guilty listening to them.

I knew I could not be too academic with the group that is here, nor did I think I could out lawyer the lawyers that you have in this room who are impressive, so I felt I needed to turn to another source for material for this evening's speech. What do people in Canada and people in the U.S. think about each other? Courtesy of the Ohio Toronto office, I received a little video and the video gave me the following clues.

I think it is something called *The Twenty-Two Minute Hour*, a television show. It talks about the U.S. It interviews citizens of the U.S. on the grounds of some of the U.S.' most prestigious university campuses, and discusses petitions to stop the annual seal slaughter in Toronto, to have U.S. ground troops aid not only the citizens of Chechnya but also Saskatchewan; to ask Canada to please give up the twenty-hour day because it is throwing off U.S. truckers; to ask Prime Minister Horton to please preserve the national capital dome igloo in Windsor and to strike the word *hullabaloo* from the English language as a racial slur against an indigenous people of Canada. Finally, in what I think was just awful, we have then candidate George Bush on tape being congratulated for the endorsement of Prime Minister Poutine, a small potato dish with a lot of gravy on it. Bush thanked the reporter, and said, "I agree with his trade policies and his economics. I look forward to working with him." That was a little bit embarrassing.

Honestly, when we work with companies in Ohio, and we have about four thousand clients in our database of Ohio-based companies who are either exporting or we are trying to help them become exporters, we would try to fill out a profile of the company. The first question we would ask was, "Do you export?" The company would answer, "No." Then we would ask, "What about this office in Toronto?" To which the company would say, "Oh, we sell millions of dollars worth of goods to Canada." Okay. To which we would reply, "So you are an exporter." The company would say, "No, it is Canada, the trucker takes the goods across the border."

The other response we would get was, "You mean they buy things up there? There is a market up there?" We said, "Yes, it is a very large market. You need to take advantage of it."

There is this dichotomy between companies who felt they were not even doing business internationally (across national borders) and the others who never even gave Canada a thought. We have this two-prong challenge to work with these types of companies.

Do I think that these responses are causes of concern? No. For the companies who were exporting and did not even consider it an international market, we, of course, wanted to help them understand that they were doing business in a different legal jurisdiction, that there were some issues they had to think about and that, yes, perhaps Toronto and Ohio have similar cultures, but what about the other parts of Canada? You hear about people in the trade community sitting around and debating for hours about how many markets are there in China; are there six distinct markets, are there seven distinct markets? Do you measure them by language or geography or what? I would say there are at least three, maybe four, and now I know about Hullabaloo, maybe five, different markets in Canada. You do not market the same way in Quebec as you would for Toronto or as you would out on the western sides, or even in the Maritimes, for that matter. Canada has distinct markets, distinct laws, and distinct ways of doing business. We would have to try to get the companies to appreciate this.

We also had a difficult time recruiting people to go on missions to Canada because they did not feel Canada was exotic enough or that the Governor really brought enough leverage to open doors. I tend to agree in many ways. It is not the same as having your Governor or elected official with you in China or even in India or someplace where they can really take advantage of their position. We had a difficult time recruiting for Canadian events. I would marvel, when I was trying to negotiate for fifty people to come to India from Ohio, including our Governor and business leaders, and I would ask for break on the rooms, they would say, "The Canadians are coming the week before you and they have seven hundred." They would have the Prime

Minister, all the Premiers and business leaders. I marveled how Canada could do this when we do not work that way in the United States. In the U.S. there are occasionally trade missions and delegations led by federal government officials, usually the Secretary of Commerce, sometimes the President or only the top or the heads of some of the major companies. There is usually a very specific agenda. The Governors are very active in leading delegations of small and mid-size companies out into the markets. To get that type of cooperation on the Canadian level was something at which I marveled.

We do have strong ties between the Great Lakes states and Canada. Our relationships are becoming increasingly complex. Now some of the issues concerning the North American Free Trade Agreement (NAFTA) are coming out, but we also have many local issues. We have Governors, County Commissioners and Mayors becoming involved. For example, the most active advocate who would call us complaining about the road salt was a Mayor. She would call the Governor's office to complain that we were not giving the lowest bidder the contract because the road salt was mined in Canada. I agree we do have this preference in Ohio. If there is an Ohio bid, then it is the lowest bid.

Anyway, So former Canadian Foreign Minister Lloyd Axworthy, never one necessarily to be considered a fan of the United States, did say the old hierarchy of government-to-government relations is now being replaced by a spider's network across the boarder. There are other relationships replacing just the Ottawa/Washington relationship. These closer relationships among companies as well as among states and provincial governments are occurring as we speak.

This is certainly the case with the Council of Great Lakes Governors, to which Ontario and Quebec have joined. This is certainly the case with the Council of State Governments, to which Ontario has also recently joined. As a matter of fact I was in Windsor when they announced the new north-south approach intended to help foster cross-border relationships where more direct contact will be practical than formal international processes; where we can get things done faster working with each other instead of going through our federal governments. We may have a constitutional problem with that somewhere along the way, but until we do, I think it is quite welcome. There are similar alliances forming throughout the United States and Canada. The western states now have a very strong relationship. The Atlantic States and the New England states have developed a very strong relationship over the years.

As a matter of fact, just recently, about a year ago, a potential international issue was resolved because of close relationships when the Governor of Maine and the Premier of Quebec got together and talked about issues

with cross-border workers and healthcare issues, and some of the problems that were coming up in workers comp. Maine was going to deny workers' compensation coverage to Canadian citizens who happened to come across the border to work, and they were able to resolve that quickly and efficiently by dealing with each other, and not through the federal governments.

So then we have got this going on. These relationships are important. They are going to develop, and I think, at least for the time being, as long as the Federal Governments allow us, they should be welcome.

I will refer to a few trade statistics. In 2000 overall trade between Canada and the U.S. reached seven hundred billion Canadian dollars. U.S. trade with Canada is fifty percent higher than our next closest partner, Japan. Exports from the U.S. to Ontario alone were twice what we exported to Japan. Seven of the top ten exporting states to Canada are those Great Lake States that I mentioned. We have, in Ohio, one hundred eighteen Canadian-owned companies, employing fourteen thousand Ohio workers. Last year, on a national level, the U.S. invested one hundred seventeen billion in Canada. Canadians invested ninety-one billion in the United States. Thank you.

These connections increase every day. The numbers I just gave you are old. They are dated. I just got them off the computer a couple of days ago, off the web.

I would love to go down the street and stop the driver of an American car, probably a Dodge Ram that has "Buy American" bumper sticker, to knock on the window and to say, "Do you know that the majority of your car is not built in the United States, it is built in Canada? That Burger King you just pulled out through, do you know that is British owned? Did you know that the 7-Eleven at which your wife is asking you to pick up milk, that is Japanese owned?" The list goes on and on. The average person in the U.S. does not appreciate this.

Right now, if you saw the news, you saw that we have people protesting free trade in Quebec over the Free Trade Summit of the Americas.

We also have two Ohio congressmen announcing an act they are going to introduce to Congress next week called Buy American Steel Act. We do not come with clean hands to this issue of free trade. Believe me, I understand that.

One of my pet peeves is the thirty percent tax on trucks, pickup trucks, which were the result of chicken wars of the European community in the 1970s. Somehow the U.S. companies just continued to live off the fat of that tariff, which artificially inflates the profit that the automotive industry can make off pickup trucks.

We have protests going on in Quebec.

We have congressmen announcing "Buy Ohio Steel."

We have a challenge. That challenge is that while we can and have a wonderful economy between the two of us, we have the world's largest trading partnership; we need to continue to expand that. That is my own personal view.

The U.S. has to continue that expansion. I think we are falling behind. Canada has, without us, gone ahead to Chile, which the U.S. did not do. If the U.S. does not get going on the fast track and continue negotiations; then Canada will become the North American lynchpin for future trade agreements. If you go to Canada, then you will have access to NAFTA, and maybe to the Free Trade of the Americas. Maybe you will not have this access from a location in the U.S. That could very well happen.

I would like to see North America being the lynchpin and NAFTA being extended down into South America, and I think it is incumbent for those of us involved in trade to break out of our norm when we are speaking about banking issues, legal issues, or accounting issues to talk a little bit about why this is important to us, about the standard of living increasing for the common average citizen.

I did these focus groups behind see-through mirrors of blue-collar workers and union members. We asked them what they thought about exports. They said, "I drive a forklift. I know that those goods are going to be exported." They said, "Exports are good." They said, "Imports are good. Imports mean when I buy a new microwave, telephone, or TV, that I have a choice, and it is a lower price." Everybody was in favor of trade. We asked them what they thought about NAFTA. They said, "NAFTA is bad. That means you are taking my job and moving it. That is corporate greed. That has nothing to do with the imports and exports you were just talking about. Do not try to relate those together." This response was uniform. We did this with sixteen people. We used random sampling. Each participant was from across the board as far as demographics and everything, and there were sixteen answers that were exactly the same; "No, NAFTA has nothing to do with trade, it has to do with you taking my job or enabling companies to take my job and move it south of the border or someplace else."

We deal with that trading community. We deal with the executives and CEOs who should tell their workers how this company benefits from trade, but they do not.

I think it is important and incumbent upon us. I think the U.S./Canada relationship is the position of strength we have to take and go develop this Free Trade of the Americas Agreement so that we can continue to be the economic engine that we are, not just for this part of the world but also for the world as a whole.

Thank you.

