

## Welcome Remarks

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Beyond the Border Conference  
*The Canada-U.S. Beyond the Border Action Plans:  
What do they mean for Minnesota?*

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<sup>\*</sup> I thank David Fettig and Kei-Mu Yi for their contributions to these remarks.

Good afternoon, everyone. It is my great pleasure to welcome all of you to the Federal Reserve Bank of Minneapolis for this important discussion about a topic that directly or indirectly impacts the lives of all Minnesotans—secure trade and travel between this state and our neighbor to the north, Canada.

It struck me when reviewing the list of attendees that I should extend a special welcome to certain guests and to acknowledge those important agencies and institutions represented here today. But then I realized I would have to name practically everyone on the attendee list. This is truly an impressive gathering, and I commend all of you for joining us here today. Having said that, however, I hope you will indulge me as I offer a particular welcome to Senator Amy Klobuchar and to Consul General Martin Loken. We are very pleased that Senator Klobuchar has made time in her busy schedule to be with us today by video, and we look forward to her remarks. And thank you, Martin, for reaching out to the Federal Reserve Bank as a partner for this conference. Our bank and the consulate general have had a good working relationship in the past, and we look forward to strengthening that relationship in the future.

Before I say more about the bank's interest in the issues on hand today, I should note that I have a personal interest in issues relating to Canada. I was born in Baltimore, but from the age of 1 to 15, I grew up in Canada. (I don't recall my parents asking for my permission before they moved me from my native country, but perhaps they did.) Most of that time I spent in Winnipeg—which means that I'm one of the few people who live in the Twin Cities who is more worried about how hot the summers are as opposed to how cold the winters are.

I think that my time in Canada gave me a better understanding of the special relationship that Canada has with the United States. Now, the Canadians in this room know that one peculiarity about that special relationship is that many people in the United States are unaware of it. Canadian students grow up learning about the United States and, subsequently, paying attention to the United States in ways that are not typically reciprocated by their southern neighbors. But—having lived most of the past 15 years here in Minnesota—I have found that Minnesotans are, in fact, much more engaged with Canada than is true of the denizens of more southern climes. Minnesotans understand the value of the relationship between our state and Canada, and we take a keen interest in the evolving economic partnership between our two countries.

Some of you are perhaps aware of one of this bank's publications, the *fedgazette*, a newspaper dedicated to business and economic news in our Ninth District. Most of the Ninth District borders Canada, and over the years our writers and analysts have reported on important economic issues affecting trade. Indeed, the inaugural issue of the *fedgazette* in 1989 devoted considerable space to the Canada/U.S. Trade Agreement, or CUSTA, a precursor to its more famous acronym, NAFTA, or the North American Free Trade Agreement, which also included Mexico. In one of those *fedgazette* articles, then Canadian Consul General John Blackwood said that such agreements would replace the economics of tariffs with the economics of transportation. The cost/benefit of cross-border business will be influenced more by proximity, Blackwood said, and not by penalties.

If Minnesota's experience is any indication, that was certainly the case here. Trade between Minnesota and Canada, adjusted for inflation, increased approximately fourfold between 1990 and 2011. Of course, all of that increase was not due solely to trade agreements, but it is important to recall that most goods crossing the border between Minnesota and Canada were subject to tariffs prior to those agreements. And you don't have to be an economist to know that tariffs deter trade.

Today we are here to discuss the latest in the long and successful history of trade negotiations between the United States and Canada, and to focus specifically on its impact on the state of Minnesota. Once again, I would like to thank Martin for bringing this important conversation to the Federal Reserve Bank of Minneapolis. Part of our charge as a district Federal Reserve Bank is to monitor our district's economy, and a key part of our economy's strength is the amount of business that our district does with Canada. So I welcome all of you here today and look forward to our discussion. Thank you.