Trade Corridors Roundtable

Tradescapes

Edited by Russ Kuykendall

Work Research Foundation *Trade Corridors Roundtable*
September 11th 2007
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PREFACE

As an institution itself, the *Work Research Foundation* is dedicated to the proposition that society is composed of a plurality of institutions, organizations, and associations that fulfill the responsibilities of the various spheres of economic, governmental, policy, and the whole range of human activity. Government is not "the only game in town."

That is why the Work Research Foundation brought together leaders from business, trade associations, and policy institutes for a *Trade Corridors Roundtable* on September 11th 2007 in Ottawa. We are grateful for the leadership of John McManus of *Borealis Infrastructure* and Rob Wildeboer of *Martinrea* who chaired the Roundtable. We extend our special thanks to Wayne Dawson of the *Cement Association of Canada* as well as *Borealis Infrastructure* and *Martinrea* who sponsored the Roundtable We also appreciate the contributions of David Stewart-Patterson of the *Canadian Council of Chief Executives*, Garth Whyte of the *Canadian Federation of Independent Business*, Alfred Kahl of the *University of Ottawa*, Christopher Sands of *The Hudson Institute*, David Turnbull of the *Canadian Courier & Logistics Association*, Eric Hogeterp of *Industry Canada*, Vincent Guglielmo of the *Automobile Parts Manufacturers Association of Canada*, Darrel Reid and Jasmine Igneski of the *Prime Minister's Office*, Philip Murphy of *MDA Corporation*, Jeff Ashcroft of *Supply Chain Network*, Brian Lee Crowley of the *Atlantic Institute of Market Studies (AIMS)* and the *2006-2007 Clifford Clark Visiting Economist* of the federal *Department of Finance*, Ian Munro who is also of *AIMS*, André Downs of the *Policy Research Initiative* of the *Government of Canada*, and Russ Kuykendall of *Work Research Foundation*.

The *Trade Corridors Roundtable* convened on September 11, 2007 – the sixth anniversary of events which profoundly shaped how the United States approaches even the largest and most valuable trading relationship in the world – its bilateral trade with Canada. Since "9/11," it's become a truism: for the United States, "security trumps trade." Security heads a list of challenges for both countries that includes the maintenance and expansion of physical infrastructure for moving trade, how trade is organized in sectors and business lines, and the myriad of human relationships across organizations and borders. The *Roundtable* concerned itself with how best frame our understanding of Canada-U.S. trade and international trade across the globe. Hence, the title of this research, *"Gateways," "Global Value Chains," and "Trade Corridors,"* and the Work Research Foundation's contribution ongoing to understanding trade.

Michael Van Pelt

Michael Van Pelt, President
Work Research Foundation

Ray Pennings, Vice President, Research
Work Research Foundation

TRADE CORRIDORS ROUNDTABLE

September 11th 2007
Ottawa

CHAIRS

John McManus	*Borealis Infrastructure*
Rob Wildeboer	*Martinrea*

PARTICIPANTS

Jeff Ashcroft	*Supply Chain Network*
Brian Lee Crowley	*Clifford Clark Economist, Finance Canada*
Wayne Dawson	*Cement Association of Canada*
André Downs	*Policy Research Initiative*
Vincent Guglielmo	*Automobile Parts Manufacturers Association of Canada*
Eric Hogeterp	*Industry Canada*
Alfred Kahl	*University of Ottawa*
Russ Kuykendall	*Work Research Foundation*
Jasmine Igneski	*Prime Minister's Office*
Ian Munro	*Atlantic Institute for Market Studies*
Philip Murphy	*MDA Corporation*
Ray Pennings	*Work Research Foundation*
Darrel Reid	*Prime Minister's Office*
Christopher Sands	*Hudson Institute*
David Stewart-Patterson	Canadian Council of Chief Executives
David Turnbull	*Canadian Courier & Logistics Association*
Michael Van Pelt	*Work Research Foundation*
Garth Whyte	*Canadian Federation of Independent Business*

ACKNOWLEDGEMENTS

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BOREALIS

Cement Association of Canada
Association Canadienne du Ciment

MARTINREA

Gateways, Global Value Chains, and Trade Corridors

By Russ Kuykendall

This is a version of the discussion draft considered by the *Trade Corridors Roundtable*, September 11th 2007, in Ottawa, organized by the *Work Research Foundation*. Another version appeared under the same title in *Policy Options* (October 2007).

INTRODUCTION

October, 2007, marks the twentieth anniversary of the completion of the twenty-chapter Canada-U.S. Free Trade Agreement that was signed on January 2nd 1988 and came into effect January 1st 1989. Twenty years ago, the focus of Canada's international trade policy was the United States economy, the largest market on the globe.

Today, three metaphors inform policy models of Canada's international trade and the integration of its economy with the world: "Gateways," "Global Value Chains," and "Trade Corridors." They inform how shapers of policy understand the Canada-U.S. "tradescape." The metaphors emanate from at least three separate departments of the federal Government of Canada. The Department of Foreign Affairs and International Trade – specifically, the Ministry of International Trade – are pursuing a Gateways model, particularly focused on Canada's trade with the Asia-Pacific rim. Recently, the federal Department of Industry has sought to drill down on how especially Canada-U.S. trade occurs within corporate entities with the concept of "global value (supply) chains." Particularly in the mid- to late-1990s, the federal Department of Transport focused its policy development efforts on using "trade corridors" as a means of understanding Canada's infrastructure needs in respect of trade.[1]

Following is an overview of each tradescape, including strengths and weaknesses of each and how each serves the Canadian economy. The focus of this paper shifts to the ability of Trade Corridors to account for the strengths of the other metaphors, and how Canada's largest export sectors or Trade Corridors are focused on the U.S. market. Challenges arising from the three most valuable Trade Corridors are summarized and, then, how recent public policy has affected them. Finally, "the Canadian advantage" that arises from Canada's Trade Corridors is described – factors that position Canada favourably in respect of international trade with the United States, in particular.

TRADE AS "GATEWAYS"

Throughout the Chrétien and Martin governments, the "Gateways" metaphor featured prominently, especially as Prime Minister Chrétien organized a series of "Team Canada" delegations. The most prominent of these was a series of trade delegations to the People's Republic of China (PRC) that served to highlight agreements already formalized and business already underway among Canadian companies operating in China.[2] Gateways is focused on the Asia-Pacific rim, and especially on the PRC. This is not without good reason. The PRC market represents one of the great, consumer growth markets in the world with well over a billion potential consumers. The Republic of India similarly represents a huge, consumer growth market, also in the Asia-Pacific rim. Roll in the mature markets of Japan, Australia, New Zealand, the United States and Canada, the Asian tigers of Korea, Taiwan, Singapore, Malaysia, and Indonesia as well as Latin America's Pacific coast, and the combined consumer market totals more than 3 billion people, or approximately half the globe's population. More than 80% of this market constitutes a consumer growth market, versus the mature markets of Canada, the U.S., Japan, Australia, and New Zealand.

It's worth pointing out: *the Asia-Pacific market is worth understanding*. But does the Gateways metaphor add to our understanding of trade in this market, and is it adequate to encompass it? Beyond this, what is the "value added" to the Canadian economy from Canada's trading in the Asia-Pacific rim, especially with the PRC?

In "Six trade corridors to the US: the lifeblood of Canada's economy" (Policy Options, July-August 2006), I argued that the advantage on trade and the growth in that advantage on trade with China goes to China. This is true of both U.S. and Canadian trade with China. Year over year the rate of increase in China's trade surplus with Canada and the U.S. is not in the "single" but "double digits." In 2005, Canada's merchandise trade deficit with China was $22.4 billion. In 2006, the deficit was $26.8 billion – a rise of nearly 20%.[3] Most of China's surplus is represented in consumer, manufactured goods targeting the U.S. and Canadian markets. Canada's trade deficit with China tends to be offset by commodities: food (grains and oilseeds), petroleum, coal, and iron. Canadian and U.S. retailers have effectively shifted large segments of their consumer goods supply chain offshore to China. Wal-Mart may be only the most notable example. While trade deficits with China continue to mount up, Canada's merchandise trade surplus with the U.S. was $141.7 billion in 2006.[4]

Japan has long enjoyed a trade surplus with the U.S. and Canada. Again, with Canada, the deficit is offset by Canada's supplying commodities. Japan's domination of the U.S. and Canada automobile products market is represented in Toyota Motor Company's surpassing General Motors as the highest-selling automobile manufacturing company in the world. While companies like Honda worked very hard to find U.S. and Canada dealers in the early stages of its North American market entry, now the shoe is on the other foot with dealers' taking less and giving more. Toyota and Nissan's penetration of the U.S. and Canadian markets is so wide and deep, that the companies' attentions are shifting to the PRC and India markets with deals to manufacture and supply cars to these "cheap car" markets.[5] Even so, there's enough room in the North American market for such interlopers as Hyundai to move from the entry stage to a brand with growing equity among U.S. and Canadian consumers.

Waiting in the wings for North American entry is a relative newcomer (within the last five years) to car manufacturing, Tata Motors, that has long manufactured trucks for the Indian market. Tata has effectively recreated the "cheap car" market focusing, first, on its domestic, consumer market in India, but it is well along entry into the Australian, New Zealand, Russian, eastern and central as well as western European, and the potentially huge Latin American markets.[6] India's engineering acumen and capacity rivals that of Japan, western Europe, and North America. India's cars are coming soon to a dealer near you!

The Gateways metaphor is one that emphasizes opening up Canada in return for opening up opportunities off-shore in the Asia-Pacific rim, especially the PRC. But, again, this "openness" has translated into growing trade deficits as Canadian and U.S. consumer demand for cheap manufactured goods from (for example) China and higher quality manufactured goods from Japan outpaces reciprocal demand for goods of Canadian or U.S. manufacture. The recent expansions of capacity at the Ports of Prince Rupert and Vancouver, and the expansions of highway and rail transportation capacity, have focused on container traffic of *manufactured goods* mainly coming *into* and *commodities* traffic heading *out* from Canada's Pacific shores. Further, most public policy in relation to the Gateways metaphor, including the series of policy forums on Gateways spearheaded by Simon Fraser University, focuses on making Canada's transportation infrastructure accessible to the Asia-Pacific trade.[7]

Measured by the ratio of exports to GDP, Canada's economy is the second most open to trade among the G-8. Measured by the ratio of "total trade" (exports and imports) to GDP, Canada is, again, second among the G-8.[8] The OECD struggles to measure China's GDP, so the ratio of exports to GDP is difficult to calculate. But Lynette Ong estimates that the ratio of China's exports to GDP is double that of India's.[9] Ong suggests that India's growth is traceable to domestic entrepreneurship while China's is due to higher levels of foreign direct investment.[10] Further, while much of China's growth is traceable to suppliers focused on serving the North American markets who locate in China, India's growth is primarily focused on supplying domestic demand.

The following questions could be posed in respect of the Government of Canada's current Gateways, transportation infrastructure focus:

1. As long as Gateways is the metaphor informing Canada's Asia-Pacific trade policy, *will Canada focus on leveraging access to its market for Asian-manufactured goods in return for access to especially Asian and Latin American markets for Canada's higher-value-added goods and services?*
2. *Are Asian and Latin American markets the best target markets for Canada's high-value added, high-technology goods and services?*
3. While the Canadian market for Asian-manufactured goods is driven by Canadian consumer demand, *is the expenditure of Canadian public monies the best investment in Canada's consumer, business, macro-economic, and national interests?*
4. *Is there an untapped opportunity for Canadian investors and exporters in India's market?*

While we have raised questions as to the Gateways model, the Gateway emphasis on port and transportation infrastructure does suggest a significant business opportunity for the Canadian economy. In a word, "trans-shipping." As noted above, Canadian and U.S. trade with China (PRC) favours China since most of the trade is in manufactured consumer goods coming from the PRC. Although there have been recent slow-downs reported, the consumer goods trade, whether from China, India, or elsewhere, seems unlikely to shrink since these are more cheaply produced in Asia's labour markets. The Ports of Prince Rupert and Vancouver are days closer to China than the United States, and are well-positioned to serve as depots for coastal trans-shipping to the populous, U.S. west coast. The Port of Halifax enjoys the advantage of its being the largest natural harbour in the world, and is well-positioned as a trans-shipping port for both the U.S. eastern seaboard and for the St. Lawrence Seaway that reaches through Montréal to Chicago in the U.S. Midwest. Canada's transportation infrastructure is already highly integrated with U.S. transportation infrastructure. Canada is already a trans-shipping point for U.S. destinations. As ocean-going vessels – container ships, for example – increase in size and draught, Canada is well-positioned to expand its U.S.-destination trans-shipping from Asia.

Canada could do well to study the Port of Rotterdam, The Netherlands – serving as a trans-shipping port to western Europe – as a "benchmark" and model to follow in expanding its trans-shipping business into the world's largest economy (the United States), from countries emerging as the main producers of cheap, manufactured, consumer goods – even, cars.

TRADE AS "GLOBAL VALUE CHAINS"

The *North American Industry Classification System* (NAICS) was adopted by the United States, Canada, and Mexico in 1997 in the aftermath of the ratification of the North American Free Trade Agreement (NAFTA) by all three countries. The *Harmonized System* (HS) is an international commodity classification (with six-digit codes) developed under the auspices of the World Customs Organization, an independent intergovernmental body formerly called the *Customs Cooperation Council*. The system makes it possible to track exports and imports of all three, sector by sector, and compare "apples to apples" and "oranges to oranges."[11] The Harmonized System is organized, sector by sector, from broadest to narrower and narrower categories.

"Global Value Chains" – formerly known as "global supply chains" – research narrows further within sectors and attempts to "get at" how trade occurs "inside" or within bi-national or multi-national companies, especially those operating in the U.S. and Canada.

Because these transactions are internal to companies operating on both sides of the Canada-U.S. border, the research requires a high level of cooperation from companies that are Industry Canada's research targets. A "global supply chains" conference was held in February, 2006, in Ottawa for public servants in the Department of Industry, and a "Global Value Chains" conference was slated for "senior economic policy authorities from the Organization for Economic Co-operation and Development (OECD) member countries, policy analysts from the Federal Government, as well as representatives from businesses, think tanks, and academia," in September, 2007.

Industry Canada and others are attempting to understand how this variety of trade – trade internal to companies – occurs: the management relationships and best practices, as well as transportation infrastructure and arrangements. Whether intentional or not, Global Value Chains research takes a page from Adam Smith's understanding of trade as, in part, "division of labour" and his discussion of the advantages of importation of certain products over domestic production – in this case, within companies, in order to maximize profits.[12]

The clearest advantage to this approach is that it widens its view beyond transportation infrastructure, and starts to "get at" how trade occurs, especially in terms of management and best practices. It recognizes that trade is more than transportation infrastructure. Further, Global Value Chains research begins to paint a picture of how the Canada and U.S. economies are integrated by trade – at least, how a business enterprise operating on both sides of the U.S.-Canada border integrates its operations by way of trade internal to the enterprise. Global Value Chains research offers a microcosm, company by company, of how the Canadian and U.S. economies are integrated, sector by sector – especially, in respect of the Ontario-Michigan automobile manufacturing industry.

The information collected should be extraordinarily useful in adding to our understanding of Canada-U.S. trade. But it is necessarily limited by focusing its research scope on bi-national and multi-national enterprises. Further, while it is not as limited in scope as the Gateways project, focused as it is on transportation infrastructure, Global Value Chains research does not (yet, anyway) address the influence of contractual, regulatory, statutory, and treaty arrangements, let alone matters of culture and human relationships. As I wrote last summer in Policy Options:

> *Global supply (value) chain research points to how Canada's trade is organized mainly in terms of businesses, offering a description of Canada's trade flows. It is helpful. But this presents an inadequate explanation by itself of Canada's trade capable of informing and providing direction to Canada's international trade policy.*[13]

"TRADE CORRIDORS"

The concept of "Trade Corridors" was first developed in Canada as a public policy project of the federal Department of Transport in the late 1990s. For some time earlier, Trade Corridors had been adopted by a number of regional, Canada-U.S. trade marketing initiatives describing themselves as Trade Corridors. But Trade Corridors were consistently described and defined in terms of transportation infrastructure and transportation routes. The Work Research Foundation departed from this limited understanding of Trade Corridors with its book, *Greenlighting Trade: A Trade Corridors Atlas*. Using data at *Trade Data Online*[14] and certain other data from Industry Canada and Statistics Canada, *Greenlighting Trade* identified Canada's six highest value export markets, how these are focused on the United States as a destination, and how they tended to integrate the Canadian and U.S. economies.

"Six trade corridors to the U.S.: the lifeblood of Canada's economy" (*Policy Options*, July-August 2006) provides a summary of the arguments while *Greenlighting Trade* presents the detailed sector by sector research, and organizes it into a number of useful graphs and charts giving a "snapshot-at-a-glance" of Canada-U.S. trade. Greenlighting Trade examines Canada's six largest export markets organized by sector under the broadest categories of the North American Industry Classification System (NAICS). These markets are described as six Trade Corridors, beginning with the highest value export sectors: automobile manufacturing, oil and gas products, machinery and equipment manufacturing, forest products, business services, and food (agriculture and fishing products). A definition of Trade Corridors was developed that endeavours to include and encompass not only the matters addressed under Gateways or Global Supply Chains, but also matters not included:

> *Trade corridors are more than transportation infrastructure. Therefore, trade corridors are defined as streams of products, services, and information moving within and through communities in geographic patterns according to a matrix or "culture" of trade agreements and treaties, statutes, delegated legislation, and customs that govern and guide trading relationships institutions, and structures.*

With this definition, *Greenlighting Trade* attempts to understand Canada-U.S. trade – and global trade, for that matter – in all its facets and fullness. This is an attempt to move the discussion from merely one of infrastructure and products – important as they are – to the role of contracts and the rule of law as well as the human elements of culture and relationships that frame and provide the contexts for trade. This understanding of trade can help to prioritize trade on a basis other than *solely* the value of exports and trade surpluses and deficits. It helps to understand why a trading relationship as Canada-U.S. trade exists, and why it is so large. It also explains how trade tends to integrate the Canadian and U.S. economies. Trade Corridors offers clues to other potentially fruitful trade relationships, bringing these into the prioritization of trading relationships.

Taking a cue from the example of the most valuable trading relationship in the world and, perhaps, in recorded history – Canada-U.S. trade, conclusions can be drawn based on what makes this relationship, first, possible, and, then, so fruitful. The most fruitful trading relationships will tend to entail:

- geographic proximity,
- the similarity of legal systems and statutory/ regulatory structure,
- the quality of international relations and treaties between governments,

- openness to exports and imports and to foreign direct investment,
- the similarity of business and trading cultures and contractual relationships, and
- the web and network of personal relationships on a human level.

Therefore, Canada may want to prefer trade with India with its quarter billion English-speakers and common law legal system over trade with the PRC.

The Trade Corridors framework provides an explanation of how Canada's trading emphasis shifted away from Britain to the U.S. in the 19th and 20th centuries. It takes into account the impacts of Canada's geographic proximity to the U.S. over the United Kingdom as well as the U.S. and Canada's shared history of adherence to common law and the sanctity of contracts, and the millions of human relationships among U.S. and Canadian, and U.S.-Canadian dual citizens. There is more to say about the advantages that Canada enjoys in respect of its trade with the United States.

In *Greenlighting Trade* and since its publication, a number of opportunities and challenges were identified for Canada's six most valuable export, Trade Corridors markets. Following are the challenges and opportunities of the three most valuable of these, organized by Trade Corridors[15]:

1. Automobile manufacturing

a. The Canada and U.S. auto industries are, in fact, the "North American Auto industry" centred in Ontario and Michigan. This industry represents approximately one fifth of the total value of Canada's exports;

b. More than one quarter of Canada-U.S. trade crosses at the Ambassador Bridge, Windsor-Detroit;

c. The industry was formerly governed mainly by the *Auto Pact, 1965*, but is now governed by the Canada-U.S. Free Trade Agreement and the North American Free Trade Agreement and the attached regulations and tribunals;

d. The highway transportation infrastructure serving the industry is further stressed because the Niagara peninsula (Canada) has become the transportation route of choice between New England and the U.S. Midwest for U.S. truckers and for U.S. tourists and students;

e. The St. Lawrence Seaway and its infrastructure are subject to a Canada-U.S. treaty and a binational commission.[16] As vessels have increased in size, significant expansion of the Seaway has not been forthcoming; and

f. The federal Budget 2007 privileged "hybrid" auto manufactures over non-hybrids and higher gasoline consumption vehicles. Tax credits were made available to the former, and tax levies were announced on the latter. This effectively privileged Toyota – with its emphasis on hybrids over Daimler-Chrysler – with its recent revival of "the hemi" engine. A North American auto industry already under pressure is feeling that pressure all the more.

2. Oil and gas products

a. U.S. demand for oil and gas continues to ramp up, matched in production by Canada's oil and gas industry, centred in

Alberta (see the accompanying illustrations). The oil sands reserves of northeastern Alberta of bitumen that can be processed into crude, and the Elmworth gas fields of northwestern Alberta that straddle the Alberta-B.C. border, may represent the largest proven reserves of oil and gas in the world. Near Peace River, Alberta, is another site with huge potential for bitumen extraction already in the early stages of development;

b. Recent concerns about green house gasses and oil and gas consumption will tend – at least in the short to medium term – to put pressure on the industry. Extraction of bitumen generally requires the consumption of natural gas, with the attendant production of green house gasses;

c. For years, policy analysts have suggested the construction of a CANDU reactor near Fort McMurray and the oil sands extraction sites in northeastern Alberta, and near the projected oil sands sites in northwestern Alberta. A recent proposal would have seen the construction of a reactor near Whitecourt in northwestern Alberta, but the residents voted against it. As a result, *Energy Alberta* announced that it is applying for "a Licence to Prepare Site with the Canadian Nuclear Safety Commission"[17] situated near Peace River. From beginning the approvals process through construction to a CANDU's being "up and running" will take up to ten years; and

d. Alberta is effectively becoming a "super-province" on the order of Ontario because of its economic prowess from oil and gas, "spin-offs," and from other infrastructure expenditures in health care. But Alberta doesn't enjoy the same kind of clout as Ontario in the federal Parliament and the Government of Canada. This requires addressing, and the aspirational culture of Alberta that tends to legitimize Alberta's political expectations.

3. **Machinery and equipment**

a. In certain quarters of this broad sector, there seems to be some lack of appreciation for the enormity of the "value-added" and the multiplier effect of Canada's high-technology engineering sector in space, satellite, aerospace, communications, and robotics technology. Other countries capable of such technology – and it's a relatively short list – actively support and privilege their players in this sector over foreign competitors. Even with a commitment to free trade, should the Government of Canada do any differently as long as other governments privilege domestic participants?; and

Increased U.S. concerns with security add an extra hurdle in respect of technology sharing and the involvement of Canadian engineers and scientists born off-shore from Canada in countries considered suspect by the U.S. Government. This could also serve as an advantage to Canada in making it a more attractive destination for high-tech engineers and scientists who would be barred from certain kinds of pure and applied research in the U.S. under its "ITAR" regime.[18]

"THE CANADIAN ADVANTAGE"

For several years, the Government of Alberta has promoted "the Alberta Advantage" – in business, its regulatory regime, its access to energy, for professionals, and in terms of overall quality of life. Here is "the Canadian advantage" – Canada's trade "assets" identified by employing a Trade Corridors analysis:

1. **Canada shares a continent with the U.S.** This gives Canada immediate, geographic access to the largest economy in the world;
2. **Canada shares time zones with the U.S.** The business day, banking, and securities markets operate on the same time zones in both countries. Canadians and Americans work, go to school, and *carry on their daily lives concurrently;*
3. **Canada and the U.S. share the Great Lakes and the St. Lawrence Seaway.** Canada and the U.S. share access and management of the St. Lawrence Seaway and the great inland, transportation waterways of the Great Lakes;
4. **Canada and the U.S. share a common language, English, and both are bilingual.** Over the years, several prominent news anchors in the U.S. have been Canadians, most notably the late Peter Jennings. That is because spoken English in one is generally understood in the other. Canada possesses a linguistic bridge to "la francophonie" – French-speaking countries throughout the world. The U.S. possesses a linguistic bridge to "iberophones" – Spanish-speakers, by way of its large Hispanic and Mexican population;
5. **Shared legal framework – the common law – and both have jurisdictions that employ the "civil code" or Napoleonic Code (Quebec and Louisiana).** Although differences between the legal regimes are present, the general adherence to the sanctity of contract informed by a majority common-law regime tend to facilitate trade and business transactions between the two countries;
6. **Shared popular and mass culture.** Canadians are knowledgeable of American pop culture. Several Canadians are American cultural icons. Both share similar spectator and participatory sports interests in baseball, football, and golf. When their entrepreneurs meet, they have common ground and subjects to discuss in "breaking the ice" while they play "the links";
7. **Shared electrical power grid.** Quebec Hydro sells power through the U.S. grid. Both use electricity in the same way;
8. **Shared and highly integrated transportation network of air, sea, rail, and roads.** Major Canadian airports have pre-clearance facilities, and there is discussion of creating pre-clearance facilities for highway and rail border crossings;
9. **Shared oil and gas pipeline network;**
10. **Shared communications grid of telephone, cellular service, Blackberry, and Internet;**
11. **Highly mobile work forces.** Canadians and Americans are among the most highly educated peoples in the world, and their credentials, skills, and ways of doing business are highly transferable, country to country. This is further enhanced by the NAFTA worker visa;
12. **Security, police, and armed forces integration and exchanges;** and
13. **Similar systems of advanced education.** Canada and the U.S. take similar approaches to public education, and their universities are similarly structured.

CONCLUSION

No trading relationship is perfect. As the two-way trade in goods and services between Canada and the United States approaches $2 billion each and every day, trade irritants are likely to arise. If Canada and the U.S. are treated as a trading bloc, the value of its trade is exceeded only by the EU-25, or by all of Asia considered as one trading bloc.[19] The two economies possess highly integrated transportation, communications, financial, business, cultural, military, and family networks, and highly similar statutory, regulatory, civil, judicial, political, and governmental frameworks. Sector by sector, corridor by corridor, bilateral trade serves to integrate the Canadian and U.S. economies. This integration is mutually beneficial, with the advantage at present going to Canada, with its trade surplus.

Canada must guard and enhance its chief trading relationship while seeking to initiate and grow other trading relationships. Taking as a model its trading relationship with the U.S., Canada should target economies where it holds in common characteristics that will pave the way for mutually beneficial trade and economic integration. Trade Corridors is the best model for understanding how Canada-U.S. occurs presently, for understanding how trade integrates the two economies, and for identifying Canada's best markets for future trade expansion.

Endnotes

1 Another model pursued for a time by the Government of Canada's Policy Research Initiative was "cross-border regions" (Canada-US Relations and the Emergence of Cross-Border Regions, North American Linkages, Briefing Note. Policy Research Initiatives. Ottawa: Government of Canada, 2006. Found at: http://policyresearch.gc.ca/doclib/PRI%20BN%20eng.pdf), "Cross-border regions," however, bears a resemblance to the Trade Corridor metaphor pursued by various efforts – marketing initiatives, really – to promote the development of highway infrastructure between regions of Canada and regions of the United States. Instead of a study of how trade between Canada and the United States actually unfolds, the research initiative appears to have been oriented to market research surveys of opinion leaders in these regions, and to comparisons of the economic statistics of neighbouring and proximate Canadian provinces and U.S. states. But the research does not track the movement of exports or imports.

2 Prime Minister Jean Chrétien organized the first of these in 1994 with Canadian premiers and territorial leaders in tow. Prime Chrétien's "Team Canada" delegations to Asia became an almost annual occurrence in which visits to the PRC featured most prominently. Less prominent were visits to Japan, India, Indonesia, and Singapore, among others.

3 Jean-Bosco Sabuhoro and Aaron Sydor, Canada's State of Trade: Trade and Investment Update – 2007, Ottawa: Minister of Public Works and Government Services, 2007, p. 32.

4 Ibid.

5 The Nissan Motor Company Chief Executive Carlos Ghosn announced on June 27, 2007, that Nissan would likely produce a "cheap car" in partnership with India's Mahindra & Mahindra Ltd. priced to compete with Tata Motors Ltd.'s forthcoming $3000-car, priced for India's huge "cheap car" market (Phisanu Phromchanya, "Nissan chief says Mahindra will likely be India cheap-car partner," MarketWatch. Found at: http://www.marketwatch.com/news/story/nissan-chief-says-mahindra-likely/story.aspx?guid=%7B85DF1AE0-5EFD-4405-B70C-B8AFF106D630%7D, June 2007).

6 "Tata Motors Ltd (TTM)," Standard & Poor's Stock Report, July 14, 2007, McGraw-Hill, 2007. See also the "Tata Motors" web site (Found at: http://www.tatamotors.com, June 2007) for a summary of the markets that Tata has entered, in addition to selling in the India "cheap car" market.

7 The abstract from one of a series of conferences on the "Gateway Corridor Initiative" organized by Simon Fraser

University is revealing on this count. Out of some twenty-three presentations, virtually all concerned themselves with transportation infrastructure (Found at: http://www.gateway-corridor.com/vancouverconference/abstracts.htm, June 2007).

8 The value of Canada's exports represents 36.4% of Canada's GDP, compared to 44.9% for German. The value of Canada's total trade is equivalent to 70.2% of GDP, compared to 84.5% for Germany (Canada's State of Trade, 23ff).

9 Lynette Ong, "China, India: Difference in the details." Asia Times Online (30 Apr 04). Found at: http://www.atimes.com/atimes/China/FD30Ad04.html, August 2007.

10 According to a report in Xinhua (August 29, 2007), since the country opened to it in 1978, China's foreign direct investment (FDI) cumulatively exceeded US$750 billion by the end of June, including US$36.93 billion in FDI in the first seven months of 2007, according to Vice Minister of Commerce Wei Jianguo. He said China had cumulatively approved creation of 610,000 foreign-funded enterprises. Exports by foreign-funded enterprises accounted for 57% of China's exports.

11 Found at: http://www.census.gov/epcd/www/naics.html and http://strategis.ic.gc.ca/sc_ecnmy/sio/about_naics_eng.html, August 2007.

12 Wealth of Nations (1776). See especially Book I, Chapter I, and Book IV, Chapter II. Cf. Aaron Syder's "The Rise of Global Value Chains." In Jean-Bosco Sabuhoro and Aaron Sydor, Canada's State of Trade: Trade and Investment Update – 2007, Ottawa: Minister of Public Works and Government Services, 2007, pp. 47-70. Syder cites the Hudson Bay Company (est. 1670) as an early example of a company that located various aspects of its production in geographically disparate locations in order to maximize profits.

13 Russ Kuykendall, "Six trade corridors to the U.S.: the lifeblood of Canada's economy." Policy Options (July-August, 2006):47-52. Found at: http://www.irpp.org/po/archive/jul06/kuykendall.pdf, June 2007.

14 Trade Data Online offers ready access to export and import data collected by Statistics Canada and the U.S. Census Bureau. The data is organized according to the North American Industry Classification System by product and by industry. Found at: http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html, August 2007.

15 Recently, the federal Minister of Transport and the Quebec and Ontario Ministers of Transportation announced "the signing of a Memorandum of Understanding (MOU) on the development of the Ontario-Quebec Continental Gateway and Trade Corridor." The announcement recognized that Ontario and Quebec are responsible for the largest share of Canada's exports and GDP, and proposes research into "global markets and trade opportunities," "initiatives," "strategy," and "issues" affecting or flowing from trade ("The Ontario-Quebec Continental Gateway and Trade Corridor," July 30, 2007. News release and backgrounder. Found at: http://nouvelles.gc.ca/web/view/en/index.jsp?articleid=343039&#bg).

16 The International Joint Commission is an independent, binational organization established by the Boundary Waters Treaty (1909).

17 Energy Alberta distributed a news release announcing its application on August 27, 2007. Found at: http://www.newswire.ca/en/releases/archive/August2007/27/c2674.html, August 2007.

18 The "International Traffic in Arms Regulations (ITAR)" limits not only the export of technologies considered to be defence-related, but also limits the participation of non-U.S. citizens or, even, foreign-born U.S. citizens. See "Directorate of Defense Trade Controls, U.S. Department of State" (Found at: http://www.pmddtc.state.gov/itar_index.htm, August 2007).

19 Canada's State of Trade, Table 2-1, p. 12.

RESPONSE

Beyond Trade:
Taking Canada and America to the Next Level
By Brian Lee Crowley

Good morning, ladies and gentlemen. Thank you to the Work Research Foundation and its President, Michael Van Pelt, for the kind invitation to be here with you today.

I want to talk to you today about Canada in its North American context. We have all seen recently how everything that touches on increased continental integration and co-operation remains highly controversial. The anxiety generated by these questions (for example, the old bugbear raised just yesterday in The Globe and Mail about bulk water exports) revolves around questions of sovereignty, and we hear, more and more loudly and persistently, calls for protectionist measures, to turn inward, denouncing NAFTA and urging that we shift more of our trade away from the US toward other countries, so as to reduce our vulnerability and openness to our southern neighbour.

But I am coming more and more to see that this approach is based on a fundamental misunderstanding of what is happening in North America, and particularly between Canada and the U.S.

And talking about misunderstandings, I also want to talk about a common misunderstanding about trade, one that transcends the Canada-U.S. relationship, but is particularly important to understand if we are to grasp the real value of trade and why we should care about it.

Let me start with the misunderstanding I hear all the time about trade, and is even present to some modest extent in the WRF paper that has brought us all together here today.

Think, for example, about the paper's observation that the value of building gateways for trade between North America and Asia is somewhat overrated because on analysis we can see that the benefit accrues largely to China. In other words, China sells more to us than we sell to them, so there isn't much benefit in facilitating this trade.

This is a common view, one oft-repeated wherever trade issues are discussed. It is, at its most basic, the mercantilist view that to sell something to someone is a great victory, but to buy something from them is a minor catastrophe. As George Orwell might have written in Animal Farm, "Exports Good, Imports Bad."

This is just terribly wrong, and it is worth taking a moment to see why. Let's use a simple analogy. I run a trade deficit every week with my grocer, because I buy lots of things from him and he buys absolutely nothing from me. On the mercantilist logic, I should seek to diversify my trade away from my grocer, perhaps to the editor of the *National Post*, who recently bought an op-ed from me. The flaw in this logic becomes immediately apparent – the editor of the *National Post* is a poor farmer and he would be both expensive and inefficient as a food source. Moreover, the notion that I run a trade "deficit" with my grocer implies that he got something from our exchange, whereas I did not. This is nonsense. *I got the goods in my trolley*. In fact, the very reason why trade can create value for people is that by definition in such a free transaction, each party must feel they make themselves better off by engaging in it. Otherwise the trade does not occur. I would rather have the groceries than the money – I am made better off by the trade. The grocer prefers the money to the goods. He is also made better off by the trade. The notion that because I bought I have been impoverished and because he sold he is the "winner" in our relationship misunderstands exactly the central point of trade.

That is why, by the way, Paul Volcker, the former head of the Federal Reserve, when asked how he would suggest dealing with the trade imbalance between his country and Japan, or whatever was the country that was running the biggest trade surplus with the U.S. at the time, replied – I would fix the "problem" by ceasing to collect the statistic.

Trade deficit statistics tell us nothing meaningful and in fact are used to justify all sorts of mistaken and wrong-headed conclusions. Dynamic economies are very frequently also economies with big trade deficits. America would be a great example. Japan, still an economic basket case after all these years, is also still the world's biggest creditor nation. Which would you rather be?

Now that I've got that off my chest, I can come to the other misunderstanding that bedevils our attempts to talk constructively about trade, in this case between Canada and the U.S., is that what takes place between us is increasingly not international trade in the classic sense at all.

All of this debate over national sovereignty and national trade balances takes as its premise that Canada and the U.S. are separate national economies, that each of us makes a unique range of finished products within our national economy that we then trade with other national economies for what they make. On this sort of view, France makes wine and Japan makes cars and they exchange the one for the other.

But this is no longer what occurs between Canada and the U.S.. Increasingly (but not exclusively – I am talking about how things are developing, not their end point) we make things together, and then sell them to each other and to people across the world. Forty percent of all trans-border trade between our two countries is intra-firm trade – in other words it takes place between parts of the same company. Our energy infrastructure, in terms of wires and pipelines is largely seamless – when the branches fell across the wires in Ohio several summers ago and caused the biggest blackout anyone can remember, southern Ontario was just as swept up in it as many parts of the U.S. Our transportation infrastructure links ports and distribution centres with little regard to the border – the Port of Halifax sends 100,000 containers a year to Chicago and beyond in the U.S., and WalMart is looking at it as a possible distribution hub for Asian merchandise in the northeast corner of the continent. Montreal and Vancouver are important North American ports of entry and distribution hubs, and southern Ontario is fully integrated into the production of North American cars.

Thus increasingly, we do not make finished products and sell them to Americans, but rather we make things together and then sell them all around the world. Or as my friend, Stephen Blank, one of the few academics studying the emergence of the North American economy says, in the prosaic and painful language of social science, "The political economy of North America is no longer composed of three separate national economies. Instead, we must think of a continent-wide system of linkages among production clusters and among distribution hubs, linkages resting on cross-border alignments among businesses, communities and local/state-provincial governments -- and we must think of networks of social groups, environmentalists, religious groups, ethnic communities and others – that transcend borders. This is the North American reality."

This, by the way, is why the Work Research Foundation's paper is absolutely right to say that the gateways and supply chain models for thinking about U.S.-Canada trade are too narrow and constraining, although I even think that the whole metaphor of international trade is now too narrow to encompass what is being built around us. This new reality is, as Adam Ferguson, the 18th century Scottish political economist would have said, the "product of human actions, but not of human design." We have built it without planning it, and indeed it could not have been planned in all its tremendous complexity and flexibility. This new North American reality is under construction all around us by dint of the actions we all take every day. But because it was not planned, and could not have been planned, and because laws and regulations cannot, by their nature, evolve as fast as business, economic and social relationships, what has not caught up yet is the legal, institutional and regulatory frameworks that are still based on the old self-contained national economy model.

Yet at the same time that it is more incontestable than ever that our continental and Canadian prosperity depends on smooth and uninterrupted exchanges across the border, people in both Canada and the U.S. are raising more and more concerns about the legitimacy of tree trade. The most recent example was the insanity that reigned in the blogosphere and in the streets of Ottawa this summer in the run-up to the Security and Prosperity Partnership meeting here in Montebello, as warnings were "repeatedly sounded of plans afoot to create a North American Union or build a vast new Mexico-to-Canada superhighway that would displace millions of people, undermine our sovereignty and destroy our way of life. None of this is true. Neither a NAU nor a monster NAFTA superhighway is in the cards or even on the table. No finely tuned plan for submerging national sovereignties; no master plan for North America."

In fact, I have some personal experience of just how crazy things have got. I'd like to read to you from an article that appeared in the Halifax daily news in June, but before I do, I'll just tell you by way of background that Atlantica is the name my think tank gives to what we think of as a natural cross-border economic region that straddles the U.S.-Canada border from the Maritimes right through to Buffalo.

There was a major conference in June in Halifax about Atlantica (not sponsored by my Institute). So here is the article (and no, I am not making this up!). Under the headline, Protesters take a ride on hood of car Group surrounds AIMS founder outside local watering hole, the journalist writes:

> *Atlantica protesters went on a wild ride with the founder of a conservative think tank yesterday. After the midday mayhem a few protesters noticed Brian Lee Crowley, Atlantica proponent and founder of the Atlantic Institute of Market Studies, at the Economy Shoe Shop. They ran and gathered more protesters who cornered Crowley as he came out of the restaurant. "We were hoping to form a ring around the car so that we could get our message through to him," said Tracy Glynn, one of the people who first recognized him. But being surrounded didn't stop Crowley. He drove off with two protesters on the hood of his car, and many more chasing after.*

This photo is sort of how it felt at the time, although it was not exactly as illustrated here. In fact, I suspect that from the protestors' point of view, I am sure this is what they saw themselves as engaging in the heroic struggle against the evils of capitalism, which will be crushed by the workers united who can never be defeated, and so on.

The article continues: "Police eventually stopped the car and removed the protesters. Crowley did not press charges."

But that's not the best part. If you really want to understand the incredible superficiality of the understanding these people have of the issues they are protesting, you have to listen to the gem of the story, which is the last sentence:

While on the car, one protester apparently turned to the other and asked, "Who is Brian Lee Crowley?"

Silly as such outpourings are, they are eloquent about the mindset that is taking hold in various places, including in the U.S. Congress, now more protectionist than it has been in decades. I long for the days when a Democratic Vice-President, Al Gore, would volunteer to go head-to-head with a right-wing populist like Ross Perot on the topic of free trade, and leave him broken and bloody on the floor.

What is at stake in the political establishment on either side of the border abandoning free trade as a central tenet of economic management? As Thomas Friedman, author of *The Earth is Flat*, wrote in a column several months ago:

> *I'm not a free trader anymore. I'm now a radical free trader. Why? Because in this new era of globalization, so many people now have the communication and innovation tools to compete, connect and collaborate from anywhere. As a result, business rule No. 1 today is: Whatever can be done will be done by someone, somewhere. The only question is whether it will be done by you or to you. In such a world, the way our society flourishes is by being as educated, open and flexible as possible, so more of our people can do whatever can be done first. 'That society which has the least resistance to the uninterrupted flow of ideas, diversity, concepts and competitive signals wins,' according to the C.E.O. of the Indian tech giant Infosys. 'And the society that has the efficiencies to translate whatever can be done quickly — from idea to market — also wins.'*

So free trade is how we learn about and participate in the innovations that are washing across the globe and are the cornerstone of our future prosperity, but public sympathy is starting to flow ever stronger in the other direction and we seem incapable of offering a compelling case for the construction of North American institutions that deserve the trust and confidence of the public, and that would channel the economic energy of our peoples in increasingly co-operative and mutually beneficial directions.

The situation in which national leaders keep quiet about North American developments while businesses, bureaucrats and community groups slink away to repair problems in the North American system is no longer working.

It is failing us because, despite efforts to overcome the "narcissism of small differences," the step by step approach lacks the coherence and broad vision needed now. Decisions are required on key issues of security, borders, transportation, energy and immigration. At this point, the incremental approach is simply not enough.

Integration-by-stealth is also unacceptable. After NAFTA, the SPP has become, in Stephen Blank's phrase, the new face of evil. If we hope to get beyond this demonization, concerns must be confronted. The fact is, if we act like conspirators, we cannot be surprised if people think there is a conspiracy. If the charge is that globalization is causing the emergence of international organizations responsible for managing cross-border economic relations that have become too large, too important and too complex to be left unmanaged, we should ask how it is in Canada's interest, as a small open trading nation, to act otherwise. But if the charge is that there isn't enough openness and discussion about those institutions and that people are suspicious of things cooked up behind closed doors, our answer should be, then let's open up the discussions and take the charge of secrecy from them.

The North American reality is a complex system, many sectors of which are characterized by deep structural integration that is deeply misunderstood. We all depend profoundly on this system. After a decade of rapid growth, however, and in the wake of the events of 9/11, integration has slowed and the North American economic system is becoming more fragile. To reinvigorate the process of integration requires a vision for the 21st century and the mobilization of informed and active constituencies that will press for new steps forward by the three NAFTA governments.

If today's event makes a contribution to that vital end, it will have more than justified the time and effort we will all lavish on it today.

THE ROUNDTABLE

Commentary

David Stewart-Patterson, Canadian Council of Chief Executives (www.ceocouncil.ca), observed that even in the 1980s, pro-free trade business executives would not have dared to predict sixteen uninterrupted economic growth. The lesson from this is to be bold on free trade. Further, when 9/11 kicked relations into a new phase, we have been compelled to think beyond the commercial relationship; we must figure out how to reconcile physical security with economic security. Stewart-Patterson said that "Gateways" is about physical movement; "Global Value Chains" is about capital movement; "Trade Corridors" is about the movement of goods, services, and information. Stewart-Patterson suggests that creating a Canadian advantage requires competing on three levels : goods, people and money.

Stewart-Patterson also observed that technology allows information to move while people stay. Trade is driven by the flow of money and imbalances are recycled through investment. The nationality of shareholders is increasingly less important – even head offices are being decentralized. The question is what work Canadians will be doing a generation from now. What are we going to do that will create maximum benefit to us? Ease of people movement within Canada and internationally is critical if we want Canada to be a base for the key functions of a head office, which include managing operations, building relationships with customers and dealing with investors -- many of which are certain to be in the United States. Efficient access to the United States, however, is not sufficient. Tax policy also is critical, and while Canada has made major progress in reducing federal corporate tax rates, it also has undermined its competitiveness by underestimating the negative impact of tax measures such as the elimination of interest deductibility in Canada of money invested in affiliates abroad.

Garth Whyte of the Canadian Federation of Independent Business pointed out the huge stake of small to medium-sized business in respect of international trade, and the unique challenges these stakeholders face when currency valuations fluctuate. Whyte called on policymakers to pay closer attention to the share of Canada-U.S. trade engaged in by small to medium-sized businesses.

Christopher Sands, Hudson Institute (www.hudson.org), offered a number of comments, including:

- The public sector is good at exercising "eminent domain" (in respect of the land needs for physical infrastructure development) and it could "incentivize fall-back measures" and infrastructure;
- When the U.S. and Canada develop "best practices," Mexico follows;
- Some suggest that the *Security and Prosperity Partnership* (SPP) will lead to a "superstructure" for Canada-U.S.-Mexico relations on the order of the European Union. This tends to elicit resistance. The SPP requires more transparency;
- Hillary Clinton and the U.S. Democrats propose to scrap NAFTA:
- There should be more involvement of U.S. states and Canadian provinces in trade governance – the water treaty is a model for this;
- In respect of labour mobility: "Why not tax people based on where they earn their money?";
- In the 1950s, there was an effort (post-Depression and World War II) to encourage and inculcate the culture of business;
- The nature of our systems is constant policy competition. It is critical to grab attention in the U.S. with big ideas, and support your side of the argument in the debate; and

- "Doctrine of *exemptionalism*" – Canada should make the case for and move toward formalizing the doctrine of North American "exemptionalism" vis a vis U.S. protectionism and security concerns. Canada should constantly point why Canada is different and, therefore, Canada should be treated differently.

General Comments

Several comments, issues, and questions were raised in a wide-ranging, roundtable discussion, as follows.

What is the Government of Canada's role in trade? It has a role developing transportation infrastructure, and determining where to concentrate resources in respect of infrastructure development? Should the priority be the China trade, "Atlantica" (the Maritimes and New England), or a new crossing of the Detroit River? The Department of Foreign Affairs and International Trade's annual *State of Trade* publication for 2007 focused on foreign direct investment. But as others have indicated, how do you measure the value of intellectual capital? That is, how do we measure engineering inputs to, say, Japanese-brand cars manufactured and assembled in Canada? On "cross border regions," it's often suggested that "Cascadia" (B.C., Alberta, Montana, Idaho, Washington, and Oregon) is one such. But Alberta's trade in oil and gas is not limited to or necessarily, even, concentrated in "Cascadia." Alberta sells and moves oil and gas to Chicago and beyond. Trade is not always defined by geography, but often by interests and needs. The ITAR framework in the U.S. tends not to allow foreigners in highly sensitive and high tech projects. This is a potential advantage to Canada: welcoming highly capable people from elsewhere to work on high-technology, high-valued added projects.

The need for a new "trade brand" was raised. Canada doesn't celebrate its success stories; Canada needs a trade vision. There are two economies: the stock market economy and the non-stock market economy. The new vision should include (typically) smaller enterprises that are part of the non-stock market economy. The concerns of smaller enterprises include the costs associated with border crossings, including paperwork. Some 40% of entrepreneurs are "first" and "second" –generation Canadians.

Each of the three metaphors starts with the same, biggest problem: difficulties with changing politics. A key challenge will arise with the next elected officials taking office – particularly for Canada. How does Canada make U.S. officials aware of why Canada is important to the U.S. economy? Americans are not "engaged" on Canada-U.S. trade. A key issue is "engagement." And, on the Canadian political side, how does Canada integrate economically through trade without integrating in other ways? On the wider, global "tradescape," Canada's multi-ethnic demographic could be leveraged in pursuit of global trading opportunities. Finally, is Canadian policy addressing the education and training in the movement of people?

Another commenter asked whether or not each metaphor represents or highlights different aspects of trade? It is problematic to make decisions based on one model – a more comprehensive vision may be called for.

Trade entails the movement of visible products inside "invisible containers" – that is, warranties, networks of dealers, et al. All products are made by teams who may be part of one company, but are international. The global supply/value chain is dynamic across North America, Europe, and Asia.

One commenter suggested that the role of government is to "get out of the way." Government knows *what* to do, but it falls down on execution. Consequently, there are inevitable issues in respect of regulation. We need to get the division of labour right between government and "non-government."

There are natural trade regions from Halifax to Chicago, Prince Rupert to Chicago, and (with global-warming) from Fort McMurray to Alaska. A bridge or tunnel across the Bering Strait could reduce the 80-day lead time on supply chains to a 10-day lead time.

Another roundtable member asked what might happen if government stopped everything they are doing presently on international trade and, instead focused on building border infrastructure, and what the implications of that infrastructure build-up would be for the economy of trade.

Concerns were raised regarding U.S. protectionism, and further that the incremental approach to Canada-U.S. trade is not working. That we should take our cue from Wendy Dobson's identification of the need for "a big idea" in respect of Canada-U.S. trade. Does "trade" capture the dynamics of trade?

There was a feeling that trade in the 21st century may entail new institutions for which we do not yet have names. It was noted there is broad, public support for trade.

Canada's demographic reality has led to a labour shortage. Free trade permits the use of other countries' labour pool. The U.S. is not facing the same sort of "demographic bust" that faces Canada. The U.S. demographic is younger, but less familiar with Canada at a time when Canada is more dependent on trade than ever.

Free trade also needs to be "fair trade." Free trade with Korea is unidirectional, particularly on automobiles. If free trade is "one-way," it could lead to a "hollowing out" of some sectors in Canada. China is buying Canadian oil sands assets, others are buying port assets. Free trade can be based on an artificial currency relationship – for example, China's yuan and Japan's yen. Free traders must nuance their understanding and practice of free trade. Further, tax policy should take account of trade.

In order to compete with other trading blocs, North Americans should sort out their differences and speak with a common voice to the rest of the world.

There's a need to get into both countries' schools to educate students about trade. The humanities bias of education against technical and business education holds implications for trade. We need to educate about and encourage "the culture of trade."

Some additional challenges in the public policy environment were highlighted:

- Moving Canadian society beyond the politics of the 1970s and 1980s;
- Foreign workers are not immediately available, and opening the country to foreign workers would entail resettlement and integration challenges. Canada's population needs to birth more children;
- Most transportation and port infrastructure is publicly owned, and we're a long way from a private sector buy-in;
- The commenter insisted that the U.S. government generally does understand our importance as a trading partner, but that we need to encourage and nurture that understanding;
- It's difficult to implement bold, visionary projects in a minority government situation;
- Good policy entails good implementation, not just design, and long-term continuity and predictability;
- The physical infrastructure challenge is wider than trade infrastructure. For example, 40% of Montreal's potable water is lost due to infrastructure problems – "the system is broke";

and

- Government subsidy of industry is, still, considered a necessity.

The convenor, Michael Van Pelt, called on Brian Lee Crowley to offer a summary of high points of the day's roundtable discussion.

"Wrap-up"

By Brian Lee Crowley

Let me preface my comments by saying that no overview, especially one done 'in the heat of the moment,' as this one is, can hope to do justice to all the great comments that have been made in the course of the day. All that I can hope to do is to review a number of the themes that struck me most forcefully and that seemed to me either to reflect a consensus around the table, or that seemed important to inform subsequent discussions.

I have organized my remarks around 6 main themes: Exemptionalism; Human relationships; Infrastructure; Politics; Division of Labour; and Gateways and Corridors. I will review them in that order.

Before I do that, however, I wanted to take a moment to talk again (as I did at the outset this morning) about why trade is valuable beyond the commercial self-interest of this or that transaction. Part of this came into focus for me as a result of the conversation we had over the course of the day and I thought there might be some value in my passing my thoughts along to you.

When people think of trade, they tend to think in terms of goods (what The Economist immortally defined as "things you can drop on your foot") and secondarily, perhaps, as services and capital. But all our discussion around the knowledge economy reminded me that in fact all of these things – goods, capital and services -- are in fact different instances of a single thing: human knowledge.

What makes a car valuable is that it embodies an impressive range of highly specialized knowledge, knowledge about metallurgy, chemistry, engineering, design, marketing, maintenance, inventory control, robotics and much much more. Capital embodies human knowledge both about where money can be made and how to invest it to produce a return. Services are simply the product of human intelligence that does not take the form of a good, but rather a more abstract form, such as a legal opinion or a balance sheet or an architectural concept.

What is interesting if we think of the economy as fundamentally an exchange of knowledge in diverse forms is this: the sum of human knowledge is estimated to double roughly every eight or nine years (and in fast growing fields like information technology, the doubling time may be as low as every two or three years). Contrast this with the fact that the human brain, which is the instrument we use to acquire and understand knowledge, has a relatively low and fixed "channel capacity," or ability to assimilate and use knowledge. The upshot is that we are all becoming relatively more ignorant as the body of human knowledge grows at an exponential rate, but our ability to understand and use that knowledge remains fixed.

The real value of trade, then, is that it allows us to make use of the knowledge possessed by others without having to possess that knowledge ourselves. And the more we have access to the knowledge of others, the more prosperous we will be and the more effective at achieving our goals. Trade barriers, then, may be thought of as barriers to the circulation of knowledge, as they leave us dependent on the knowledge possessed within our national economy, or else they cause us to pay a premium for knowledge coming from foreign sources. In an economy widely acknowledged to be knowledge-based, this is tantamount to a policy of government-enforced ignorance. Or to use a simile, trying to build an economy by throwing up trade barriers is akin to building a great windmill . . . underground. The economy requires openness to the knowledge of others to power itself.

Now on to my review of the day's themes.

Exemptionalism

I owe this wonderful phrase, of course, to Chris Sands and the excellent talk that he gave earlier today. If I could be so impertinent as to try and summarize what he had in mind, I think the doctrine of Exemptionalism takes it as a given that Canada enjoys a unique and exceptional relationship with the United States, that we are seen by Americans as 'not being like other foreigners,' and that our trading and other relationships should build on this notion that we will almost invariably receive a sympathetic hearing for any claim that we should be granted an exemption from any damaging or illiberal economic and other measures on the grounds that we were never the intended target of such measures in any case.

This view, it seems to me, dovetails nicely with one of the overarching themes of my own talk this morning, namely that the term "international trade" now seems to me to be inadequate to describe the complex and deeply integrated relationship that now exists between our two countries economically speaking. Less and less do we make things and then sell them to Americans, just as less and less do they make things and sell them to us — increasingly we make things together and sell them to each other and the rest of the world.

My view would be that this should be the basis of a future policy based on the principle of Exemptionalism: Canada is not a "trade partner" like Argentina, Japan or Germany. Nor are we "next to" the largest market in the world. We are part of the largest market in the world, but we enjoy imperfect access to the rest of that market. That puts us in a position of exquisite opportunity and exquisite danger or vulnerability. Our future economic well-being may well depend on our ability to convince American policy makers that our unique level of economic integration makes it intolerably damaging to both sides for our access to US markets to be restricted. We can also similarly position ourselves as 'the solution to America's problems' because of our perceived reliability and trustworthiness. To choose but one example, the importance of the oil sands is not merely in the size of the reserves, but in the fact that those reserves are held by one of America's closest allies and partners.

My final comment here is that I would like to challenge the appropriateness of a notion that was much repeated here today and promoted as a possible basis for helping Canadians understand the importance of trade: "Canada is a trading nation." If my analysis is right, this way of formulating the relationship is no longer appropriate, because the nation is no longer the right vessel to contain these relationships, that largely spill over the physical borders that divide Canada and the U.S. I think the better formulation is that "Canadians are a trading people." This is not at all the same thing, and correctly captures the fact that these are not relationships between abstract national entities, but between individual Canadians and their companies on the one hand and the rest of the world on the other, and especially with Americans.

Human relationships

One of the themes that came up over and over again today was the importance of building human relationships across the border. André Downs from the PRI brought it perhaps most sharply into focus with his discussion of how the relationship between Canada and the U.S. has reached a level of complexity and decentralization that increasingly it cannot be understood in its entirety, let alone managed, in the two national capitals. We have insinuated ourselves into each other's national life in a way that engages local and state-provincial governments just as much as national governments, and we need to know each other in order to get things done at all these levels. Moreover, as the example of the Great Lakes water treaty showed, cross-border movement at the state-provincial level can often resolve problems quickly that will otherwise fester at the national level.

This requires us to think about the institutions that might underpin this relationship building across the board. For example, institutionalized meetings are now well established (e.g. through the Security and Prosperity Partnership) between heads of government. On the other hand, legislative contacts are weak at the national level, and especially given the power and influence of Congress, this is a mistake. One of my pet proposals in this regard is that we should institutionalize a joint Congressional-Parliamentary Committee on Canadian-American relations, so that there are regular meetings among legislative policy makers not only discussing carefully thought-out agendas, but building face-to-face relationships that will reinforce the cornerstone of Exemptionalism, namely that Canadians are different from other non-Americans.

We also need to support and encourage the emergence of cross-border regions, such as Atlantica, Cascadia, Quebec-New York, Ontario-Michigan, so that people on both sides of the border with shared economic interests can build cross-border coalitions to promote these interests. Then when Canadians need something from Washington, their opposite numbers in the U.S. half of their region can call their congressmen and the administration because it is their issue as well. It is also helpful on this side of the border. Sad to say, but if Senator Hilary Clinton calls the Canadian Minister of Transport to say that some piece of cross-border Atlantica infrastructure is vital to her state, that will get more attention than if all four Atlantic premiers call.

Infrastructure

That brings us neatly to the matter of infrastructure. The consensus around the table would appear to be that we do this badly in Canada with respect to the border, and the Americans are no better. The example that came up over and over again was the snail's pace of progress in building a new Windsor-Detroit crossing, but it was also clear that this was only the most visible example for a lot of people of a more general problem of the difficulties we have in getting vital infrastructure permitted and built.

Let me just sound a small note of skepticism. The public sector is not good at infrastructure. Because the proponents of an infrastructure project often feel like they are spending "free money" from government, proposals are often far more grandiose than a sober cost-benefit analysis would support. Similarly, as Harry Kitchen, in a wonderful paper for the C. D. Howe Institute argued a year or two ago, because we tend not to make people pay the real cost of their use of infrastructure, we subsidize over-use, and then don't set aside reserves sufficient to replace it once it has worn out. This means we are stuck in a destructive treadmill where infrastructure only gets built when the politics are insistent enough and governments are ready to pony up the cash, which may be long after the economic problem has become acute, and it also means that the projects that get built are the most politically popular ones rather than the most useful ones economically. Yet we don't charge the real value for the use of the infrastructure, don't set aside proper reserves for renewal, and therefore are hostage to governments again at the end of the cycle.

We need to get better at infrastructure, but that means more than simply getting government to put more money on the table. Indeed that has been part of the problem. My suggestion is that we need to be more economically rational about infrastructure, subjecting it to tough cost-benefit tests, making users pay the true cost, making the private sector build the infrastructure and shoulder most of the risk, with government's clearing the way through an efficient regulatory and permitting process. More on that under "Division of Labour," below.

Politics

First, though, another word about politics. We heard a great deal today about the difficulties politicians have in dealing with this or that issue relating to cross-border trade, and we were urged to understand that there are limits to what can be done and basically that we should keep our expectations low.

I don't agree.

It is not our job to make the lives of politicians easy or comfortable. Our job is to make the case for the very best quality public policy possible, to communicate those goals to politicians, and then to hold them accountable when they fail to live up to that standard. This applied, by the way, as much to opposition politicians as to government ones. We make a mistake when we think the only politicians that matter are the ones with governmental responsibility today. In fact they are all responsible for pursuing the good of the country, and we need to be vocal in calling to account **all** politicians who fail to meet that standard, and in acknowledging the contribution of those who do.

That implies, of course, that we also have a responsibility to make the case for what we want to a larger public, so that politicians don't just appear to be making this stuff up. They have a legitimate claim on us to help make the case to the public and opinion leaders for what we think needs doing. But they also have a responsibility to make the case for things that they are genuinely convinced are in the public interest and it is not our job to let them off the hook because these things are hard to push through.

There are serious political problems in the way Canada handles its relationships with Washington. An example that came up frequently was this country's reaction to the Western Hemisphere Travel Initiative. We spent an enormous amount of time and political capital first denying that there was a problem and then lobbying aggressively to try to stop it instead of engaging with the Americans constructively to find a solution that worked for everyone. Again, happily, regional cross-border co-operation offers us another example of how people lower down the political food chain may have solved this problem, as in Cascadia's experiment with the Washington state driver's licence, making an acceptable secure document out of it.

Finally, on the political front, there has been a great deal of discussion here today about the Next Big Idea. There was much discussion about the need for a big idea to take Canada-U.S. trade relations to a whole new level, but there was equally much doubt expressed about the political practicality of this. My view is that no new idea can hope to succeed unless it comes from Canada, because this country simply will not agree to a liberalization of trade with the U.S. if it looks like the initiative has come from the Americans. So our task now is two-fold. First, to define what the next big idea is (demand a seat at U.S. bilateral negotiations with other countries? A customs union? A subsidy code?). Secondly, to begin the hard task of calling on politicians to put their shoulders to the wheel in the interests of Canadian workers, their families and their companies.

Division of Labour

At an early stage of our discussions there were several heart-felt calls for governments to just 'get out of the way,' and that private sector companies could build infrastructure, increase their penetration of U.S. markets. But as we delved deeper into this theme, I think what emerged was a slightly more nuanced view that there was a division of labour that needed to be respected between governments and the private sector. Each has its strengths and weaknesses and what we need now is to play to the strengths of each while minimising the weaknesses.

For example, in trade there are many aspects that by their nature engage the state because they touch on matters of legal sovereignty. The legal, regulatory, and security rules that encompass trade, for example, cannot be outsourced but will remain in the hands of government. On the other hand, governments have proven poor at building the right amount of infrastructure at the right time in the right places and then maintaining it and ultimately replacing it in a timely manner. The private sector is much better at this. All of this suggests that we need to get wider agreement among the state and the private sector about what each is to do, and to make sure that those respective roles are fulfilled to the highest standard possible.

Gateways and Corridors

A final theme on which I wanted to comment was about gateways, corridors and supply chains as metaphors for understanding and making policy for trade.

Russ Kuykendall and his colleagues are understandably uneasy at the federal government's insistence on seeing a great deal of trade issues through the lens of gateways, and specifically, Pacific, Atlantic, and Windsor-Detroit. I think they are right to point out that this is too limiting an approach, but I also think it has its place. The economic energy of North America needs points of entry and exit to connect with the rest of the world, and to connect the different part of the continent, and conceiving of these as gateways seems to me to be unobjectionable.

What is objectionable is thinking that such gateways can exhaust the government's obligations in terms of exercising their power and authority in the pursuit of more open trade relations. If we learned anything from the discussion today, it is that both government and the private sector need to move on a broad front to remove the barriers to trade that keep Canada from being fully integrated into the North American economy while also pursuing every legitimate trade opportunity with other countries.

And in order to achieve this movement, we need to come up with a new metaphor for our economic relationship with the United States, because international trade is simply too narrow and limiting. When we find that new way of conceiving of our complex and evolving relationship, the New Idea that will carry it forward and the political energy that will make it happen will be within our grasp.

Priorities for Canada's trade policy

To conclude the roundtable discussion, the convenor asked each discussant to suggest their priorities for Canada's trade policy, going forward:

1. Border crossings and security. It was suggested that global commerce standards could be employed, and pointed out that 75% of the carbon footprint is in the supply chain;
2. North American trade should focus on Canada-U.S. trade, especially on completing another bridge or crossing of the Detroit River by 2013. Personal and commercial vehicular traffic should be separated at the border incoming to Canada;
3. Trade policy should distinguish between "North American" and "International" trade;
4. Foreign Direct Investment (FDI) is important. Canada's main competitor for FDI is the U.S.;
5. In the efficient movement of people and goods, what are "the little things" – the little obstacles, that can and should be resolved;
6. Develop Canada's identity as "a trading nation";
7. Inoculate ourselves against U.S. protectionism;
8. Cultivate closer relations between the U.S. and Canada and use that relationship as a model for other trading relationships;
9. Recognize how "nationalism" – U.S. or Canadian – can become a point of contention and hinder free trade;
10. Educate Canadians and Americans about trade;
11. Increase U.S.-Canada integration;
12. Everybody is an international trader; and
13. Identify Canada's comparative trade advantages.

SURVEYING THE TRADESCAPE

In his "The Rise of Global Value Chains" that appears in the Department of Foreign Affairs and International Trade's (annual) *State of Trade* (2007),[1] Aaron Syder cites the Hudson Bay Company (est. 1670) as an early example of a company that located various aspects of its production in geographically disparate locations in order to maximize profits.

Intentional or not, Syder's citation obliquely references Adam Smith's understanding of trade as a "division of labour."[2] As Smith described it, the principle of division of labour was the means by which people maximized advantage to all. People and companies in some parts of the world could more efficaciously – with better quality, higher value, and greater efficiency -- produce goods than others. And they would trade these goods for other goods produced more efficaciously elsewhere.

Smith's "division of labour" challenged the notion that each nation-state must or should produce all goods within its borders. Syder points out that companies' allocating different aspects or kinds of production around the world is nothing new. Exports by foreign-funded enterprises accounted for 57% of China's exports overall. In 2007, Japan's Toyota Motor Corporation moved into first place as the car maker with the largest production of automobiles – a position long held by GM. Korea's Hyundai has significantly increased its penetration of the Canadian and U.S. consumer markets. This in itself is not problematic. As a result, a Canadian or U.S. consumer can purchase less expensive household goods at Wal-Mart, a higher quality car from the local Toyota dealer, or a less expensive CUV from the local Hyundai dealer.

What is problematic is the Government of Korea's preventing Canadian car parts manufacturers from entering the Korean market, the Japanese Government's making hurdles for product entry impossibly high for Canadian and U.S. producers, and the PRC government's failing to maintain adequate health and safety standards in the manufacture of toys. It is likewise problematic when the U.S. Government's ITAR guidelines block Canadian participation in high-technology development and production.

As Brian Lee Crowley suggests, by itself the balance of trade is often used to support a mercantilist conception of trade as government to government, or state to state. However, trade deficits or trade surpluses *may* indicate that a government has erected barriers to trade. Trade deficits or surpluses *may* indicate that the Government of Canada should leverage access to the Canadian market in order to negotiate Canadians' access to other domestic markets.

In a similar way, the sheer volume of trade between jurisdictions may indicate where economic benefit does or does not lie. Where is Canada's greatest economic benefit from trade most likely? Where Canadians buy and sell goods annually totalling $50 billion, or where they buy and sell goods valued at $500 billion?

The volume of trade may also point to the degree of economic integration between or among jurisdictions – that is, within sectors and companies between countries and sub-national regions. When 85% of exports from Canada go to destinations in one country, does that indicate anything about the level of economic integration with that country?

Further, the volume of trade – both merchandise and services – may indicate something about the demands on and capacity of infrastructure to cope with the movement goods, people, and information represented by that volume. Volume of trade may indicate financial infrastructure: merchant banking capacity, the availability of capital, or the sanctity of contracts in a legal jurisdiction. It may indicate something about the costs of doing business whether from governmental regulation, labour forces, or supply and demand.

Picking up on a question posed early in the Trade Corridors Roundtable about the role of government versus "non-government" in trade, and the discussion of this that ensued, Crowley appropriated Smith's "division of labour" to address this question. So, what is "the division of labour" between government and non-government on trade?

Next Steps for Government and "Non-government"

Here are some thoughts on this question in the present reality drawing on the Trade Corridors Roundtable:

1. **Reciprocity.** The Government of Canada should avoid making bilateral or multilateral "free trade" agreements that give citizens of other countries – people and corporations – access to the Canadian market without guaranteeing Canadian citizens – people and corporations – reciprocal access to the markets of those countries. **Reciprocity** of access should be a guiding free trade principle, whether with China, India, Korea, Japan, the EU, Latin America, or the United States. Reciprocity will recognize that regulatory regimes can be a means of guaranteeing health and safety standards and can also serve as unduly high barriers to market access;
2. **Infrastructure**. The Government of Canada should exercise its power of **eminent domain** with due compensation in order to allow physical infrastructure to go forward. Where necessary, the Government of Canada and the U.S. Government should work together and adjust relevant treaties, institutions, and agreements so that infrastructure does not become an impediment to trade. However, wherever possible, both governments should open construction and operation of infrastructure to private enterprise. Where necessary, both governments should enter into public-private partnerships ("P3s") in order to facilitate the construction and operation of infrastructure. Is there a role for P3s in the development of bridges, tunnels, and other border crossings including pre-clearance facilities? *Could the P3 approach develop a user-pay "trucking highway" from Buffalo-Niagara Falls across Ontario's Niagara peninsula to Windor-Detroit, that would reduce the volume of trucking traffic on southwestern Ontario's existing highway infrastructure?* Although the beefing up of existing and development of new infrastructure proceeds apace under the Government of Canada's "Gateways" strategy, <u>the post-FTA/NAFTA near-exponential growth in bilateral commerce continues to operate largely on pre-FTA/NAFTA infrastructure</u>;
3. **Canada-U.S. "Exemptionalism/ Exceptionalism."** As Christopher Sands of the Hudson Institute indicated with this term coined elsewhere, and as the former Canadian Ambassador to the U.S. Allan Gotlieb argued in "'A Special Relationship': Canada-U.S. Trade in the 21st Century,"[3] the Government of Canada should negotiate with the U.S. Government for "free trade-plus." Previously "exemptionalism" or "exceptionalism" has been used to denote Canada's pursuing exemptions on culture, water, et al. in the Canada-U.S. FTA and the NAFTA. But Gotlieb and Sands argue for something broader – *exemptionalism* and *exceptionalism* along the lines of as follows:

> *Scholars of Canada-U.S. relations debate to what extent Canada has benefited* (sic) *from*

> *a special "exemptionalist" or "exceptionalist" relationship with the U.S. Exemptionalism means that Canada is exempted from measures applied to other countries, while exceptionalism means that Canada is treated differently from other allies.*
>
> *Certainly since World War II, the Canada-U.S. relationship has indeed been one of the closest and most co-operative partnerships in diplomatic history. This closeness has manifested itself most visibly in tightly integrated military co-operation (e.g., DEW line and NORAD) and trade openness (e.g., the Autopact of 1965 and the Canada-US Free Trade Agreement of 1989). Numerous smaller and less visible issues can also colour the relationship in a unique light, such as exemptions for Canada for strict border controls (e.g., passports or exit-entry notification).*[4]

As with the *Trade Corridors Roundtable* reported, here, the same report argues that exemptionalism/exceptionalism should not be taken for granted:

> *There is an enormous store of goodwill between our societies shaped in part by basic convergences of interest, ideology, and security, as well as by the extensive economic and personal linkages between both nations. But this goodwill does not necessarily translate to policies that are more favourable to Canada than to other nations. American decision-makers struggle increasingly with the question of why Canada should be treated differently from Mexico on several policies. The enduring reality is that the U.S. government, like other governments, is first and foremost inclined to protect itself. Notwithstanding the fragmented nature of the U.S. government, Canadians should never underestimate America's collective capacity to defend its interests. This particularly applies to strident local interests and national security priorities.*

The Government of Canada must continue to argue for exemptionalism/exceptionalism as in U.S. interests, *including on border security.* This requires that the Government of Canada continue to push for *continental security*, especially in respect of Canada and the U.S.;

4. **Canada-U.S. integration.** As argued above, the two economies possess highly integrated transportation, energy, communications, financial, business, cultural, military, policing, and family networks; and highly similar statutory, regulatory, civil, judicial, political, and governmental frameworks. Sector by sector, corridor by corridor, bilateral trade serves to integrate the Canadian and U.S. economies. This is not a manifesto, but a description of the reality of Canada-U.S. relations, past and present. Integration is a fact, not a proposal. As brought out in the Roundtable, however, suggestions in the U.S. that the SPP will lead to a supranational government to which the U.S. would be subject tends to undermine the political viability of the SPP. Such suggestions should be counteracted with greater transparency on SPP negotiations. Popular sentiment in Canada would similarly oppose a supranational arrangement with the U.S. What is needed is a "non-hierarchical," non-supranational model of integration. Such a model will protect and respect Canadian and U.S. sovereignties, but will recognize how the Canadian and U.S. governmental spheres of sovereignty coincide. Further, such a model

will recognize that state and government sovereignty does not control all sorts of human activity: in business, in family, in human, personal relationships of all kinds, in the creation and consumption of culture, in education, and so on. A non-hierarchical, non-supranational model – that respects the delineation of U.S. and Canadian political sovereignties – will seek to encourage all kinds of relationships and non-governmental organizations and institutions that tend to benefit citizens and residents of both countries, including in respect of trade;

5. Human relationships. As suggested in the Trade Corridors Roundtable, Canada and the U.S. can and should capitalize on the myriad human relationships that characterize and make this integration possible. This includes bilateral meetings, including telephone calls, between the Prime Minister and the President and their cabinet members, the Canada-U.S. Interparliamentary Group linking Canadian Members of Parliament to Members of the U.S. Congress; exchanges and conferences of business, industry, and farm organizations and service clubs; academic conferences and exchanges; and sports tournaments and youth exchanges. Cultivating good relations at the human level calls on Canadians and U.S. citizens to be good guests and better hosts – not just among family and old friends, but with new friends. Good human relations is good for both countries and leads to human flourishing across our frontiers;

6. The culture of trade. Research universities in both countries should expand their "centres" and "institutes" for Canadian or U.S. studies. Frankly, U.S. research universities are already more advanced in their establishment of centres and institutes for Canadian studies than Canadian universities are with centres and institutes for U.S. studies. Business and wealthy Canadians and U.S. citizens can encourage the culture of trade with endowments to such centres and institutes as well as for think tanks who study and promote Canada-U.S. trade. As Christopher Sands points out, following World War II, business knowledge was intentionally encouraged in public schools. Could something along these lines be duplicated in respect of the culture of trade in both countries and, more specifically, about the importance of Canada-U.S. trade to Canadians and Americans. This may include internships designed to both educate and "plug" young Canadians and Americans into trading networks in both countries.

Some issues and questions surfaced in the Trade Corridors Roundtable that were not specifically addressed in the discussion paper, "Gateways, Global Value Chains, and Trade Corridors." These include the significance of the movement of people, capital (Foreign Direct Investment and Canadian Direct Investment Abroad), and knowledge inputs such as engineering inputs. Another not raised during the Roundtable is tracking commercial services flows. All were raised as issues for further study in *Next Steps* found in *Greenlighting Trade: A Trade Corridors Atlas.* The over-riding objective of *Greenlighting Trade* was to develop "Trade Corridors" as a trading metaphor that encompassed more than transportation or regional marketing plans, as was previously the case. Further, the objective was to develop an understanding of trade that takes account of the roles of governments, businesses, other non-governmental organizations, human relationships, geography, and the culture of trade. To this end, from the reams of data accumulated by Statistics Canada and the U.S. Census Bureau, we drew out Canada's six largest export sectors[5] to give a research basis to trade as it actually unfolds between especially Canada and the U.S. In working toward these objectives the Work Research Foundation hopes to have made a modest contribution to widening and deepening the discussion and understanding of international trade, and the Canada-U.S. tradescape, in particular.

Endnotes

1 In Jean-Bosco Sabuhoro and Aaron Sydor, *Canada's State of Trade: Trade and Investment Update – 2007*, Ottawa: Minister of Public Works and Government Services, 2007, pp. 47-70.

2 *Wealth of Nations* (1776). See especially Book I, Chapter I, and Book IV, Chapter II.

3 In *Greenlighting Trade: A Trade Corridors Atlas*, Hamilton, Ont.: Work Research Foundation, 2005, Appendix II, pp. 61-71.

4 Cf. Jeff Heynen and John Higginbotham, *Advancing Canadian Interests in the United States: A Practical Guide for Canadian Public Officials*. A report on a Canada School of Public Service (CSPS) Roundtable on Managing Canada-US Relations, chaired by Louis Ranger. Ottawa: CSPS, 2004, p. 51. Found at: http://www.csps-efpc.gc.ca/Research/publications/pdfs/p127_e.pdf, October 2007.

5 Auto manufacturing, oil and gas, machinery and equipment, forest products, commercial services, and agricultural and fish products. See *Greenlighting Trade: A Trade Corridors Atlas*, Hamilton, Ont.: Work Research Foundation, 2005.