

From B2B to G2G:
Re-engineering the Canada-United States Relationship

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The new century is marked by a transformation in the economy that is changing the environment in which the United States makes policy regarding Canada, which is already a complex and diffuse process. First: what is new about the new economy? Second, how does the U.S. approach Canada in its policy processes. Third, how does Canada attempt to manage its relations with the United States? Fourth, how can business models help both countries to improve relations?

I. The New Economy and Canada-U.S. Relations

Deepening Canada-US integration is not a new phenomenon, but has reached a new point. What is different today is the rapid rate at which integration is proceeding. Driving the acceleration of bilateral integration is the power of the new economy, a mixture of technological advances and restructured relationships among the public and private sectors and individuals in both countries.

High Velocity Logistics

Information technology has produced a revolution in the relationship between firms and their customers, and similarly between firms and their suppliers. With an effort to reduce inventories to near-zero quantities, companies order what they need based on real-time information on what is selling, and rely on advances in logistics to ensure that new supplies arrive just in time. Policymakers observing the new economy comment frequently on the importance of growth in the *volume* of economic activity as reflected in increases in output and productivity – equally important is the growth in the *velocity* of economic activity. In this environment, small regulatory adjustments that impede economic flows can result in multimillion dollar losses in minutes – creating a new “third rail” for policymakers.

E-commerce

The rapid growth in *e-commerce* also confounds traditional notions of trade, particularly between Canada and the United States which rank in the top ten countries for Internet usage worldwide. According to Statistics Canada, 1999 e-commerce retail sales posted a record high, but fully 50 percent of the value of Canadian purchases was from U.S.-based web sites. This is reflected in expanded demands on the telecommunications infrastructure that connects the two countries: the U.S. Federal Communications Commission reports that voice and data transmissions between Canada and the United States grew from 2 billion minutes in 1986 to 6.3 billion minutes in 1996.

When such e-commerce transactions result in the shipment of a good, such as a book, across the Canada-United States border its value is recorded in the trade data. But when the item traded is electronic, such as a downloaded software program or a pop song recorded as an MP3 file, it is not. The Internet allows Canadians and Americans to trade in stock market information, auction services (such as Ebay), favorite recipes and now electronic books – all without registering in the data governments use to gauge economic activity. North American governments are handicapped with an 18th century data model for managing a 21st century economy.

Enterprise Diversity

Another important change has been the emergence of thousands of *mini-multinationals* – small to midsize firms that were able to take advantage of the Canada-United States Free Trade Agreement (CUFTA) to enter their first foreign market. While large corporations, such as those in the auto industry, were able to negotiate favorable access before CUFTA, one of this agreement's main accomplishments was to ensure that preferential access was available to all firms. This coincided with a boom in entrepreneurship and sustained low interest rates that boosted the number of new business created throughout the 1990s. As a result of the presence of these firms, which struggle to contend with each new regulatory mandate with limited resources, Canada-United States economic relations have a grass-roots constituency that poses an additional

challenge for governance. No other U.S. or Canadian trade relationship has such a diverse participation profile.

De Facto Labor Mobility

Knowledge workers, including those with special skills, are highly mobile and gravitate to attractive job opportunities – regardless of where these may be located, and they are often located in the United States. A survey of Canadian university students recently found that of every 9 Canadian students studying information technology, 8 will emigrate within 5 years to the United States. Meanwhile, Human Resources Development Canada reported this year that 50,000 high tech jobs in Canada are unfilled for lack of qualified applicants. The lower tuition costs at Canadian universities produce well-educated graduates with a fraction of the student loan debt of their U.S. counterparts, giving young Canadians a key advantage. When higher salaries in the U.S. also beckon, as with health care professionals, Canada faces difficulty meeting domestic needs with the graduates of its schools. Barriers to Canadians coming to the United States are low, yet in 1996, the U.S. Immigration and Naturalization Service reported that Canada was the fourth largest source of illegal aliens in the United States.

Although negotiators did not provide for full labor mobility in either CUFTA or NAFTA, settling for limited provisions covering certain professionals, there is emerging a de facto open labor market where the remaining restrictions are a serious impediment.

Pressure for Public Sector Productivity

Governments across North America are committed to balanced budgets, creating a strong incentive for the public sector to follow the lead of the private sector in improving productivity. By working together more closely, the two countries have the opportunity to achieve greater efficiency and avoid duplication in the conduct of the shared economy. Canada, which must sustain many functions of national governance at levels comparable to those in the United States in order to meet the expectations of Canadian citizens, operates over a larger geographic area with a smaller population and tax base, and so stands to gain from such bilateral cooperation.

At the same time, both countries should consider ways to take advantage of the potential of information technology to reduce the burden of regulation and enforcement activity. This is already being done in the area of customs and immigration. Trucks now transmit paperwork to customs agents at the Canada-U.S. border before they arrive, allowing for rapid clearance of shipments and reduced traffic backups at inspection booths. Shippers participating in the program are spot-checked, and their records are auditable by customs officials, discouraging fraud – since this would result in denial of privileges at considerable cost to the shipper. Similarly, Canada now permits regular commuters to apply for a special pass that allows them to use an automated clearance lane at major border crossings. Commuters are also subject to random inspection, but this program permits immigration authorities to have a precise record of when an

individual crosses the border – which is not recorded now except at airports – while the commuter gets cleared for entry faster. Working together, governments in Canada and the United States can develop consistent formats for data that would permit them to share information and benefit citizens by using the same forms for various transactions in both countries.

Diffusion of Governance

All of these factors, particularly pressure for public sector productivity improvements, come as the number of governments playing vital roles in the fabric of the relationship has multiplied. The information economy is becoming a knowledge economy, whose strength is based on the level of education and skills training of individual workers. As a result, *the role of U.S. states and Canadian provinces*, with responsibility for education policy, has grown more important to the overall bilateral economic relationship. States and provinces now deal frequently with one another without consultation with their respective federal authorities. Most provincial premiers now participate regularly in one or more regional governors summits (such as the New England or Great Lakes governors meetings) and send representatives to meetings of the U.S. Council of State Legislatures. In dozens of policy areas, from taxation to economic development, environmental protection and energy policy, regional alliances of states and provinces are playing a growing role.

II. Diffuse Policymaking and its Hazards

The trends that are shaping Canada-U.S. relations as a result of deepening integration are all relevant to policymaking, but none more so than the challenge of increasingly diffuse policymaking. The trend toward diffuse governance has its roots in the Canadian and U.S. federal systems, which distribute power and responsibility to different levels of government, from federal to local. Authors of the Canadian and American constitutions viewed foreign relations as sufficiently delicate that it needed to reside at the apex of each system. But what was considered to be foreign policy in the 18th and 19th centuries was a narrow cluster of national security and tariff policies. Canada-U.S. relations now include numerous policies that are the purview of governments at all levels of each federation.

This diffuse policymaking environment is marked by an important asymmetry in power between the United States and Canada. Intentionally or not, the United States usually sets the pace for relations due to the size of its market and its population, forcing Canada into a reactive posture. The manner by which U.S. policy affecting Canadian interests is formulated must therefore be considered before reviewing the Canadian approach to diffuse policymaking. From there, we can consider improvements.

U.S. Canada Policy: A Model for Diffuse Policymaking

Policymaking bodies in the United States approach problems and opportunities in similar ways, and where Canada is concerned, the pattern of policy options available to U.S. policymakers is consistent across all levels, from non-governmental organizations to national foreign policy. Where the various policymaking entities differ most significantly is in their approach to the acquisition and application of knowledge in their decision processes.

U.S. policy affecting Canadian interests shares much in common with policymaking in general, at least in the sense that it originates in similar ways to other policies. Policymakers are motivated to make decisions on any subject for one of three basic reasons. The first is a *constituent demand*, a motivation arising from a group that may or may not include the decision maker as a member. For government policymakers, constituents are generally the voters (or their parents who vote). For corporations, constituents include shareholders and customers. Non-governmental organizations respond to volunteers and key funders. Universities may react to students, faculty, or to alumni. Professional associations may act as a result of a request from their membership.

A second motivation for policymaking can be structural, due to *delegation* from another policymaking body, or the assignment of policymaking responsibility to the policymaker through a constitution or charter. Action may be taken because it is considered to be within the proper mandate of a particular policymaker.

Individual policymakers may become self-motivated to act in a particular area, through a personal *inspiration* that action in a particular area would be beneficial or worthwhile. The role of individual motivations is frequently underestimated in modeling policymaking behavior.

These three motivations for policy action help to determine the level of analysis for the model. It is important to begin by distinguishing among policymaking that occurs as a result of group-specific, structural and individual responses and actions. These distinctions can apply at all levels of U.S. policymaking, from federal to local government and the non-governmental policymakers mentioned earlier. For example, farmers concerned about the effect of imports of low cost Canadian grain on U.S. grain prices may demand action from their state and federal governments to block Canadian imports, to fix prices in the market, or to provide a subsidy to help farmers. The farmers will also likely turn to farm organizations to organize protests and to make representations on their behalf both the U.S. and even Canadian governments. They will also lobby grain buyers – large firms in the United States – not to purchase the Canadian grain, either through their own farm organizations or their elected representatives. This constituent demand from farmers would motivate policy decisions (which may or may not reflect the farmers' wishes) by government, corporations and organizations and the consequences would redound to Canadian grain exporters.

In another example, a prosecutor may face the question of how to indict a Canadian citizen for a crime committed in the United States, and what penalty to seek

from the courts if the individual is convicted. U.S. law provides the prosecutor with certain responsibilities and constraints, but the consequences of his or her decision will have implications for the individual's family and friends in Canada, and could establish a precedent for future cases where Canadians are suspected of similar offenses. The U.S. prosecutor might also have to decide how to respond if Canadian authorities choose to intervene by requesting the extradition of the individual to face trial, or perhaps to serve out a prison sentence, in Canada. The prosecutor in such a case does not set out to make Canada Policy. Instead, the motivation for all of these decisions by the prosecutor comes from the structure of his or her job as a prosecutor, as set out in U.S. law.

Individual policymakers can and do act on their own inspiration. For example, a parent who volunteers as head of a local youth soccer league might decide to invite Canadian teams to participate in a big tournament at the end of the season, transforming the event into an international competition. The invitation may lead to a reciprocal invitation from the Canadian youth league, and a regular series of tournaments bringing together kids and parents from both countries, fostering new friendships and rivalries. At the league banquet, another parent notes that it was all thanks to the one parent who had a good idea and followed through to make it happen. But that idea clearly had positive consequences for U.S.-Canada relations.

Motivations for U.S. policymakers to venture into the realm of Canada Policy clearly vary, as do their responses to these motivations. In general, it is possible to categorize U.S. policy actions in three ways, as *indifferent*, *reactive*, or *neighborly*.

Within these three categories there are two distinctive types of response that will be differentiated in turn.

Policymakers may take decisions, *indifferent* to (or unaware of) the fact that they are contributing to Canada Policy. Indifferent U.S. Canada policies can be of two types: accidental or irredentist.

An accidental U.S. Canada Policy action can come from an indifference to the consequences of the action for Canadians. Managers at a video rental store chain might select new software that requires a Social Security number to identify individual customer records, unaware that this will block Canadian customers from continuing to rent movies and video games at their outlets. A U.S. philanthropic foundation may decide it will only consider funding applications from organizations that qualify for charitable status under the federal tax code, intending to exclude individuals and local government groups from submitting applications, but unintentionally excluding Canadian applications at the same time. The U.S. Environmental Protection Agency could promulgate new groundwater quality standards that do not address runoff and other pollution from Canadian sources, thereby making the standards less effective for U.S. communities and encouraging polluters to relocate to the Canadian side of the border – posing an additional challenge for Canadian regulators.

Irredentist (or expansionist) U.S. Canada Policy actions stem from policymakers seeking to expand their area of jurisdiction or legitimate activity, indifferent to what this

could mean for Canada. A U.S. association of material science engineers, whose members work with advanced composites and other high tech materials, may decide to issue new guidelines for its members designed to foster recycling and then campaign to have these practices accepted as an industry standard. Canadian material science engineers would then face pressure to adopt U.S. standards from their employers and customers. A state legislature might adopt a new law requiring that small watercraft be inspected before owners can receive a permit to operate in inland lakes, only to find that the largest group of citations issued by state police for boating without a permit was due to Canadian tourists unaware of the new requirement.

Canadians often respond effectively to indifferent policies affecting their interests by pointing out to U.S. policymakers the unintended consequences of their decisions. In some cases, an exemption for Canadians is ordered, or the application of the new policy is adjusted to accommodate Canadian concerns.

The second category of U.S. Canada Policy action is *reactive*. Unlike indifferent actions, reactive policies reflect awareness of Canada and Canadian interests on the part of policymakers. Reactive U.S. Canada policies can be of two types, reflecting their orientation: defensive and offensive.

Defensive policy actions are intended to protect U.S. interests, in reaction to a perceived problem related to Canadians or Canadian interests. For example, county hospitals in Florida recently sought relief from the state legislature from the costs of

treating uninsured Canadian retirees. These elderly Canadians believed that Canada's health care system would cover the costs of the health care in Florida, but changes in provincial health care policies left them without any coverage, and county hospitals were being forced to absorb the costs of their treatment without compensation. The state legislature responded by passing a new law denying free public health care for non-citizens. In another case, the U.S. Congress approved a law, signed by President Clinton, designed to curtail Canadian investment in property in Cuba expropriated by the Castro government without compensation to the legitimate U.S. titleholders. This law, popularly known as the Helms-Burton Act, was intended to prevent a further dilution of the American claims by threatening penalties for the executives of Canadian firms involved in the trafficking of these stolen properties. Defensive actions can also be comparatively modest. A soft drink distributor with vending machines in resort towns along the Atlantic coast may choose to upgrade the machines to reject Canadian coins after being shortchanged by an influx of Canadian tourists.

Offensive policy actions, in contrast, seek to take advantage of an opportunity related to Canadians or their interests. The board of a service club in a border community may decide to accept Canadian money at par with U.S. funds for their monthly luncheon admission fees, to encourage Canadians to attend. An online retailer may offer special discounts on shipping to encourage Canadians to use an e-commerce website originally designed for U.S. customers. The board of a hospital in the United States might choose to actively recruit medical professionals in Canada, aware that they are typically well-trained and less well-paid than their American counterparts under the Canadian health

care system. In 1999, a bill before Parliament to protect Canadian magazines from U.S. competition faced little domestic opposition. The Office of the U.S. Trade Representative threatened retaliation against unrelated Canadian exports to the United States in order to raise the political stakes for Ottawa, exploiting an opportunity to prevent the passage of the bill. The Chrétien government modified the legislation before it was passed to accommodate the concerns of the U.S. entertainment industry, heading off a small trade war.

Canadians attempting to respond to reactive U.S. Canada policies must contend with policymakers that are often well informed about Canadian realities. Often, disagreements over reactive policy measures are among the most difficult to address. Canadians resent the need to defend their decisions to U.S. policymakers, or attempt to treat the dispute as a misunderstanding by the U.S. side – in effect, treating a reactive Canada Policy measure as though it were an indifferent one. The assumption of U.S. ignorance is of limited value in these cases. Specific U.S. policymakers may be ignorant in many ways about Canada, but reactive policies are adopted in response to concrete problems and opportunities, and Canadian responses need to address these concerns directly if they hope to alter the U.S. policy.

One method used by Canadians in response to such reactive policies has been to ally with like-minded U.S. constituent groups, higher-ranking authorities in the United States friendly to the Canadian position, or individual policymakers willing to support Canadian appeals. This can undermine the position of the U.S. policymaker through new

pressures from within their own system, creating a window for negotiation or dialogue to address the original concerns without unnecessary damage to Canadian interests.

The third and final category of U.S. Canada Policy action is *neighborly*. The rich interaction and shared values among Canadians and Americans can make the politics of neighborly actions attractive to U.S. policymakers, and historically such efforts have often been successful in addressing U.S. concerns. In contrast to indifferent and even reactive policies, neighborly policy requires a more extensive knowledge of Canada and Canadians on the part of the U.S. policymaker, or an active working relationship with Canadian counterparts. Neighborly Canada Policy actions are of two types: comparative and cooperative.

The incidence of comparative policy pressures in Canada and the United States is growing, as individuals communicate across the border about their experiences. This leads to an inevitable “comparison shopping” effect, as one community’s approach is cited as a model – or a cautionary tale – for another. Thus Canada’s experience with gun control is cited in city council chambers and legislatures across the country, and public health officials in the United States study the ineffectiveness of steep Canadian taxes on cigarettes in reducing the incidence of smoking beyond a certain level. U.S. tax rates are praised by Canadian business, and welfare reform is studied for its implications for Canadian social policy.

While comparative policy has been a part of domestic policymaking for sometime, it is also increasingly a factor in U.S. Canada Policy formulation. For example, when the Red River flooded its banks in Minnesota, North and South Dakota, and Manitoba there was a tremendous U.S.-Canada combined effort to contain the flooding and aid people in the flood plain. Subsequently, U.S. officials expressed admiration for the earthworks around Winnipeg designed to prevent the city from flooding, and efforts were made in the U.S. to copy Winnipeg's preparedness. Environmental groups in the Pacific Northwest states of Washington and Oregon have shared advice on protest techniques and fundraising with similar organizations in British Columbia. U.S. health officials cited Canada's tragic national experience with infected blood in its national blood system as a reason to adopt stringent testing and screening of blood and blood products.

Thus far, the U.S. Canada Policy actions identified have shared a common characteristic – they were largely unilateral. The second type of neighborly Canada Policy action is cooperative. Where U.S. policymakers have a sufficient knowledge of Canada to identify appropriate partners and develop working relationships with them, joint action has the potential to be the most effective means of addressing U.S. interests and related Canadian interests. If deepening economic and societal integration makes cooperative action easier, it also makes cooperation more necessary.

Canada and the United States have established numerous institutions to facilitate and, to an extent, formalize bilateral policy collaboration, particularly among government

policymakers. The International Joint Commission addresses shared environmental concerns. The North American Aerospace Defense agreement provides for cooperation between the U.S. and Canadian air forces. The U.S. state governors associations invite Canadian premiers to attend their regular meetings. Selected Members of Congress and of the Canadian Parliament meet every year in the U.S.- Canada Inter-parliamentary Group conferences. For corporations and non-governmental organizations, a more common approach is to become transnational – accepting Canadians and Americans into their ranks and organizing cooperation within their own structures and rules.

Having described in some detail the elements of a model for diffuse U.S. Canada policymaking, it is now possible to place the motivations for U.S. policy action (the levels of analysis) in a common framework with the modes, or categories of U.S. policy action. Figure 1 illustrates these relationships as a matrix.

Using this model to analyze the formation of U.S. Canada Policy actions begins with an assessment of the motivation behind the action. Accepting that policymakers and policymaking groups in the United States must be responsive to these motivations in some fashion, the next step is to consider the action proposed or taken. The greater the knowledge of Canadian interests or Canada in general on the part of the particular policymakers, the more modes of U.S. Canada Policy open to them. This suggests that access to appropriate information is the key independent variable in moving U.S. Canada Policy away from unilateral actions and toward cooperative ones. It is not always certain

Mode of U.S. Canada Policy

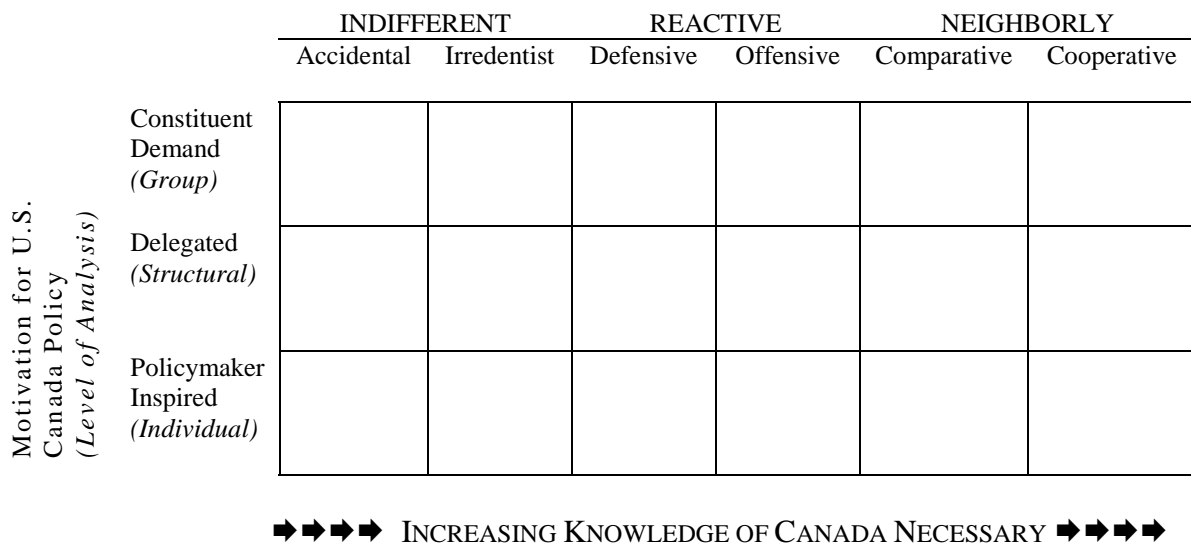


Fig. 1
Model for the Diffusion of Canada Policy in the United States

that this will be the preferred path, depending on the position of the observer using the model, and so no normative judgment is offered in the arrangement of the options in Figure 1.

Information flows in the current environment of deep integration and Internet communication render a strategy of information control as a means of influencing U.S. Canada Policy difficult if not impossible to achieve. Decision makers at all levels in the U.S. have access to numerous sources of information. The challenge for U.S. Canada policymakers is to sort through the available information and draw on the useful knowledge that it may contain. This means that the role of experts – academics, staff advisors, consultants, technical specialists and professionals, researchers, and individual Canadians and Canadian sources of analysis known to the U.S. policymaker – can be particularly important in shaping U.S. Canada Policy.

The Role of Knowledge in Diffuse Policymaking

To this point, the model has not distinguished among types of policymakers; government, corporations, non-governmental organizations and others are all considered to follow the same path toward participation in the making of Canada Policy. There are important differences among these types of decision-making actors, the most significant relating to the manner in which they manage information.

Governments at all levels have relatively formal processes for acquiring, considering and applying information in policymaking. Corporations vary, as do non-governmental organizations. In all these groups, the larger the policymaking entity, the more formal the process used to acquiring and processing information for decision-making is likely to be.

The first consideration for policymakers when it comes to information sources is simple *accessibility*. A source is irrelevant if the policymakers do not know that it exists. The Internet makes many sources newly accessible for decision makers at various levels at little or no cost. The news media also call attention to information that may be useful or which may help to shape the political dimensions of the policy choice facing the decision-maker. In this regard, Canadian media sources, particularly newspapers and broadcast media, are accessible through websites that permit policymakers in the United

States to track reactions to issues and options by the Canadian public or its opinion shapers in the media. This improvement in the accessibility of information about Canada, however, is often balanced by time pressure on policymakers since it raises the expectation on the part of policymakers that they should be able to obtain relevant information very rapidly. This expectation favors web-based information in many cases, simply due to the convenience of this format, rather than the potential reliability of the information contained on various websites. As a result, a thoughtful book on a relevant subject may be considered less accessible (and therefore not considered) than a news wire story that comes up on a search by staff.

The second, and in many ways most important criterion for policymakers in choosing information sources to rely upon in decision-making is the *credibility* of the source of information. The determination of credibility is a necessarily subjective judgment, but will be influenced in the case of U.S. Canada policymaking by the motivation of the policymaking entity for acting in this area. If the pressure on the policymaker comes from constituents, then the information used by the policymaker must be credible to these constituents. For example, a U.S. farm lobby group must be cautious in using information from the Canadian Wheat Board, but may find Statistics Canada an acceptable source. If there are structural motivations for the policymaker to act, or the responsibility has been delegated to the policymaker, the information used must satisfy the delegating authority, or the structural requirements of the policymaker's position. In the case of the U.S. prosecutor, legal precedents are useful, but must be from American jurisprudence. International law arguments may be considered, but will not bind the

prosecutor. An individual policymaker may choose among information resources based on a personal assessment of their credibility, or with a view to persuading others to follow the policymaker's lead (either fellow policymakers or constituents).

An important and occasionally frustrating aspect of the credibility of information in U.S. policymaking is the widespread tendency at all levels to view information with a suspicion of its inherent biases. Some may credit this to cynicism, but whatever its rationale, it is necessitated by the very open U.S. policy process where decisions are regularly and openly challenged. In U.S. Canada policymaking, this means that information from Canada – especially from official sources and particularly from the Canadian Embassy or Canadian consulates around the country – can be considered as partisan, irredeemably biased toward Canada. This taint to Canadian information can make it impossible for U.S. policymakers to justify decisions using Canadian sources, regardless of the veracity of the information itself.

Such suspicions extend to many U.S. sources, although in a slightly different way. Within the executive branch of the U.S. federal government, the Department of State must compete with numerous other agencies of the government for the attention of the president, and is not frequently viewed as the most persuasive source of information or analysis on foreign issues. The Central Intelligence Agency, too, has had its credibility undermined in recent years due to notable oversights and misjudgments that have, fairly or unfairly, brought all of its assessments into question. The U.S. Congress often views administration sources as hostile to congressional intervention in international policy, and

congressional oversight and budget responsibilities encourage representatives of the executive branch to become guarded in communication with the Congress. State governments alternate between respect for federal information sources and suspicion that Washington policymakers wish to discourage state activism in international arenas. Corporate decision-makers approach government information similarly suspicious of the motives of government information providers. In many ways, these suspicions are structural, built in to a system that sets powers against one another and established institutional rivalries that color the policy process.

In practice, policymakers in the United States generally approach the biases inherent in information sources by relying on multiple sources in every decision – seeking, in effect, second and third opinions to avoid becoming captive to a particular bias. Canadian information is thus balanced by U.S. information, and government sources are weighed against independent experts. This approach, reflected in the U.S. culture in the news media and elsewhere, establishes the credibility of sources through contrast rather than based on the authority of a particular source.

This notion leads to a third consideration for policymakers choosing among information sources, which is a determination of the *compatibility* of the information with the needs of the U.S. policymaking entity. The determination of compatibility is largely subjective, as is the determination of credibility. It proceeds as policymakers raise a series of questions about the information. For example, does it take account of the U.S. view or American perspectives? Does the information speak generally, or directly, to the

issue at hand? Does the consideration of this information lead to a doable course of action or a practical recommendation for action? Can the information as found be adapted to the decision at hand?

Certain sources of information for U.S. policymaking are particularly influential because they are interactive for policymakers. That is, they can respond to specific questions or problems. For formal information evaluation systems, such as those operated by U.S. corporations, and state and federal government bodies, interactivity is particularly prized. Such processes employ expert opinions solicited from individuals or organizations that demonstrate the necessary accessibility and credibility. A corporate vice president considering a Canadian problem may turn to a trusted consultant, lawyer, or think tank scholar for a quick primer on the issue at hand, and the options worth reviewing. Members of Congress may seek testimony from individuals whose views are consistent with their own in order to build support for their position in a hearing.

In the diffuse policy process described by this model, and with myriad possible sources of information and knowledge now available to U.S. policymakers, the influence of integration on the U.S. Canada Policy process is evident. Yet even before integration had proceeded to deepen to the present extent, bilateral cooperation was an important part of U.S. Canada Policy. With limited means for interaction among policymakers and before the revolution in information technology, the dynamics of this model operated much as they do today. In fact, a sustained coherence was achieved in U.S. Canada Policy at all levels (with few exceptions) for most of the twentieth century.

Canadian Policy and the United States

The Canadian federal government and governments at other levels in Canada devote tremendous resources reacting to the U.S. Canada policy process, attempting to improve the information available to U.S. policymakers at all levels in a system that grows more diffuse by the day. The information age, however, is an unforgiving one. Decisionmakers have access to a plethora of information – some of it more or less accurate or complete – from which to choose, and the determinants of most such choices are time and ease of access. “Official” Canadian sources of information must compete with the vast informal networks that have evolved across the border, and in many cases the information that Ottawa would like for U.S. policymakers to use as the basis for their decisions is neither the most readily available nor the easiest to access.

III. Business Administration to Public Administration

Innovation flows from Business to Government

In North America it has become traditional for the private sector to drive the process of management innovation, which in turn – and with a lag of a decade or more – tends to shape societal conceptions of proper administration such that the public sector begins to reform its operations along similar lines. The connection between business

models and the organization of government is a particular feature of North American thinking, and resonates broadly with citizens who often have more direct exposure to business through their jobs than with their own constitutions and governmental processes. Managers and business leaders, in the press and in their communications with employees, stress the need to innovate and cope with unforgiving market conditions. Governments stress continuity and tradition: in the United States by reverent references to the U.S. Constitution, which has rarely been changed in 200 years; and in Canada, by references to the Canadian model of peace, order and good government in an evolutionary society (unlike the United States, which was born of a revolution).

For most Canadians and Americans, this is an appropriate and desirable arrangement. Business is dynamic, because it must be, and government is stable, because the conservative citizens of both countries prefer it that way. Yet as management trends become established practice in business (that is, they are implemented and succeed and therefore last), they come to be seen as good management practices generally. Then these ideas are transferred to the public sector in two ways. First, public sector managers, themselves having become familiar with these ideas (or a version of them) through their contacts in the private sectors and through the media, begin to adapt business administration trends to government. At first, this is often an adaptation of the rhetoric – the buzzwords – of new management practices, rather than a faithful replication of the ideas for public administration. But in time, public sector managers largely succeed in making the transition to new management practices. They succeed generally because of the second factor, popular support. Voters, and therefore politicians, having accepted

business administration models as good management practices want to see their public sector institutions and organizations reorganized in similar ways.

Arguably, recent business trends have presented models that were unpromising, even worrisome, for governments. The branch plant economy became a potent political metaphor in Canada, as critics charged that Ottawa was obliged to act as though Canada was a subsidiary of the United States. The vertical integration of production that became the hallmark of the North American auto industry in the 1950s and 1960s – a logical outgrowth of thinking that favored centralization of decisionmaking and in policy, command economies, caused many Canadians to fear that the United States, in seeking to foster Canada-U.S. economic integration, was working to organize the continental economy in a manner that subordinated Canada. In the 1980s, corporate restructuring offered the new metaphors of leveraged buyouts, mergers and acquisitions – all of which gained an ominous resonance for some Canadians as the Mulroney government and the Reagan administration negotiated the Canada-United States Free Trade Agreement.

The business-to-business or B2B revolution of the late 20th century may be the most attractive model to come along in decades. After all, it is a model for coordination between businesses that remain separate entities. The reasonable Canadian concern over sovereignty, threatened only by inference in previous models (after all, U.S. officials after 1911 never made anything like an announcement of intent to merge or acquire or vertically integrate Canada), is not triggered by B2B.

From B2B to G2G

What does B2B entail?

The first step toward improving Canada-U.S. relations on the business model may be B2G – that is, business-to-government communication. It is beyond the capacity of government in a non-command economy to gather the volume of data that it needs to improve its perception of economic activity, particularly at the speed with which business transactions typically occur. But business systems can be adapted to record and store data on transactions for subsequent reporting to government.

The greater challenge is the development of an improved G2G interface. The current situation is woefully outmoded.

Six examples of how G2G would work:

1. Educational records for mobile families
2. Medical records (including personal health and payment)
3. Environmental/emergency response information

4. Tax and duty determination and collection

5. Law enforcement cooperation

6. Embassies and consulates as service centers

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