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Inter-Parliamentary Group
Canadian Section



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REPORT
of the
CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP
THE EMERGENCE OF CROSS-BORDER REGIONS BETWEEN
CANADA AND THE UNITED STATES: OTTAWA ROUNDTABLE HOSTED BY THE
POLICY RESEARCH INITIATIVE (PRIVY COUNCIL OFFICE)
AND THE CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP,
OTTAWA, ONTARIO,
MARCH 6-7, 2006

On 6-7 March 2006, the Canadian Section of the Canada-United States Inter-Parliamentary Group and the Policy Research Initiative (Privy Council Office) co-hosted the Ottawa roundtable of the North American Linkages Project on the emergence of bi-national cross-border regions.

Report

Keynote Speaker, Senator Jerry Grafstein, Co-Chair, Canada-United States Inter-Parliamentary Group

- provinces and states along our shared border can work together in the formation of cross-border regions that will enhance prosperity for all
- there are a variety of models that can be used in forming these bi-national economic regions
- one very successful model is the Pacific Northwest Economic Region, known as PNWER
- PNWER is a private-public partnership comprised of representatives from the federal governments, the provincial and state legislatures and the private sector in Alaska, Idaho, Montana, Oregon, Washington, British Columbia, Alberta and the Yukon Territory
- the common goal of PNWER partners is the creation of a dynamic, growth-oriented, seamless regional market that will enhance global competitiveness and result in greater prosperity for citizens and businesses in the region
- the PNWER model, which is a model of success, should be emulated by other states and provinces all along the 49th parallel
- another possible model is being pursued through the Atlantica prosperity initiative, which involves a commitment to promote Canada's Atlantic provinces and the Northeastern region of the United States as the Atlantic Economic Region and to foster continued cooperation within the region in business development and international marketing
- other options also exist, such as a Great Lakes Economic Region, comprised of Ontario, New York, Michigan and perhaps such other states as Ohio, Pennsylvania and Illinois
- within a 500-mile radius of Niagara Falls – comprised of Ontario, New York, Ohio, Michigan, Pennsylvania and Illinois – there are more than 78.5 million people who represent more than \$3.09 trillion in Gross State or Provincial Product in U.S. dollars; if the region were one nation, it would have the largest economy in the world behind the United States and ahead of Germany
- another model is provided by the Memorandum of Understanding and Cooperation signed in 2001 by New York and Ontario; the Memorandum is designed to increase trade, economic development, tourism promotion, education, technology and other policies and programs for the New York-Ontario

region; the Memorandum was augmented by a New York-Ontario Economic Summit, as well as other meetings

- also to be applauded are such initiatives as the Council of Great Lakes Governors and the Great Lakes Commission, which include Ontario and Quebec as associate members, and the International Association of Great Lakes and St. Lawrence Mayors
- while we must modernize our east-west corridors of trade, economic development and transportation, we must also bear in mind the need for north-south corridors to ensure our joint prosperity
- what is needed is a vision of trade corridors matched by accessibility to coastal port facilities, a north-south interstate highway, direct high-speed rail links and the reduction in – and hopefully removal of – trade barriers as well as harmonized regulations
- it is important that not too much time or energy is spent on determining precise regional boundaries, since regions will – of necessity – overlap and the composition of economic regions may change somewhat over time
- for now, states and provinces that form a natural geographic and economic nexus should galvanize willing players, and form the economic regions that will result in the enhanced prosperity, productivity and competitiveness that leads to a rising standard of living
- our provinces and states have comparative advantages that are underutilized, and they can quickly become more globally competitive together than they are individually, particularly if they have the right tools and the right infrastructure
- North America cannot afford for any region to lag behind economically; it is much too costly, and our taxpayers cannot afford it; we must change entrenched practices and laws that inhibit growth
- as stewards of our national economies, legislators in Canada and the United States have a role to play in encouraging, promoting and creating the types of programs, policies and actions that will facilitate economic growth, productivity and prosperity for all

Welcome and Opening Remarks, Jean-Pierre Voyer, Executive Director, Policy Research Initiative (Privy Council Office)

- convergence of regulations in Canada and the United States would facilitate business in cross-border regions
- networking is a key to success in cross-border regions

Overview of Cross-Border Best Practices, Jim Phillips, President & CEO, Canadian/American Border Trade Alliance

- a transcontinental framework is needed; regions have commonalities as well as unique problems and attributes
- what is needed is synergistic activity, with transportation corridors – north, south, east and west – and border gateways
- a “border recovery plan” to be activated in the event of another terrorist incident is also needed
- a key priority should be measures that would stop “risky” cargo and people before they reach North America
- about 40% of the trade crossing the border is intra-company in nature
- linkages among private-sector partners – not just political and public-sector partners – are important
- three important questions are:
 - what are the top impediments to growth and evolution?
 - what are the top developments, trends and forces that are positive for growth and evolution?
 - what are the top actions that should be taken to improve bi-national regions?

New England/Eastern Canada, Brian Lee Crowley, President, Atlantic Institute for Market Studies

- the New England/Eastern Canada region has a distinctive position in the trading system, with relatively limited bi-national trade; the region is, however, becoming more of a gateway for Asian and other trade, both north-south and east-west
- Atlantica is the intersection of three major North American regions, with an orientation that is south and west, rather than north and east:
 - Windsor-Quebec
 - Appalachia
 - New Atlantic Triangle
- the Atlantica region is characterized by above-average levels of unemployment and out-migration, and below-average levels of income
- the ability of west coast ports to handle the growing trade from Asia is limited

- with rapid increases in vessel size, ships are having to go through the Suez Canal – which currently has spare capacity – rather than through the Panama Canal, which is too small to accommodate the larger vessels
- Halifax is the only major port on the Suez Canal-New York route; parts of the New York/New Jersey route are characterized by bridges that are too low and water that is too shallow; as well, there are capacity concerns
- there is potential for a fully developed short-sea shipping network
- there is merit in having U.S. Congressional and Canadian Parliamentary committees sit jointly in order to make joint decisions

New York/Quebec, Garry Douglas, CEO, Plattsburgh-North Country Chamber of Commerce

- trade is no longer nation-to-nation; it is now bloc-to-bloc
- we are facing internal economic realignment, with corridors, bi-national economic regions, etc.
- the annual economic impact of Canada on Clinton County, New York was \$1.53 billion in 2004, up from \$784 million in 1994
- where things move is where prosperity occurs
- success results from identifying those things that are bigger than you but of which you can be a contributing part
- transportation defines regionality
- best practices include:
 - an initial rallying point or defining cause
 - definition of the stakes
 - the appointment of committed partners and champions
 - a private/public – rather than a public/private – orientation
 - a “big picture” vision with early and steady successes
 - communication and the building of coalitions
 - savvy political relations
- the American members of bi-national regions give Canadians access and legitimacy in Washington, which is critical since “all politics is local”

- in the absence of a positive Canada-United States agenda, disputes have come to define the bilateral relationship and North America is now behind the global curve
- the North American Free Trade Agreement was an end in itself, rather than a process
- important elements include:
 - transportation infrastructure
 - multi-faceted connections
 - sustained momentum

Niagara Frontier/New York/Ontario/Quebec, Pat Whalen, President, PJW Consulting and International Business Development Manager, Speed Transportation, Buffalo

- the situation in Niagara Frontier/Ontario is, essentially, the mirror image of the situation in New York/Quebec
- cross-border linkages have developed despite the absence of a plan
- there has been commercial progression, with businesses on both sides of the border and much intra-firm activity across the border
- there is increasing recognition of our dependence on each other
- the west coast ports are congested, and there is little – or no – rail competition in parts of the west, resulting in higher rail costs
- the bilateral relationship is perceived as being far more important to Canada than it is to the United States
- the lack of coordinated effort and government focus worsens as you move away from the shared border
- while bridge capacity is adequate at the present time, the lack of excess capacity is problematic if growth occurs
- the impact of the U.S. Western Hemisphere Travel Initiative is likely to be greatest in the Niagara region because of tourism, and will affect individuals and businesses on both sides of the border

Great Lakes Frontier, Bill Testa, Vice President and Director of Regional Programs, Federal Reserve Bank of Chicago

- we are moving toward a global economy where national borders matter less; the strongest regions will be those that are the most cohesive and have the fewest impediments
- “work local, be global”
- the Great Lakes have integrated our economies in several ways, including transportation; it is one of the world’s wealthiest bi-national regions and is growing stronger; in particular, bilateral trade has soared since the Canada-U.S. Trade Agreement (CUSTA)
- the CUSTA has resulted in expanded integration on both sides of the border
- among the U.S. gateways for international freight, the Great Lakes region is second to none in exports and imports (in tons)
- manufacturing is the basis of the Great Lakes bi-national relationship, and has been for some time
- with just-in-time delivery systems, it is important to be as concentrated geographically as possible in order to be as low-cost as possible
- the “big three” automakers are getting smaller and are losing market share; their market share declined 8% in a decade
- the future is a knowledge economy; knowledge workers, those with a higher income and older citizens prefer environmental amenities; the result, for example, is that housing demand amidst or adjacent to scenic areas is rising steeply
- in terms of the future of the bi-national Great Lakes region, the following factors should be considered:
 - the auto industry is in flux
 - the border is “uncertain”
 - there is more work to be done in relaxing barriers to trade, commerce and migration

Mid-Continent, Greg Dandewich, Economic Development Director, Destination Winnipeg and Board Member, Northern Great Plains Inc., Winnipeg

- it is important to identify willing partners who are willing to cooperate
- information technology will continue to transform the way we live and work, and the pace of change will accelerate

- action should be regionally focussed
- trade within North America has grown rapidly since the signing of the North American Free Trade Agreement
- increasingly, agricultural producers are tied to processors' needs for specific, identity-preserved varieties, and traceability is important
- best practices include:
 - direct contact with businesses
 - historic behaviour and performance
 - identification of priorities and leadership, with the private sector collaborating with the public sector
- transportation agencies, economic development agencies and the private sector should be collaborative and integrated
- strengths include:
 - strong networks
 - a common purpose and objectives
 - similar and diversified economies
 - an ability to mobilize public decision makers
 - transportation systems that are not congested
- weaknesses include:
 - isolation from major markets
 - small population base
 - struggling rural economies
- elements of successful communication include:
 - clearly articulated objectives
 - leadership and champions
 - managing expectations Rocky Mountain/West, Larry Swanson, Director, Center for the Rocky Mountain West, Montana

- Rocky Mountain West is one of the United State's fastest-growing regions, and there is rapid growth on both sides of the border
- city regions make sense in terms of pulling people together and engaging them
- the U.S. southwest is in danger of running out of water
- the economy of the future will be knowledge-, information- and service-based, and will be more "footloose" in terms of people and jobs
- increasingly, people want to live close to environmental amenities
- many areas have an agricultural sector that is unprofitable, and this situation is not sustainable, especially without government support and off-farm income
- important considerations include:
 - the quality of the community
 - the quality of the workforce
 - the quality of the environment

Cascadia Pacific, Matt Morrison, Executive Director, Pacific Northwest Economic Region, Washington State

- the Pacific Northwest Economic Region (PNWER) acts as a catalytic facilitator and as a focal point for increased bilateral cooperation mechanisms
- PNWER has grown from 5 working groups when it was established by statute in 1991 to 15 working groups at the present time
- the working groups, which are co-chaired by representatives of industry and government, are instrumental in helping to attain the organization's goals, and each develops action items and a work plan
- each state/province has a private-sector council that meets quarterly with the government to develop an "agenda" for the region
- the organization is able to address issues regularly, thereby pre-empting more costly and slower international processes
- intermodal infrastructure connections, bi-national seamless border processes and worker mobility are key to North American productivity
- the Canadian government is not engaging with border stakeholders, in a systematic and regular manner, on the Security and Prosperity Partnership action plan; cross-border regions would be ideal partners to make this engagement happen

- cross-border regions could be used to influence U.S. policymakers, to build trust and to establish long-term relationships What Should be the Role of the Government of Canada? Key Findings from the Regional Roundtables on the Emergence of Cross-Border Regions Between Canada and the U.S., André Downs, Senior Project Director, Policy Research Initiative
- there is an important distinction between private/public and public/private; the private sector is the key driver
- new economic models, organisms and nuclei are needed, rather than political structures
- there is a need to ensure that political structures match the economic reality on the ground
- governments should provide the tools that are needed
- a focus should be the economic relationship between Canada and the United States, rather than the trade relationship
- the northern and southern borders deserve to be treated differently/similarly when they are different/similar
- key messages from the regional roundtables include:
 - there is a need for recognition
 - border issues include security and infrastructure
 - transportation linkages and intermodalism are important
 - regulatory differences exist between the countries
 - branding should exist, such as with tourism
 - a regional vision is required
 - networks and relationships are important
- regarding the Pacific NorthWest Economic Region, there is/are:
 - institutional strength
 - a sense of remoteness
 - strong private-sector engagement
 - innovative approaches, such as NEXUS+
- regarding the Great Plains region, there is/are:

- institutional weakness
- informal and pragmatic approaches
- strong economic links, although they are limited by geography and population
- a need for infrastructure
- an emphasis on intermodalism
- regarding the Great Lakes region, there is/are:
 - mature economic linkages
 - institutional weakness
 - a limited sense of regional identity
 - a lack of leadership
 - a distinction between cooperation and competition
- regarding the Quebec/New England region, there is/are:
 - a realization of the importance of the Quebec/New York axis
 - bilateral memoranda of understanding
 - mature and emerging economic linkages
 - a limited sense of regional identity
- regarding Atlantica, there is/are:
 - a strong sense of regional identity
 - a recognition of the importance of history and geography
 - stakeholder engagement
 - a need for infrastructure
 - a recognition of the importance of personal relationships
 - economic prosperity as a key goal
- federal policy considerations include:
 - a consensus on North American regions as “Global Production Platforms”

- a need to recognize cross-border regions and cross-border organizations
- a need to support, rather than to interfere
- a multi-level approach: public, private and civil
- a variable geographic approach, since “one size” does not “fit all”
- a central role for the private sector

Closing Remarks, Jean-Pierre Voyer, Executive Director, Policy Research Initiative

- key messages include:
 - a consciousness of shared interests
 - synergistic activity, border gateways and transportation gateways
 - similarity should not be a requirement in defining cross-border regions, since it is differences that lead to comparative advantage and trade
 - a sense of belonging or of being part of a cross-border “something,” perhaps because of shared interests or identity
 - if we cannot “get it right” for cross-border regions, we will not “get it right” for the United States and Canada
 - since the North American Free Trade Agreement dispute-settlement mechanisms are not working, there is a need for more dispute-resolution mechanisms
 - the focus should be dispute management and prevention, rather than dispute settlement
 - the federal government should provide the tools needed to facilitate the prosperity of economic regions
 - we must continue to look at issues through the prism of the health and prosperity of cross-border regions

Respectfully submitted,
Hon. Jerahmiel Grafstein, Senator
Co-Chair, Canadian Section
Canada-United States
Inter-Parliamentary Group

Travel Costs

NAME OF ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	The Emergence of Cross-Border Regions between Canada and the United States: Ottawa Roundtable
DESTINATION	Ottawa, ON
DATES	March 6-7, 2006
NAMES OF SENATORS	The Honourable Jerahmiel GRAFSTEIN, Senator
NAMES OF MEMBERS	Names of Members
NAMES OF STAFF	Mr. Serge PELLETIER, Ms. June DEWETERING
TRANSPORTATION	\$0
ACCOMMODATION	\$0
HOSPITALITY	\$ 1,573.89
PER DIEMS	\$0
OFFICIAL GIFTS	\$0
MISCELLANEOUS/REGISTRATION FEES	\$0
TOTAL	\$ 1,573.89