



Greenlighting Trade

A Trade Corridors Atlas



By Michael Van Pelt and Russ Kuykendall
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Hamilton, Ontario

Greenlighting Trade: A Trade Corridors Atlas
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The Work Research Foundation's mission is to influence people to a Christian view of work and public life. We seek to explore and unfold the dignity of work, the meaning of economics, and the structures of civil society, in the context of underlying patterns created by God.

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Message from the Government of Canada



Leader of the Government
in the House of Commons



Leader du gouvernement
à la Chambre des communes

Ottawa, Canada K1A 0A6

MESSAGE FROM THE HONOURABLE TONY VALERI, P.C., M.P.

The largest and most important trading relationship in the world is between Canada and the United States. Over 78 percent or 4/5 of Canadian exports of goods and services go to the United States, and 23% or 1/4 of U.S. merchandise exports come to Canada. In total, \$1.9 billion of goods and services cross our border each and every day.

I had the privilege of chairing the Trade Corridors Roundtable in Toronto on April 25th, 2005 with key trade corridors thinkers and stakeholders. This conference underscored the importance of trade corridors as one of the best ways to understand Canada-U.S. trade.

Greenlighting Trade: A Trade Corridors Atlas reveals how the Canada-U.S. trading relationship works. For its size and scope, it works remarkably well—but it could work even better.

The Canada-U.S. trade relationship is not the only major one in the world. Other countries are taking big steps toward improving their capacity for trade. New transportation infrastructure, new trade agreements, new legal frameworks, and new trading cultures are being actively developed in other parts of the world.

These are the challenges facing Canada as a trading nation in the 21st century. We will continue to enhance our trade corridors by seeking to expand Canada's trade fronts through gateway projects, global supply chain initiatives, key international agreements and many other trade innovations. The Government of Canada's recent introduction of landmark Pacific Gateway legislation is an important step in this regard. The lessons learned with respect to this important legislation will be applied to other similar initiatives, including the development of a Southern Ontario gateway.

Greenlighting Trade details the concept of trade corridors, deepens our understanding of how those relationships develop and work and how, ultimately, Canada can remain competitive in global trade now and for the foreseeable future.

Ottawa
November 2005

Hon. Tony Valeri
Leader of the Government
in the House of Commons

Canada

Foreword



Publicly traded and privately held companies, municipalities, and provincial and federal governments ignore infrastructure demands of all kinds to their peril. Trade infrastructure is no exception.

North America's geography is both its greatest asset and one of its greatest challenges with respect to trade, and determines in large part the physical infrastructure necessary to North American trade. The physical infrastructure connected to the movement of goods, services, people, and information – highways, rail, sea and air ports, and border crossings – can impede or facilitate trade.

This is no less true with the intangible infrastructure of trade agreements, enabling statutes and regulations, financial instruments, and public and private goodwill between governments, businesses, and private citizens in different political jurisdictions.

The *Work Research Foundation* has created a document that gives a snapshot of infrastructure already in place, a "state of the continent" report on trade corridors in North America, today. *Greenlighting Trade: A Trade Corridors Atlas* outlines the challenges companies and governments must face to meet not only North American challenges in the various continental trade corridors, but highlights competition from offshore with respect to building trade infrastructure, such as the *New Silk Road* highway system of Asia – described in the following.

Will North Americans rise to this challenge? I think we can't afford not to. *Borealis Infrastructure* is pleased to partner with the *Work Research Foundation* in *Greenlighting Trade*.

Michael Nobrega
President & CEO
Borealis Infrastructure

Preface

In "A Special Relationship": *Canada-U.S. Trade in the 21st Century*,¹ a speech delivered to a Trade Corridors Roundtable in Toronto, April 25th 2005, Allan Gotlieb argued for the deepening of bilateral channels between the two countries given "a common commitment to values, principles and way of life that marks our relationship as different from that of most other nations, even the most friendly." Former Ambassador Gotlieb advocates the broad strategy framed by common commitments that reflect the trading culture of Canada and the U.S. We argue these commitments and our trading culture are expressed in the various trading communities shaped by geography, the sectoral character of most trade, and by the myriad human and institutional relationships that make trade possible.

As we unfold in what follows, Canada-U.S. trade can best be understood in the powerful metaphor of "trade corridors." In the opening section, *Understanding Canada-U.S. Trade: A Conceptual Framework*, we offer a definition of "trade corridors" as a conceptual framework. In the second section, *21st-century Canada-U.S. Trade in Context*, we locate Canada-U.S. trade and the concept of trade corridors in historical context and present-day realities and challenges. *Canada-U.S. Trade: Sectors and Corridors* proposes a sector-based and geographically conditioned argument for the "corridor character" of Canada-U.S. trade. That Canada and the U.S. cooperate in the production of goods and services across political boundaries within sectors, by geographic proximity, and by way of physical transportation infrastructure. Trade corridors tend to integrate the Canada and U.S. economies. We draw a number of *Next Steps* our research points to as crucial for the maintenance and growth of the Canada-U.S. trade in a globally competitive trade market. Canada and the U.S. can't afford to be left behind.

Appendix One: Trade Corridors Networking & Information Bank is intended as a selection of key resources for understanding Canada-U.S. trade corridors, including the statutes and treaties - the legal infrastructure - that make trade possible. As mentioned above, we offer *Appendix Two: "A Special Relationship": Canada-U.S. Trade in the 21st Century*, by Allan Gotlieb as a remarkable analysis of Canada's relationship with the U.S. that references the recent agreement, the *Security and Prosperity Partnership in North America*, signed at Crawford, Texas, by Presidents Bush and Fox, and Prime Minister Martin, last March. *Appendix Three: Trade Corridors Atlas and Gazetteer* describes at a glance key facts about each of the six trade corridors we identify and describe, and a map that gives the visual snapshot of each corridor.

We want to engage you with "the big idea" of trade corridors, and carry on a fruitful conversation that will foster the continued flourishing of the biggest trading relationship in the world.

Notes

¹ Allan Gotlieb, "A Special Relationship": *Canada-U.S. Trade in the 21st Century*. Hamilton, ON: Work Research Foundation, 2005. Former Ambassador Gotlieb's speech is included as Appendix Two to *Greenlighting Trade*.





Executive Summary

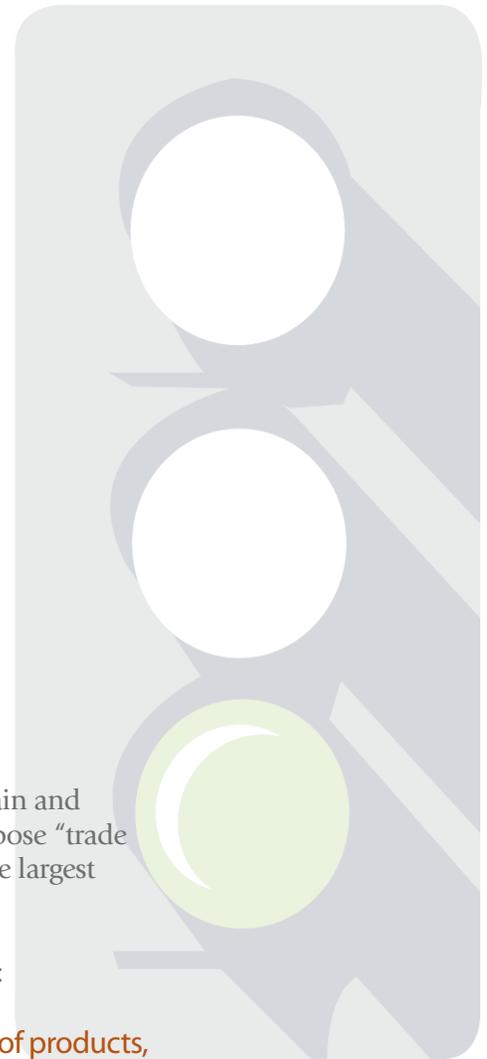
Canada needs “a big idea” in order to understand and to maintain and cultivate its trading relationship with the United States. We propose “trade corridors” as the big idea best suited to bringing coherence to the largest bilateral trading relationship in the world.

“Trade corridors” are more than transportation infrastructure:

DEFINITION: Therefore, we define trade corridors 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 custom that govern and guide trading relationships, institutions, and structures.

Trade corridors have existed since the Silk Road and earlier, illustrating that this conceptual understanding of trade is grounded in historical development. Further, trade corridors are now intentionally developed in Asia, in Europe, in Latin America, and in the Caribbean basin. These development investments present a challenge to the Canada-U.S. trading relationship that begs for a response in kind with more intentional trade corridors investment and development of infrastructure.

We argue the six largest sectors of Canada’s export trade to the United States illustrate the usefulness of the concept of trade corridors. The six largest, Canada-U.S. trade corridors we identify are:



1. Ontario-Michigan Automobile Manufacturing Trade Corridor;
2. Alberta Mineral Energy Trade Corridor;
3. Ontario-Quebec Machinery and Equipment Trade Corridor;
4. Forest Products Trade Corridors;
5. Commercial Services Trade Corridor; and
6. Agricultural and Fish Products Trade Corridors.

These corridors are summarized for reference in “Appendix Three.”

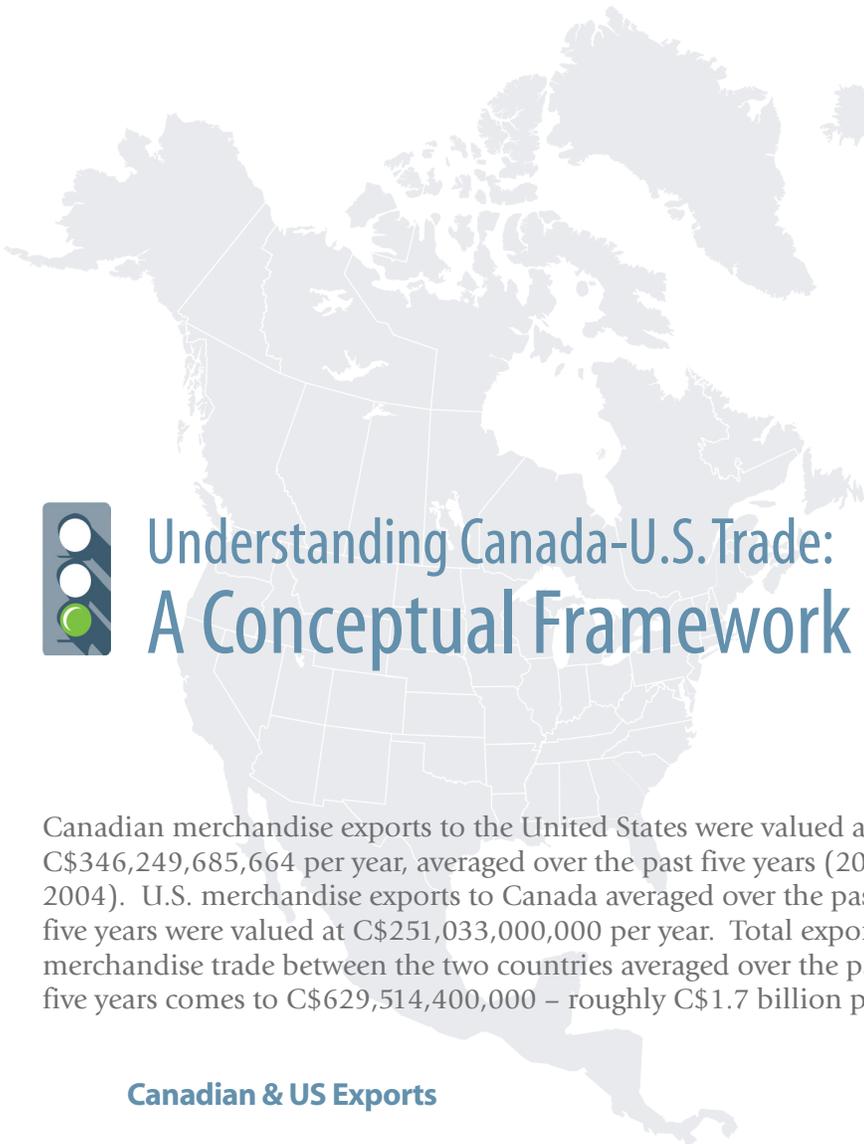
Based on our investigation of Canada-U.S. trade, the concept of trade corridors, and the specific trade corridors we identify, above, we point to a number of “Next Steps”:

1. Develop a comprehensive framework for Canada-U.S. trade;
2. Maintain and expand transportation infrastructure to account for trade volume and growth;
3. Address continental perimeter security;
4. Give more explicit recognition that Canada-U.S. trade can’t be exhaustively understood by way of international treaties and government-to-government relations of all kinds, alone; and
5. We identify a number of matters beyond the scope of this for further study.

These are enlarged upon in greater detail and specificity.

Finally, we present a philosophical framework grounded in the idea of “sphere sovereignty” that informs our development of “trade corridors” and that suggests trade requires the active participation of institutions, organizations, and associations. Trade and trade corridors are not framed by government-to-government relationships alone.

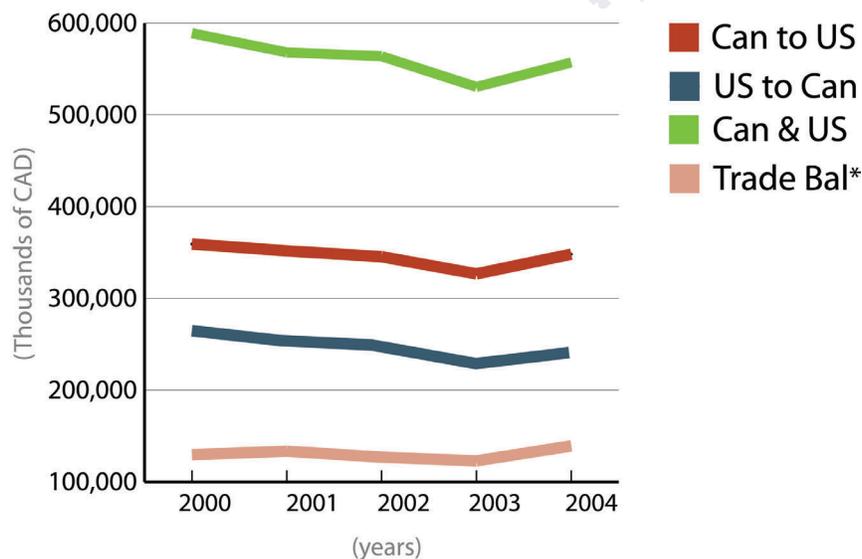




Understanding Canada-U.S. Trade: A Conceptual Framework

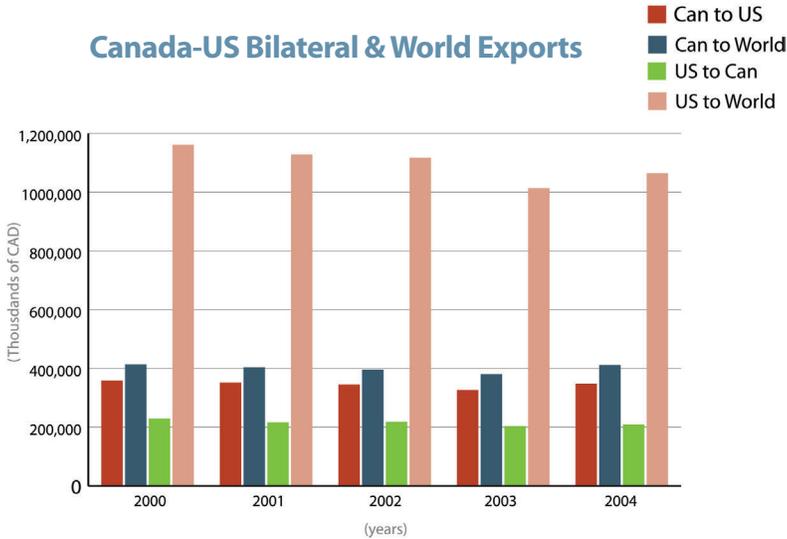
Canadian merchandise exports to the United States were valued at C\$346,249,685,664 per year, averaged over the past five years (2000-2004). U.S. merchandise exports to Canada averaged over the past five years were valued at C\$251,033,000,000 per year. Total export merchandise trade between the two countries averaged over the past five years comes to C\$629,514,400,000 – roughly C\$1.7 billion per

Canadian & US Exports



Source: Statistics Canada & U.S. Census Bureau. * Canadian Trade Surplus.

Canada-US Bilateral & World Exports



Source: Statistics Canada & U.S. Census Bureau

day. Averaged over the past five years, more than 26% of U.S. merchandise exports were to Canada, and more than 80% of Canadian merchandise exports were to the United States.²

The Canada-U.S. trading relationship is by far the largest and most valuable in the world. A big trading relationship requires a big idea to bring order and understanding to it.

The terrorist attacks of September 11th 2001 pushed security concerns to the forefront of the

political and trading agenda for Canadians and Americans alike. Given the size and scope of Canada-U.S. trade, the attacks posed a serious threat to the economies of both nations. The Government of Canada responded to the new security reality with mixed efforts and results for restoring confidence in our trading relationship with the United States which is so vital for Canada. Soon after “9/11,” in Canada, the fears for personal safety, national security, and justice, gave way to the demands of moving trade – the key to our *economic* security. Over the past four years, the widest range of jurisdictions at every level of government has taken at least some responsibility for managing the movement of trade in North America. In the U.S., however, “security trumps trade,” in the words of former U.S. Ambassador to Canada Paul Cellucci.

Economic Metaphors

What has been missing with respect to our understanding of Canada-U.S. trade is the development of an integrating framework for understanding trade movement. As pointed out in the preface, former Canadian Ambassador to the United States Allan Gotlieb calls for the broad strategy in respect of Canada-U.S. trade and international relations framed by the “special relationship” between the two countries. According to Gotlieb, this special relationship is predicated not just on geographic proximity, but on “a common commitment to values, principles and way of life that marks our relationship as different from that of most other nations, even the most friendly.” For Gotlieb, the Canada-U.S. trading culture

reflects a profound reality that underlines the history of our relationship: North American integration has resulted not from high-level public policy nor central direction but from activity that is overwhelmingly bottom-up, reflecting the vast preferences and habits of our population, from one end of our country to the other. To put it in its starkest terms, it is these habits or preferences, not the policies of government, that turned the economic axis of Canada from East-West to North-South (Gotlieb, *"A Special Relationship"*).

How do we understand this "profound reality" that so thoroughly affects Canadians at the micro-level, culminating in the largest bilateral trading relationship in the world? What is called for is an organizing economic metaphor that accounts for and explains this economic, trading relationship. As with all systems, we must develop a model or a metaphor to simplify and to manage the range of data. Our metaphor is the lense that helps us understand the economy and its impact on our communities. We live and make our daily financial decisions based on economic metaphors. Some will understand the economy through the lense of market ups and downs, or demographic boom, bust, and echo periods.⁴ Still others see the economy in terms of ideology disclosed in such statements as 'the market will take care of itself,' or, 'it is clear that the government has a profound social responsibility in this area.'

Trade Corridors: A Better Big Idea

We argue that the metaphor of *trade corridors* is a useful, clear, and focused lense through which we can better understand what is happening in today's world of trade. Trade corridors help us make sense of the changing character of trade – the production and movement of goods and services – and its impact on the nature of our countries, communities, cultures, and institutions.

Defining Trade Corridors

"Trade Corridors" began widely appearing as a metaphor to explain trade about ten years ago.⁵ Its usage has been driven by the growing impatience in North America for more sophisticated transportation infrastructure planning. Government transportation portfolios were the first to acknowledge trade corridors as a real transportation issue. Transportation-related industries then placed their financial support behind trade corridor efforts. Their goal is more efficiently integrated transportation infrastructure, manufacturing, and international trade. "Trade corridor" language is commonplace. But what trade corridors really are has not been carefully defined. Usually the term, "trade corridor," assumes a connection between transportation and trade – an understanding inadequate for what

we consider to be an integrating concept. Worse, trade corridors are often narrowly construed as “highways” – a thought rooted in phrases such as the “NAFTA Superhighway” or the TEA-21 “high priority corridors.” Attempting to get a grip on the idea of trade corridors, one U.S. Senator determined to call transportation corridors “economic corridors,” suggesting a whole economy built along the physical infrastructure of transportation routes. Canada defined trade corridors in a June 1999 discussion paper “Trade and Transportation Corridors” as:

The flow of goods and people domestically and internationally within North America; the ground transportation infrastructure and systems (highway and rail) that facilitate these flows; and the policy, legislation, and regulations governing these elements (Transport Canada, 1999).

The above definition was developed by the “Interdepartmental Working Group on Trade Corridors,” composed of ten different federal agencies, including (among others) Canada’s federal Departments of Transport, Industry, Foreign Affairs and International Trade, Citizenship and Immigration, and the Canada Customs and Revenue Agency.

Unfortunately, this definition also limits the concept of trade corridors to transportation. It does not encompass the integral nature of *community*, the social and economic infrastructure by which and through which trade moves, or the trading culture and legal structure that organizes trade. We offer the following definition:

DEFINITION: Therefore, we define trade corridors 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 custom that govern and guide trading relationships, institutions, and structures.

Let’s “break out” the components of our definition:

- “streams of products”: This we believe reflects how trade occurs and accumulates into the macro numbers many have already referenced with respect to the size of the Canada-U.S. trading relationship. It guided our research methodology as we looked at trade sector by sector, and by product and service classifications;

- **“through communities”**: Trade cannot and should not be isolated from human communities. It is a human activity carried on by and between people and their communities of culture, business networks, families, companies, unions, trading associations and chambers of commerce, and government. We attempt to show how trade statistics point to communities of trade; and
- **“a matrix or ‘culture’ of trade agreements and treaties, statutes, delegated legislation, and custom”**: We deliberately cite in *Appendix One: Trade Corridors Networking & Information Bank* the major statutes enabling trade agreements that make Canada-U.S. trade possible. Trade disputes brought for consideration under the various agreements governing Canada-U.S. trade are now openly questioned even among advocates of free trade. This only serves to highlight that trade – if it is to be “free” – must be governed. While we take note of these disputes, they are not within the scope of this treatment. Further, we take note of the trading culture represented in the innumerable relationships and customs – the ways of doing things – between traders, suppliers, and customers on both sides of the Canada-U.S. trading relationship. But describing these in detail is also beyond the scope of this study. Both matters we consider to be worthy objects of further study (see below under the section devoted to “Next Steps”).

Trade corridors change. Trade corridors are created. They shift or decline over time as a result of new technology, land-use planning, new infrastructure, the emergence of new economic sectors, and new policy, statutory, and inter-governmental initiatives. Geographic patterns of trade and communities are bilateral and transgress Canada-U.S. political boundaries. The presence of these communities of trade affects patterns of trade, but changing patterns of trade will also establish, strengthen, or weaken economic, political, and social communities.

What is the context of the Canada-U.S. trading corridors and communities? How do historical and other contemporary trade corridors help our understanding of North American trade corridors? What are the challenges presented by competing trade corridors and communities? These are questions we investigate and address in the following.

Notes

² Calculated with U.S. Census Bureau (Department of Commerce) and Statistics Canada (Department of Industry – “Industry Canada”) data from *Trade Data Online*, found at: http://strategis.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html, October 8th 2004. In *Canada-U.S. Trade: Sectors and Corridors*, below, when we get to the heart of our argument, we describe Canadian exports of services in relation to its exports of merchandise in the subsection on the “Commercial Services Trade Corridor.” Figures used for the calculation of averages are not adjusted for inflation.

³ House of Commons, *Getting Back to Business*. Report of the House of Commons Standing Committee on Industry, Science and Technology. Sixth Report, 37th Parl., 2nd Sess. Ottawa: House of Commons, November 2001. Found at: <http://www.parl.gc.ca/committee/CommitteePublication.aspx?SourceId=37038>, October 5th 2004; Senate of Canada, *Uncertain Access: The Consequences of U.S. Security and Trade Actions for Canadian Trade Policy* (Volume 1). Report of the Senate Standing Committee on Foreign Affairs. Fourth Report, 37th Parl., 2nd Sess. Ottawa: Senate of Canada, June 2003. Found at: <http://www.parl.gc.ca/37/2/parlbus/commbus/senate/com-e/fore-e/rep-e/rep04jun03-e.htm>, October 5th 2004; Senate of Canada, *Our Shared Border: Facilitating the Movement of Goods and People in a Security Environment*. Interim Report of the Senate Standing Committee on Banking, Trade and Commerce. 37th Parl., 1st Sess. Ottawa: Senate of Canada, 2002. Found at: <http://www.parl.gc.ca/37/1/parlbus/commbus/senate/com-e/bank-e/rep-e/rep17jun02-e.htm>, October 5th 2004; Dwight N. Mason, “Trade and Security in North America: The Importance of Big Ideas.” *CSIS Americas Program Hemisphere Focus*. Vol. XII, No. 9 (2 Jul 04). Found at: http://www.csis.org/americas/pubs/hf_v12_09.pdf, October 5th 2004; and Andre Belelieu, “The Recent Evolution in Canadian Security Policy.” *CSIS Americas Program Hemisphere Focus*. Vol. XI, No. 31 (10 Dec 03). Found at: http://www.csis.org/americas/pubs/hf_v12_10.pdf, October 5th 2004.

⁴ Cf. David K. Foot with Daniel Stoffman, *Boom, Bust, & Echo: Profiting from the Demographic Shift in the 21st Century*. Toronto: Stoddart, 2000. First widely appearing in 1996, Foot’s thesis is that economic cycles are driven in no small part by demography, especially by the “Baby Boom” demographic group of people born during the approximately twenty years following World War II. According to Foot, Boomers have had a profound influence on demand for education, housing, and, now, retirement planning, and, eventually, funeral services.

⁵ The idea of a “trade community,” however, was used as early as 1961 by Lester Pearson in a speech delivered to joint meeting of the Canadian and Empire Clubs in Toronto, “Atlantic Trade Community, Foundation of the Free World,” *The Empire Club of Canada Speeches 1960-1961*. Toronto: The Empire Club Foundation, 1961, pp. 325-333. Cf. Russ Kuykendall, “What would Pearson do?” *Comment Online* Vol. 24, Issue 3 (Sept 2005).



21st-century Canada-U.S. Trade in Context

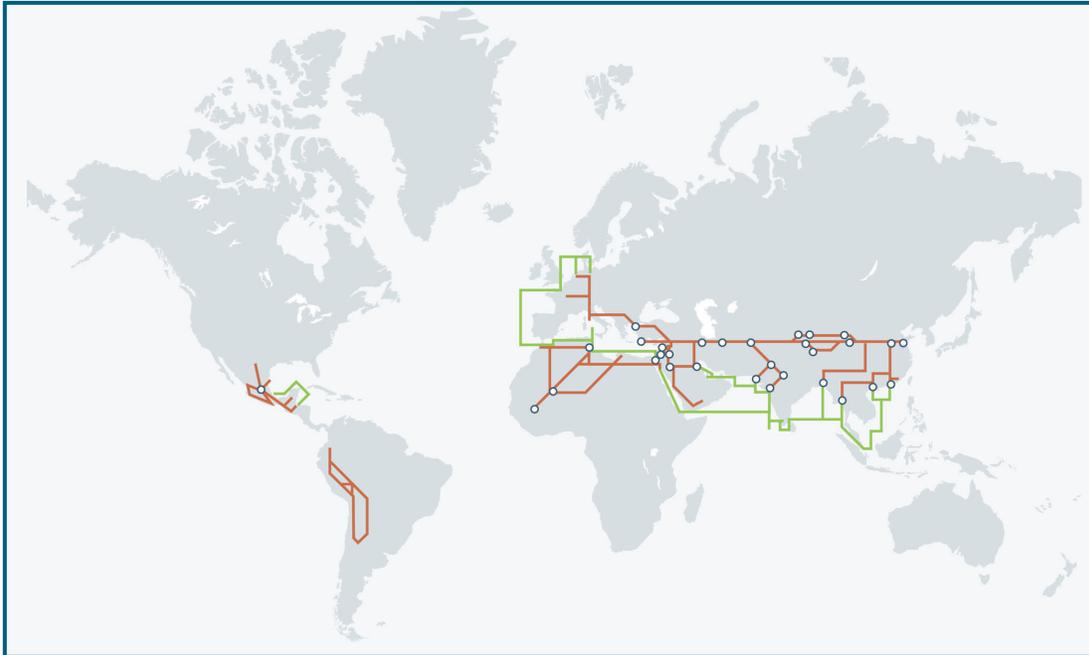
Historical Trade Corridors

Although the use of the term itself is relatively recent, trade corridors are nothing new. North America's late-19th, early-20th-century railway development, and the great St. Lawrence basin and its development into the St. Lawrence Seaway are both brilliant examples of trade corridor, transportation infrastructure development. Recent scholarship is generating renewed interest in ancient trade routes which show the pattern of community and economic development and how trade routes have developed over time.

Trade corridors develop over time driven by goods, people, and services. They are shaped by transportation technology and infrastructure. They are driven by market supply and demand. Trade corridors are expressive of the division of labour in the production of goods and services. They are facilitated, enhanced, or hindered by government with public policy, treaties and agreements, and transportation infrastructure. Trade corridors are smoothed and grown by way of financial services including merchant banking, cargo insurance, and capital investment flows.

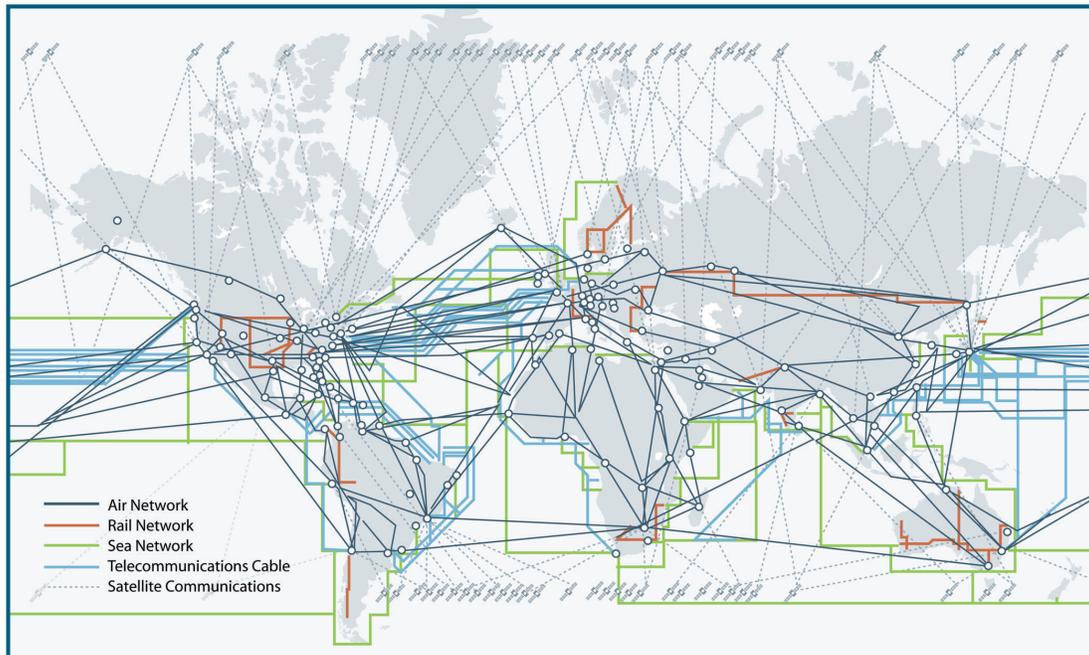
Trade corridors are nothing new, but are to be expected as a "potentiality" with deep historical roots that is hindered or helped by custom, policy, law, institutions, and infrastructure.

The Ancient and Medieval Silk Road



Source: Presentation by Michael Gallis, Michael Gallis & Associates, in association with the Work Research Foundation, November 8, 2003.

The Global Network

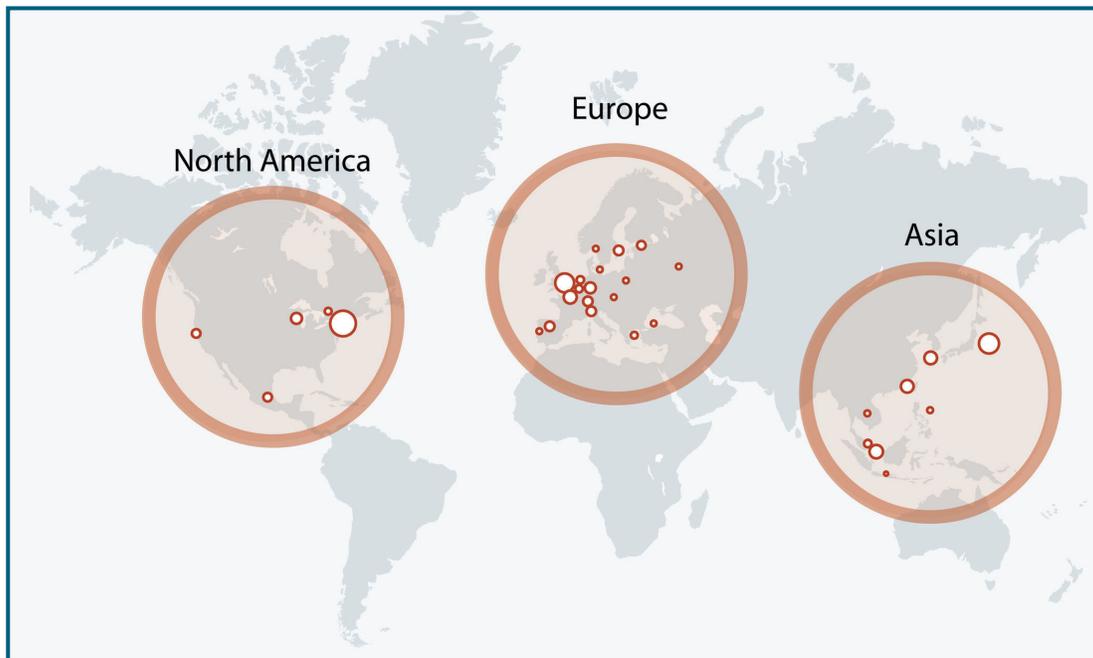


Source: Presentation by Michael Gallis, Michael Gallis & Associates, in association with the Work Research Foundation, November 8, 2003.

Corridors and Shifting Trade Patterns: Asia and the New Silk Road

The North American trading bloc is one of three global trading blocs with the European and Asian trading blocs “fed by” and trading with several smaller trading blocs.

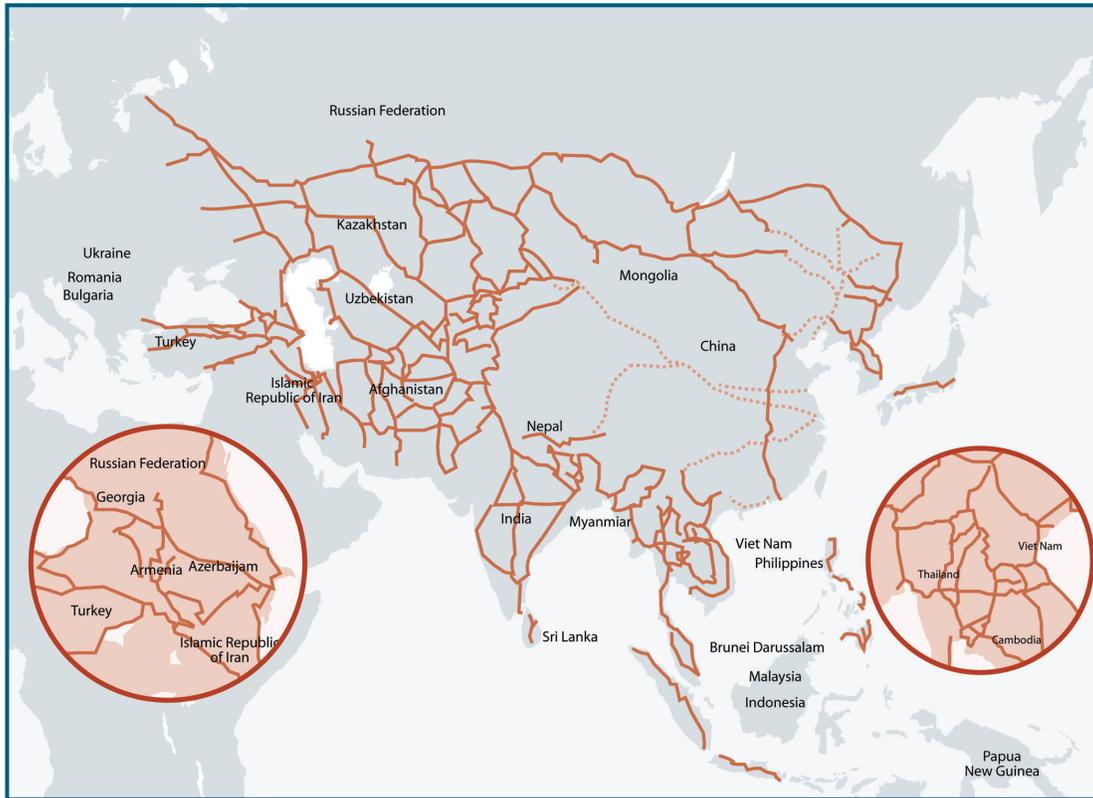
Economic Zones and Financial Centres



Source: Presentation by Michael Gallis, Michael Gallis & Associates, in association with the Work Research Foundation, November 8, 2003.

The People’s Republic of China (PRC) has constructed “Route 312,” a 26,000-kilometre road approximating the route of the Old Silk Road through the Gobi Desert as a transportation corridor, with the intention of positioning the PRC as the leader of the global Asian trading bloc. All along Route 312 the PRC is supporting a construction boom in “oasis towns” as part of a plan to develop the poorer western regions of the country. Even more impressive, on April 26th 2004 at a meeting of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), some twenty-three nations signed a treaty to create the Asian Highway network linking Asia and Europe with some 140,000 kilometres of roads – *the New Silk Road*.⁷

Asian Highway Network

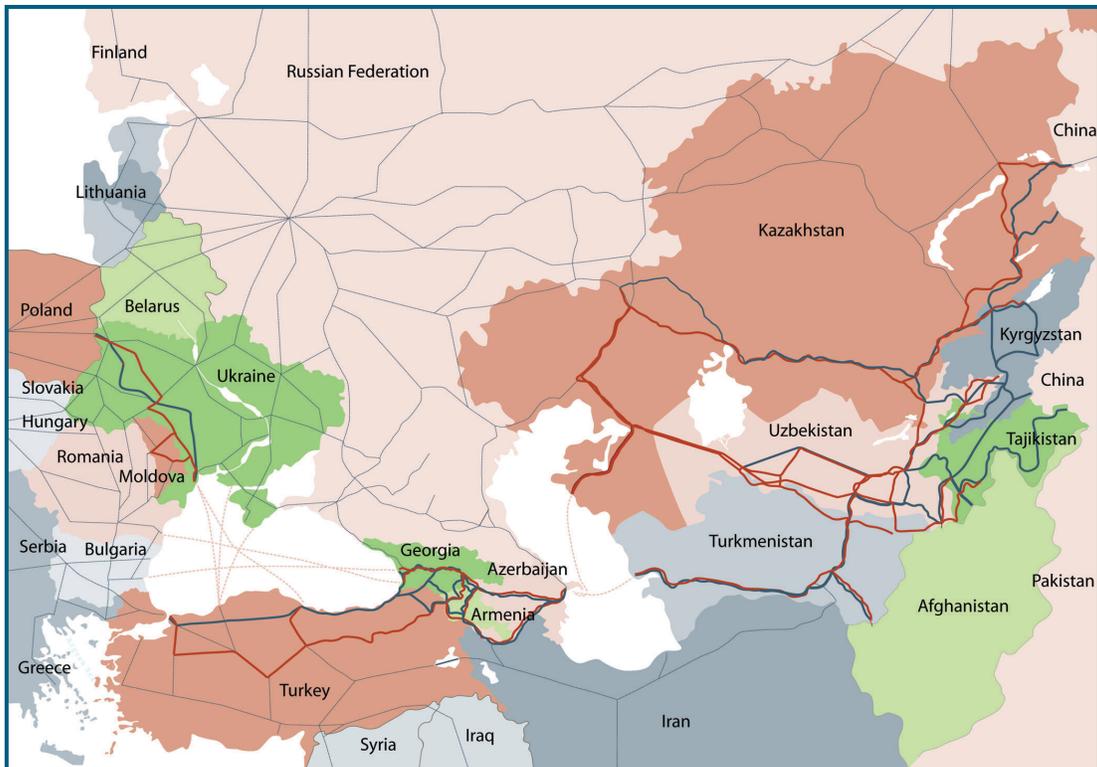


Source: UNESCAP

Further, the PRC is taking steps to acquire access to natural resources and information technology (IT) capability with recent efforts to acquire mining companies and personal computer divisions from North America, and Canadian petroleum exploration companies operating mainly or exclusively offshore. North Americans are well advised to take note.

Further, with the full financial backing of the European Union and the European Bank for Reconstruction and Development and twelve member states, the construction project known as the Transport Corridor Europe-Caucasus-Asia (TRACECA) is underway. With 100,000 kilometres of road, TRACECA hopes to boost volumes in this trans-Eurasian corridor from 1.9 million tonnes in 1997 to 34 million tonnes by 2010.⁸ This is a multi-modal, rail, port, barge, and highway system intended to link central Asia and Europe: "to develop a transport corridor on a west-east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia."⁹

TRACECA (Transport Corridor: Europe-Caucasus-Asia)



Source: TRACECA

The largest and highest-volume port in the world is at Rotterdam, The Netherlands. Rotterdam is the leading world trans-shipment point for ocean-going transport of cargo incoming or outgoing from Europe, historically and up to the present. But Europe's infrastructure is not static.

The Trans-European Transport Network has fourteen priority infrastructure projects as illustrated.

Chief among these are:

1. **The Betuwe Corridor**, the first railway in The Netherlands designed exclusively for freight connecting Rotterdam to Germany with 160 kilometres of track that entailed approximately US\$4 billion in investment underwritten by The Netherlands, the European Union, and the private sector; and the

2. **Gioia Tauro Port Development**, a new container port in southern Italy designed to act as trans-shipment point for containers coming from Asia and Middle East. This development went from “zero movements” in 1993 to 2.7 million TEUs and 3,060 vessel calls in 2000, 95% of which was trans-shipment to other vessels.

Trans-European Transport Network



Source: Presentation by Harry Caldwell in association with the Work Research Foundation, November 8, 2003.

Europe continues to march ahead with infrastructure development in “short sea,” inland waterways, rail, and motorways. And, as noted above, the European Union is taking a leading role in the development of TRACECA. Presumably, TRACECA will link to the European transportation infrastructure and trading bloc. This represents the intentional creation of not just a European trading bloc of some 350 million customers, but a Eurasian trading bloc reaching to the Middle East via the Mediterranean, through Central Asia to India and China embracing markets with an aggregate of some 3 billion people or more.

Corridors and Shifting Trade Patterns: Latin America and “the New Spanish Main”

Trade corridors are also developing and are being created in the emerging markets of Latin America and the Caribbean basin. With 100 million people and circa US\$800 billion GNP, the Santiago-Belo Horizonte Corridor extends through the four MERCOSUR¹⁰ countries of Brazil, Argentina, Paraguay, and Uruguay to Chile, from Belo Horizonte, through Rio de Janeiro and Buenos Aires to Santiago.

Main Trade Routes



Source: Presentation by Harry Caldwell in association with the Work Research Foundation, November 8, 2003.

The Port of San Antonio, Chile, is a major through-point for trade exports and imports from Asia, North America, and Europe.

The Freeport Hutchinson Terminal in the Bahamas has positioned itself as another trans-shipping point going from zero TEU's in 1996 to 2.5 million TEU's in 2004. Freeport Hutchinson is strategically located in major east-west trade movement between Asian and Mediterranean markets and it accommodates larger capacity ships than several U.S. east coast port facilities. This port holds the potential for integrating with the U.S. logistics network.

The Panama Canal, however, continues to be the most strategically important facility for the North American Free Trade Agreement. Some 6 million containers pass through the canal every year. The Panama Canal enlargement project designed to accommodate post-Panamax container ships is crucial to North America trade flows as is the multi-modal infrastructure being developed in the area. The Colón, Panama, port can claim access to four Caribbean ports and one in the Pacific. Colón engages in the importing and re-exporting (trans-shipping) of goods, in warehousing and re-packing.

Within the last ten years, whether the Mercosur common market and its links with Chile, the Freeport Hutchinson terminal, Colón and the Panama Canal, or Latin America and the Caribbean basin, others are not standing still. Some have gone from non-existent transportation, port, and trans-shipping infrastructure to handling huge import, export, and re-export volumes. And, since 1981, even before its accession to the European Union in 1986, Spain set in motion plans for “the formation of an *Iberoamerican Community of Nations*.”¹¹ Spain continues to lower tariff barriers to imports especially from the Spanish-speaking, Latin American countries – former colonies of imperial Spain. One could argue that this effort is in direct competition with the Free Trade Area of the Americas which includes Canada and the United States.¹² And, the White House is promoting a U.S.-Central American Free Trade Agreement with five Caribbean basin countries: Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.¹³

These developments only serve to underline the importance of continuing efforts in Canada and the United States to increase capacity, to create capacity for the post-Panamax traffic, to expand trans-shipping ports, and to capitalize on North America’s geographical positioning on the ocean thoroughways and supply chains between Europe and Asia, bordering both of the globe’s two great oceans, the Atlantic and the Pacific. North America possesses oceans of opportunity.

Notes

⁶ See a National Public Radio story and photo travelogue, "The New Silk Road," found at: <http://www.npr.org/templates/story/story.php?storyId=3822414>, December 7th 2004.

⁷ "About the Asian Highway." Found at: <http://www.unescap.org/ttdw/index.asp?MenuName=AsianHighway>, December 7th 2004; and "Intergovernmental Agreement on the Asian Highway Network," April 26th 2004. Found at: <http://www.unescap.org/ttdw/common/tis/ah/AH-Agreement-E.pdf>, December 7th 2004.

⁸ Found at: <http://www.traceca-org.org/> (April 2005).

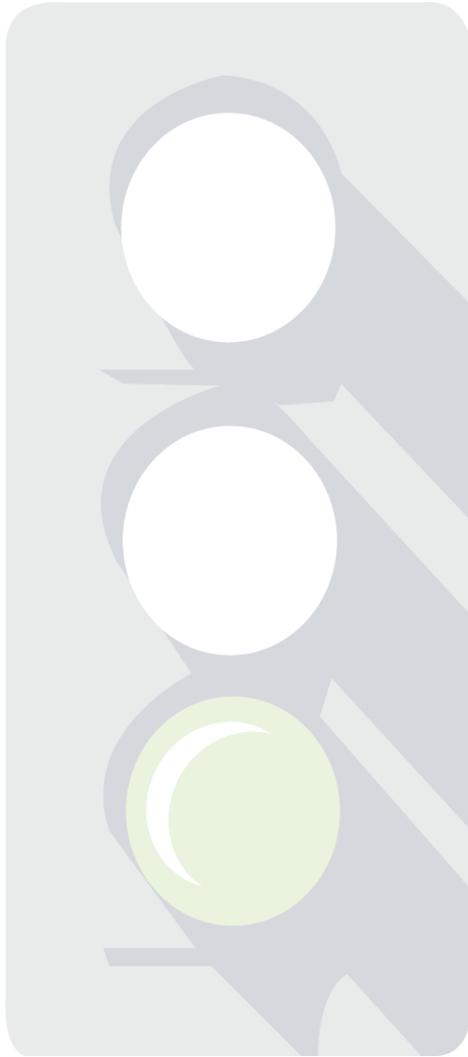
⁹ For the full definition of "TRACEA," go to: http://www.traceca-org.org/default_nn.php (April 2005).

¹⁰ Mercosur was created when the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay ratified the Treaty of Asuncion on March 26th 1991, creating "The Common Market of the South," MERCOSUR. For more information, see the MERCOSUR website at: <http://www.mercosur.org.uy/>.

¹¹ Eric N. Baklanoff, "Spain's economic strategy toward the 'nations of its historical community': The 'reconquest' of Latin America?" *Journal of Interamerican Studies and World Affairs* (Spring 1996). Found at: http://www.findarticles.com/p/articles/mi_qa3688/is_199604/ai_n8753497, May 2005.

¹² To learn more about the FTAA and for a list of FTAA countries, go to: http://www.ftaaalcircaorg/busfac/clist_e.asp.

¹³ Found at: <http://www.whitehouse.gov/news/releases/2002/01/20020116-11.html>, May 2005.





Canada-U.S. Trade: Sectors and Corridors

Canada's trade dependency

Canada's challenge is to maintain and expand infrastructure necessary to keeping itself accessible to the world, but more so to the rest of North America and, especially, the U.S. In its 2004 Throne speech, the Government of Canada noted that "Canada has always been a trading nation, but never more so than today. It is vital that we secure and enhance our access to markets, both in North America and the world."¹⁴

To reiterate, the Canada-U.S. trading relationship is by far the largest and most valuable in the world. In terms of merchandise trade, Canada's exports to the world in 2004 were valued at \$411,355,244,000. Exports of merchandise to the United States amounted to \$348,186,331,000 constituting 84.64% of Canada's merchandise exports.¹⁵

Canada's dependence on the U.S. market for merchandise exports can hardly be overstated. Canada's dependence on the U.S. market for services exports is similar. In 2004, Canadian service exports globally were \$62.3 billion. Service exports to the United States were valued at \$36.0 billion. To the European Union, they were valued at \$11.2 billion. To Japan, they were valued at \$1.9 billion. To other OECD countries, they were circa \$7.67 billion, and to non-OECD countries they totalled \$8.8 billion.

Of service exports, over half were commercial services amounting to \$32.384 billion and approximately one sixth were transportation services totalling \$11.857 billion. The remainder was for travel and government services.¹⁶

Canada's Top Ten Merchandise Export Markets, 2004

	Exports*	Import*	% of Canadian Exports
US	\$348,186,331	\$208,673,079	84.64
Japan	8,528,986	13,365,555	2.07
UK	7,607,841	9,645,985	1.85
China (PRC)	6,614,321	24,084,411	1.61
Mexico	2,975,483	13,404,300	0.72
Germany	2,659,793	9,415,808	0.64
France	2,371,737	5,326,161	0.57
South Korea	2,255,655	5,822,166	0.55
Belgium	2,105,301	1,355,963	0.51
Netherlands	2,009,258	1,532,586	0.48
World	\$411,355,244	\$355,237,566	100.00

Source: Richard Cameron, et al. *Sixth Annual Report on Canada's State of Trade: Trade Update, April 2005*. Trade and Economic Analysis Division (EET), Department of Foreign Affairs and International Trade (International Trade). Ottawa: Minister of Public Works and Government Services Canada, 2005, pp. 31-34. * In Thousands of CAD.

Canada's Service Export Markets, 2004

	Exports(CAD)	Import(CAD)	% of Canadian Exports
US	\$36.0 billion	\$41.8 billion	57.8
EU	11.2 billion	12.0 billion	18.0
Japan	1.9 billion	3.5 billion	1.4
Other OECD	7.67 billion	7.7 billion	12.3
Non-OECD	8.8 billion	12.2 billion	14.1
World	\$62.3 billion	\$73.5 billion	100.00*

Source: Richard Cameron, et al. *Sixth Annual Report on Canada's State of Trade: Trade Update, April 2005*. Trade and Economic Analysis Division (EET), Department of Foreign Affairs and International Trade (International Trade). Ottawa: Minister of Public Works and Government Services Canada, 2005, pp. 31-34. * Rounding causes the total of the values to exceed 100%.

In 2004, Canada's exports to the world – both merchandise and services – totalled circa \$473,655,244,000 or 38.1% of Canada's gross domestic product (GDP).¹⁷ The country is numbered among the top eight merchandise exporters in the world. In 2003,¹⁸ Canadian merchandise exports were responsible for 3.6% of all such exports globally.

Not unlike most of the major trading, industrialized nations, Canada's economy is heavily dependent on trade, only more so. In 2003, Germany's goods and services exports represented 36.0% of its GDP. For France, export trade represented 29.2% of GDP; for Italy, it's 25.4% of GDP; for the UK, 24.7% of GDP. For Canada, that number is 37.7% of GDP.

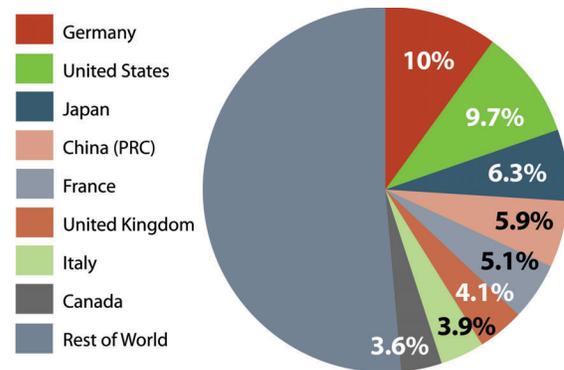
Canada's exports to the U.S. – both merchandise and services amount to circa \$384,186,331,000 or 29% of Canada's GDP. Imports and exports with the U.S. added together represent 52% of Canada's GDP. Exports and imports with Canada represent 4.2% of the U.S. GDP.¹⁹ As Canada's Ambassador to the United States, Frank McKenna, put it, "Canada has got a lot of eggs in one basket, in other words."²⁰

If Canada's trade is the foundation on which Canada's economy is built, then trade with the United States is the cornerstone. Our living standards and our ability to fund health care, education, old age pensions, and other social programs are predicated on trade, especially Canada-U.S. trade.

Sectors of Canada-U.S. Trade

Canada's trade is characterized by a heavy dependence on trading with the United States, and on a Canada-U.S. economy that is integrated by way of trade. This integration of the Canada-U.S. economy is represented in Canada's top six export sectors to the United States: motor vehicles and parts, mineral fuels and oils,

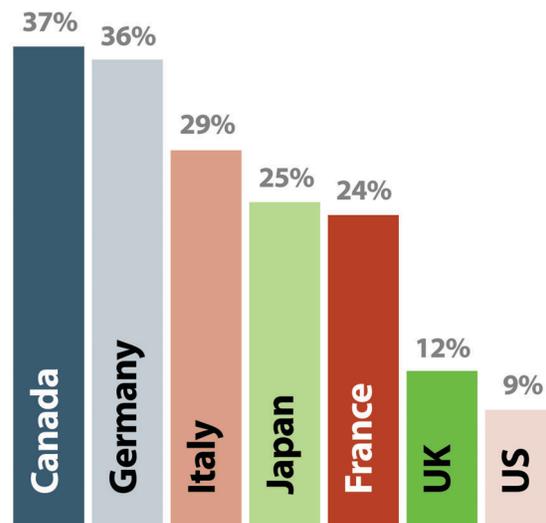
World's Top 8 Exporters of Merchandise, 2003



Total value of world's merchandise exports: US\$7.482 trillion

Source: Cameron, et al., Table 1B.

Economic Dependence on Export Trade, 2003



Source: Cameron, et al., Table 1B.

machinery and equipment, forest products, commercial services, and agricultural and fish products. In these six sectors of Canada’s export trade with the United States, we intend to illustrate how Canada’s trade is shaped by its sectoral character, and how these sectors’ regional orientations – or, *concentration in certain geographic regions of North America* – tend to integrate the Canadian and U.S. economies regionally. The integration of these sectors of trade constitutes trade corridors. Since exports of merchandise and services are concentrated by region, we focus on the region, province, or provinces which are the primary source of these exports from Canada and their destinations in the United States. In our research, we looked at Canada-to-U.S. trade in merchandise in two ways:

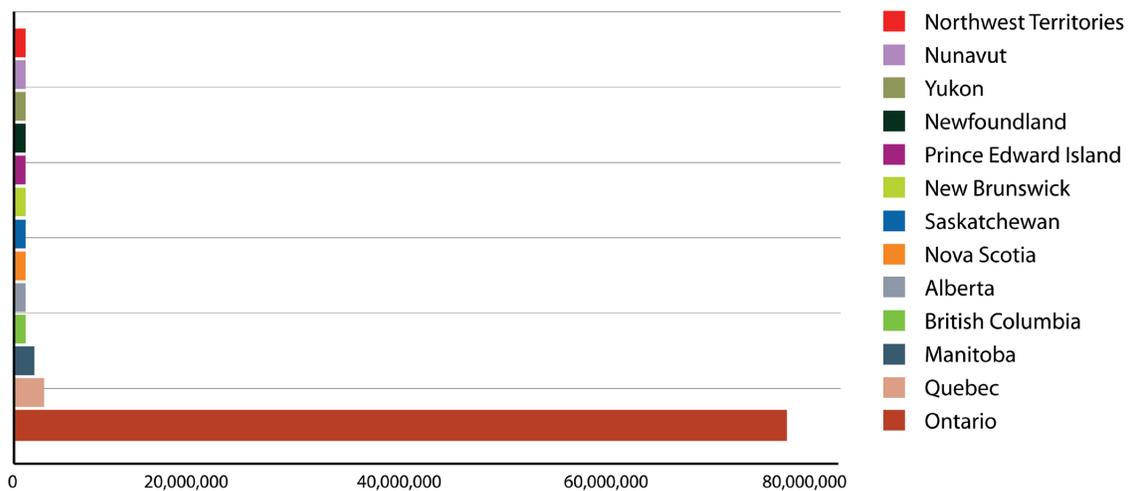
1. by industry;²¹ and
2. by product²² and service.

However, for consistency, the statistics we cite and the analysis we give is based on the value of export products and services.

1. Ontario-Michigan Automobile Manufacturing Trade Corridor

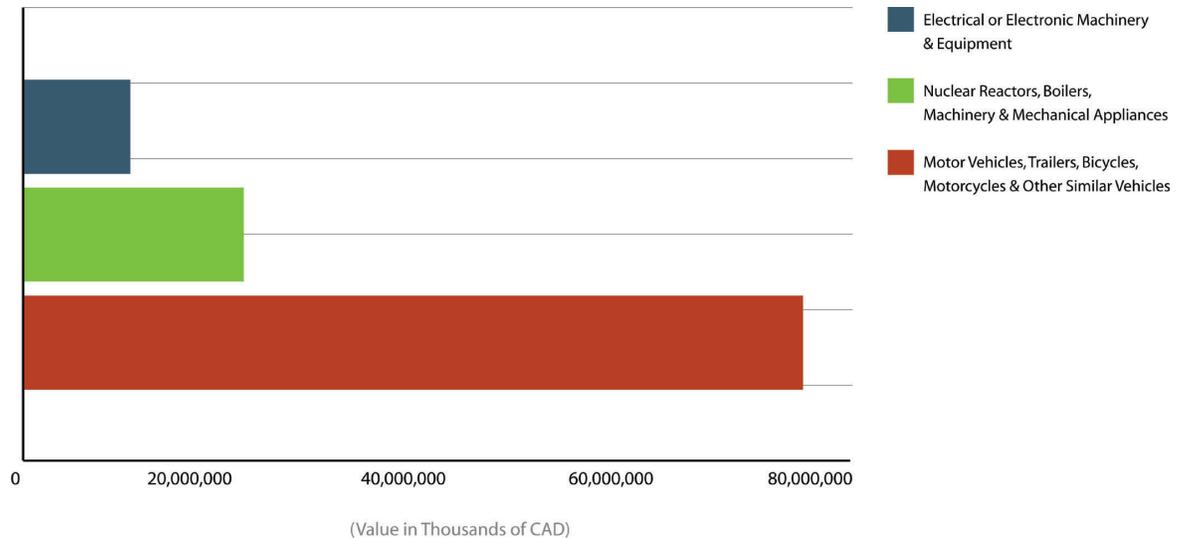
Canada’s exports of “motor vehicles, trailers, bicycles, motorcycles and other similar vehicles”²³ in 2004 to the world were valued at \$80,156,539,941. Canada’s exports to the United States in this category totaled \$77,582,720,610 in 2004. This export category accounts for a favourable trade balance – a trade surplus – of \$28,329,401,437 with the U.S. Some 95% of Canada’s exports to the U.S. from automobile manufacturing come from Ontario.

Auto Manufacturing Exports by Province, 2004



(Value in Thousands of CAD) Source: Statistics Canada

Ontario's Top 3 Exports to the World, 2004



Source: Statistics Canada

Ontario's merchandise exports to the world in all categories amounted in 2004 to \$198,873,635,749, of which \$180,077,734,024 or 90% went to the United States. Of Ontario's exports to the world, \$75,834,642,000 or 38% for 2004 were in the automotive industry. From Ontario, automobile manufacturing exports were responsible in 2004 for \$73,803,073,000 or 41% of Ontario's total merchandise exports to the U.S. valued at \$180,077,734,024.

Over the last five years, Ontario's exports in this category were relatively stable averaging \$75,013,295,513, albeit²⁴ trending slightly downward, overall.

That Ontario is engaged in automobile manufacturing with Michigan becomes clear when we consider that Ontario's exports in this export category to Michigan are valued at \$46,556,515,621. Compare this with exports to other states and regions of the U.S. that are relatively evenly distributed except for California which receives automobile manufacturing exports from Ontario valued at \$13,815,872,632. Nearly 60% of Ontario's exports to the U.S. in this category are to Michigan. As Stephen Blank of Pace University, New York City, put it: "We (Canada and the United States) make cars together."²⁵ To narrow or focus this remark further, Ontario and Michigan make cars together.

What this suggests is the integration of a Canada-U.S. auto industry concentrated in an Ontario and Michigan trade corridor which then distributes the products of this industry in a supply chain throughout the rest of Canada and the United States. Consequently, the greatest strain on

Ontario's Exports to the World, 2004

Ontario's Exports to the World, 2004 (Thousands of CAD)	
Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	\$75,834,642
Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	21,865,400
Electrical or Electronic Machinery and Equipment	10,515,918
Plastics and Articles Thereof	7,360,884
Furniture, and Stuffed Furnishings; Lamps and Illuminated Signs; Prefabricated Buildings	4,880,048
Paper, Paperboard and Articles Made From These Materials	4,642,507
Pearls, Precious Stones or Metals, Coins and Jewellery	4,012,143
Iron and Steel	3,621,317
Articles of Iron or Steel	3,406,399
Wood and Articles of Wood (Incl. Wood Charcoal)	3,364,133
Nickel and Articles Thereof	3,087,682
Pharmaceutical Products	2,961,436
Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	2,891,811
Optical, Medical, Photographic, Scientific and Technical Instrumentation	2,599,562
Aluminum and Articles Thereof	2,193,812
Rubber and Articles Thereof	1,986,766
Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	1,633,597
Preparations of Cereals, Flour, Starch or Milk (Including Bread and Pastry)	1,583,715
Inorganic Chemicals and Compounds of Precious metals and Radioactive Elements	1,493,480
Aircrafts and Spacecrafts	1,273,362
Miscellaneous Articles of Base Metals	1,261,404
Miscellaneous Chemical Products	1,106,621
Pulp of Wood and the Like; Waste and Scrap of Paper or Paperboard	1,047,317
Beverages, Spirits and Vinegar	934,963
Essential Oils and Resinoids, Perfumes, Cosmetics and Toilet Preparations	-----
Sub-total:	\$166,465,569
Others:	32,408,067
Total (All Products)	\$198,873,636

Source: Statistics Canada

Ontario Auto Manufacturing Export Destinations, 2004 (CAD)

State	2004	State	2004
Michigan	\$46,556,515,621	Maine	\$31,602,491
California	13,815,872,632	Nebraska	31,599,699
Ohio	2,125,224,616	Montana	28,305,536
Illinois	1,730,098,939	Connecticut	23,369,231
Indiana	1,093,328,523	Colorado	22,683,083
Georgia	982,775,175	New Hampshire	20,740,178
Kentucky	962,503,688	West Virginia	20,339,059
New York	812,157,325	South Dakota	17,336,746
Missouri	720,802,523	Nevada	15,083,119
Texas	622,959,822	North Dakota	11,196,809
Wisconsin	402,480,371	Rhode Island	10,096,852
Kansas	394,657,085	Puerto Rico	8,730,955
Tennessee	389,779,685	Idaho	8,497,282
Delaware	286,441,580	Wyoming	5,967,900
Virginia	283,666,102	New Mexico	4,867,961
North Carolina	161,466,775	Alaska	4,692,995
Florida	135,261,843	Vermont	3,636,566
Mississippi	114,872,065	Hawaii	172,067
New Jersey	113,869,392	District of	
Utah	93,347,626	Columbia	91,357
Iowa	91,116,757	U.S. Virgin	
Louisiana	84,673,400	Islands	28,168
Maryland	58,302,095		
Arizona	56,695,157	Sub-Total	\$73,803,073,170
Massachusetts	48,990,748	Others	2,031,568,575
Oregon	40,050,534	Total	
Arkansas	31,985,307	(All Countries)	\$75,834,641,745

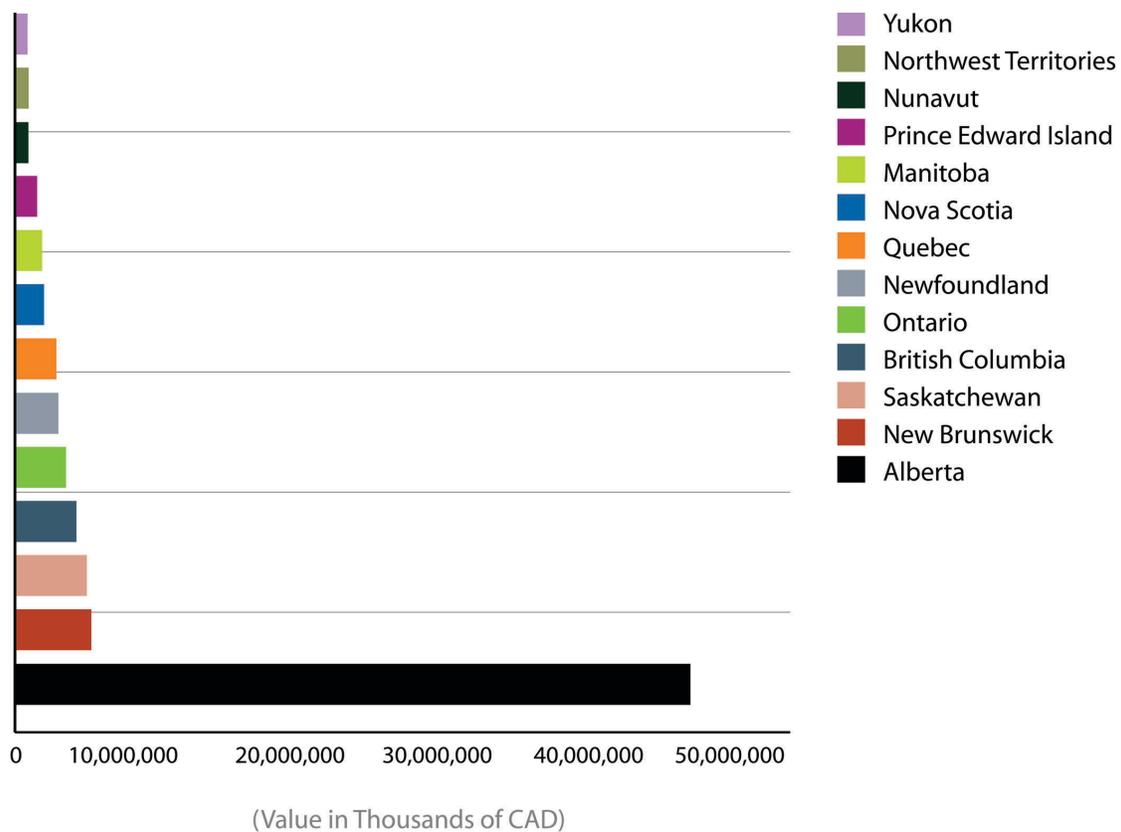
Source: Statistics Canada

the physical infrastructure – highways, ports and canals, rail, bridges and tunnels, and customs and border facilities – are those incoming and outgoing from Ontario and Michigan. But the greatest strain is on infrastructure between Ontario and Michigan. The strain placed on this infrastructure should not be under-estimated: 27% of ALL Canada-U.S. merchandise trade exports pass over the Ambassador Bridge, Windsor-Detroit (Gotlieb, “A Special Relationship”).

2. Alberta Mineral Energy Trade Corridor

Canada’s total merchandise exports to the world in the category of “mineral fuels, mineral oils, bituminous substances and mineral waxes” in 2004 were valued at \$68,665,000,000.²⁶ Of these, Canada’s exports to the U.S. in this merchandise category were valued at \$66,569,000,000 in 2004, or almost 97% of its world exports. Canada’s trade balance with the U.S. in this sector is \$43,451,319,627 in Canada’s favour. *This sector is responsible for almost 77% of Canada’s overall trade surplus with the U.S. accumulating to \$56,614,497,180 in 2004.* Some 69% of all mineral energy exports in this category from Canada to the U.S. valued at \$46,102,587,953 come from Alberta.²⁷

Canada's Mineral Energy Exports, 2004



Source: Statistics Canada

Alberta’s merchandise exports to the world are valued at \$67,390,000,000 of which \$59,510,000,000 go to the United States, or 88% of the total. Of Alberta’s exports to the U.S., 77% of these are “mineral fuels, mineral oils, bituminous substances and mineral waxes” valued at \$46,102,587,953.

Alberta Mineral Energy Exports to the US & the World

	2000	2001	2002	2003	2004
US	\$34,261,733	\$36,582,859	\$30,172,985	\$40,023,110	\$46,102,588
Other	359,230	334,178	277,396	96,437	97,686
Total (All Countries)	\$34,620,963	\$36,917,037	\$30,450,381	\$40,119,547	\$46,200,274

Source: Statistics Canada

Year on year, Alberta’s mineral energy exports increase at a remarkable rate. Alberta’s mineral energy exports to the U.S. increased 6.8% from 2000 to 2001, decreased 17.5% from 2001 to 2002, increased 32.6% from 2002 to 2003, and increased 15.2% from 2003 to 2004 – for a total increase in the value of mineral energy exports of 34.6% from 2000 to 2004.²⁸

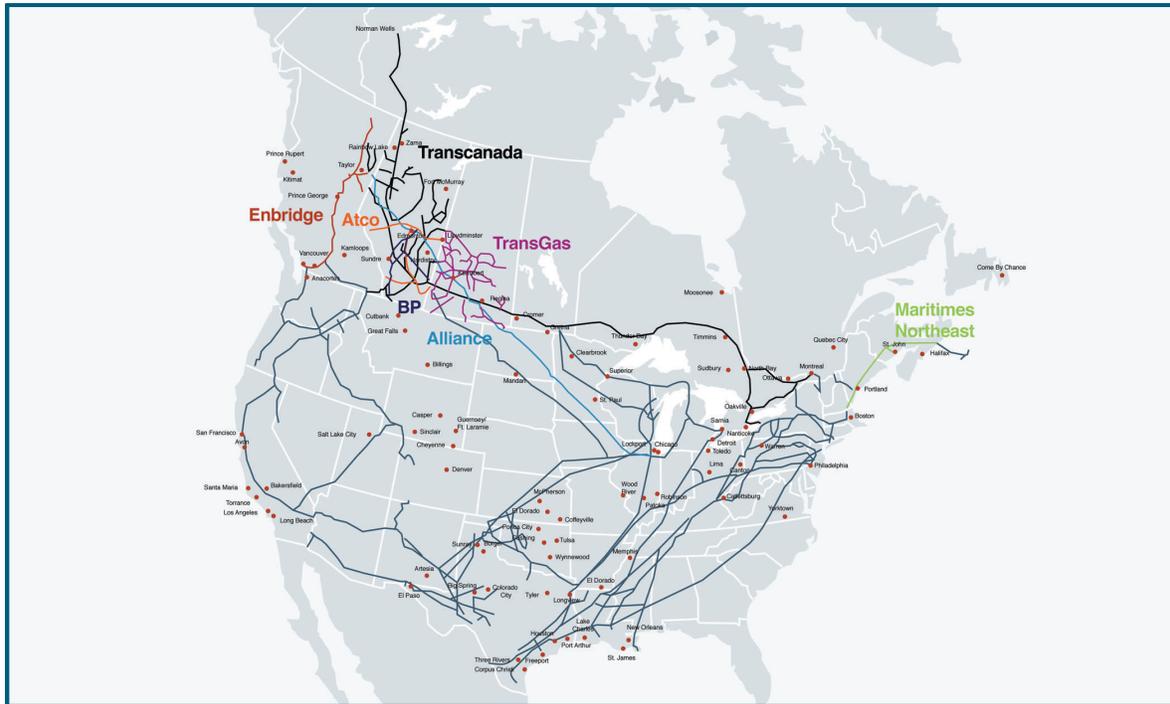
Alberta’s exports of oil and gas follow a network of energy pipelines and as such the destinations of these exports follow the pipeline network.

Liquid Petroleum Pipelines



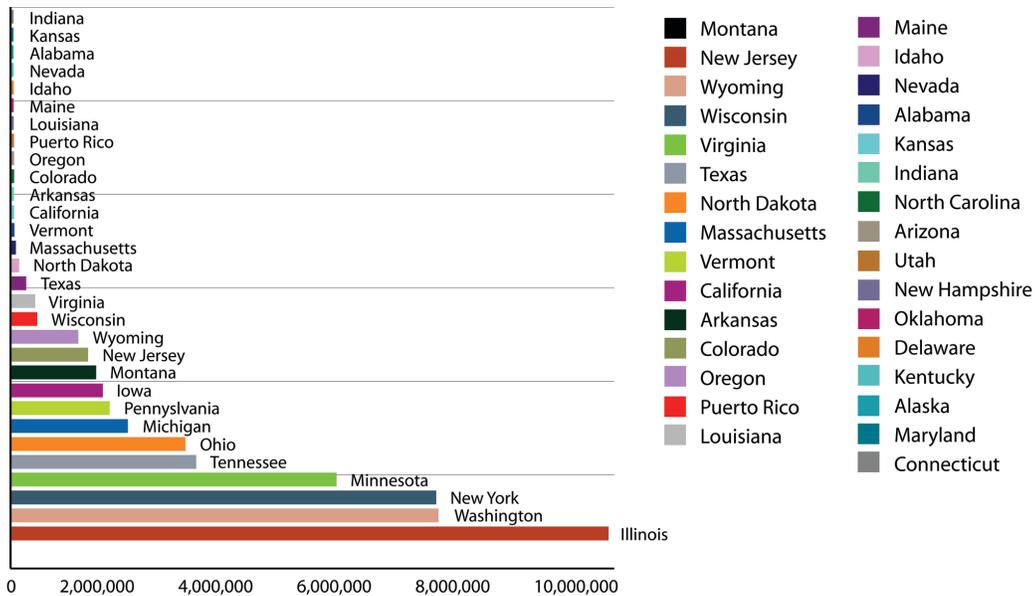
Source: International Trade Canada, "Canadian Pipeline Industry Overview and Outlook." Presentation to the Canadian Energy Pipeline Association. March 7, 2005.

Natural Gas Pipelines



Source: International Trade Canada, "Canadian Pipeline Industry Overview and Outlook." Presentation to the Canadian Energy Pipeline Association. March 7, 2005.

Alberta Mineral Energy Export Destinations, 2004



(Value in Thousands of CAD) Source: Statistics Canada

Alberta Mineral Energy Export Destinations, 2004

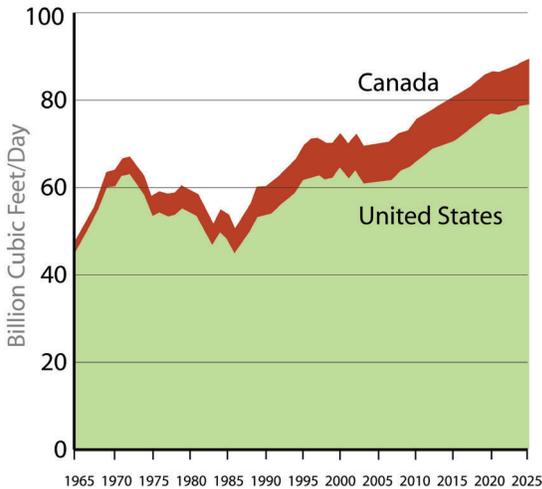
State	2004	State	2004
Illinois	\$9,861,231,218	Utah	\$17,757,897
Washington	6,826,635,377	New Hampshire	12,193,138
New York	6,772,211,859	Oklahoma	9,545,303
Minnesota	5,234,660,857	Delaware	9,434,985
Tennessee	2,952,781,188	Kentucky	5,071,375
Ohio	2,820,263,073	Alaska	4,468,933
Michigan	1,865,728,074	Maryland	4,185,825
Pennsylvania	1,593,328,965	Connecticut	1,908,304
Iowa	1,518,525,715	West Virginia	1,687,575
Montana	1,372,737,293	Nebraska	1,473,769
New Jersey	1,251,924,274	New Mexico	1,179,587
Wyoming	1,122,939,316	Rhode Island	1,126,634
Wisconsin	485,081,534	Georgia	1,043,725
Virginia	443,736,728	Missouri	953,156
Texas	388,109,485	Florida	720,224
North Dakota	299,974,456	Hawaii	509,811
Massachusetts	217,929,109	South Dakota	374,160
Vermont	190,235,251	South Carolina	54,833
California	167,911,646	Other	
Arkansas	159,786,919	Unspecified	
Colorado	73,303,937	US State	-----
Oregon	58,984,701	US Virgin	
Puerto Rico	57,305,097	Island	-----
Louisiana	48,856,112	Mississippi	-----
Maine	46,912,607	District of	
Idaho	37,376,174	Columbia	-----
Nevada	37,245,045		
Alabama	28,758,161	Sub-Total	\$46,102,587,953
Kansas	24,397,678	Others	97,685,919
Indiana	23,456,551	Total	
North Carolina	23,391,220	(All Countries)	\$46,200,273,872
Arizona	23,179,099		

Source: Statistics Canada

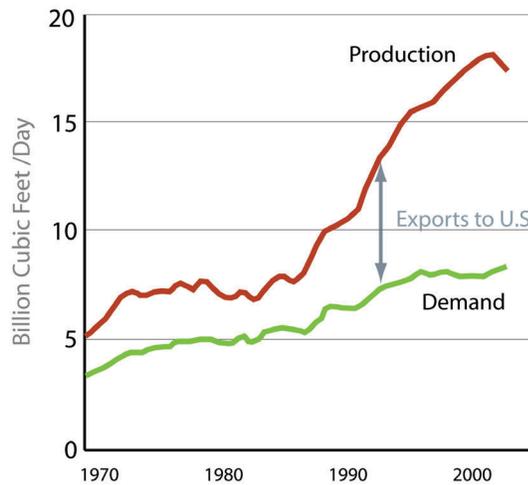
From the point of view of infrastructure, the Alberta mineral energy trade corridor is defined by this pipeline network. Its 'number one' and 'number two' export destinations – to Illinois valued at \$9,861,231,218 and to Washington valued at \$6,826,635,377 or more than one third of total mineral energy exports to the U.S. – are the sites of major pipeline terminals.²⁹ As such, the critical issue with respect to physical infrastructure is pipeline routes and capacity.

While the key to understanding Canadian and U.S. automobile manufacturing is that it is a *North American* automobile manufacturing

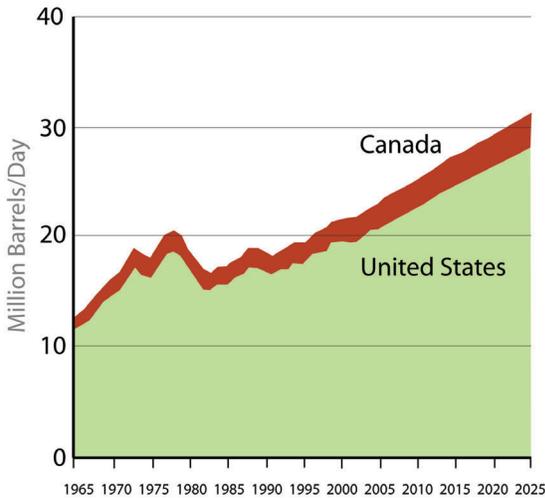
North American Natural Gas Demand



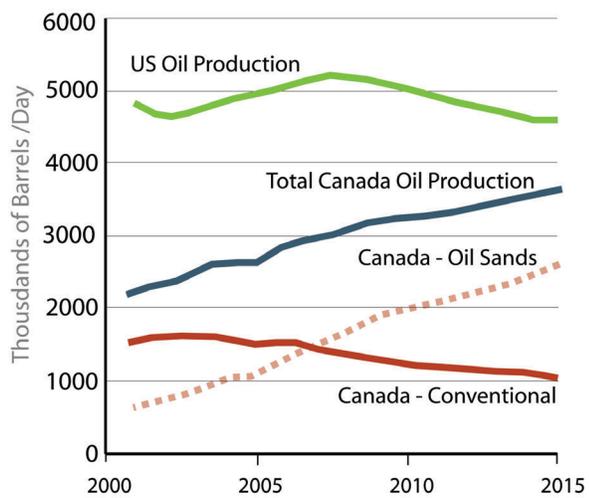
Canadian Natural Gas Supply & Demand



North American Oil Demand



Canada & U.S. Oil Production



Source: NEG, EIA, BP Statistical Review. International Trade Canada, "Canadian Pipeline Industry Overview and Outlook." Presentation to the Canadian Energy Pipeline Association, March 7, 2005.

industry centred in Ontario and Michigan, mineral energy exports from Canada are somewhat different. Here, the key things to keep in mind are that Canada is a net exporter – by far – of mineral energy to the U.S. and that mineral energy production is concentrated in Alberta. Canada’s production of oil is far out-stripping domestic demand and is projected over time to approach U.S. levels of oil production.

Canada's demand for natural gas is a fraction of domestic natural gas production, most of which is exported to the U.S. So, while there is a North American mineral energy industry, Canada's role and, especially, Alberta's, is as a net supplier of mineral energy to U.S. demand. Alberta's mineral fuels industry – "the oil patch" – is poised for another stage of if not unprecedented, near-unprecedented growth with the potential to create thousands of new jobs in Canada:

Indeed after nearly 40 years of commercial production encompassing two distinct phases of growth, the industry is now poised for a third wave of development, one that could see production increasing more than twofold to five million barrels a day, or 16% of North American demand by 2030.

This increased production could generate an additional \$40 billion of economic growth in Canada, create tens of thousands of new jobs across the country, and produce up to \$90 billion of new investment over the next 30 years.³⁰

The Alberta Chamber of Resources calls for advance planning to keep pace with development of supply and demand as this trade corridor expands and intensifies. This includes the pressing need to address a huge shortfall in skilled workers needed to develop production.

As Alberta's production of natural gas from northwestern Alberta and production of oil sands crude from northeastern Alberta increase along with U.S. demand, exports will outstrip pipeline capacity. As more production of off-shore crude comes on-stream from Atlantic Canada, pipeline capacity must be increased and created in order to move supply to U.S. markets. But the big player in the Canadian export market for mineral energy is, and will remain for time to come, Alberta.

3. Ontario-Quebec Machinery and Equipment Trade Corridor

Canada exports electrical or electronic machinery and equipment ("HS 85") and nuclear reactors, boilers, machinery and mechanical ("HS 84") exports to the world valued at \$51,589,000,000.³¹ Of this, \$40,317,000,000 or 78% goes to U.S. destinations, resulting in a negative trade balance of \$11,601,728,964. Some 87% of U.S.-bound exports in this sector valued at \$34,979,000,000 are from Quebec and Ontario. Exports of this machinery and equipment from Quebec and Ontario represent 80% of such from Canada exports to the world. Of these exports to the U.S., nearly 55% valued at \$19,105,994,000 were to the Great Lakes states, the "mid-east," and New England.³² With the exception of some \$2,378,709,000 to California, most exports of this equipment are distributed in a trade corridor running mainly east of the Mississippi south to Georgia, Florida, and Texas.

Ontario-Quebec Machinery & Equipment Export Destinations, 2004

State	2004	State	2004
Michigan	\$4,747,481,577	Oregon	\$154,706,935
New York	3,364,059,884	Mississippi	150,315,642
Ohio	2,786,072,303	Nevada	148,890,513
Texas	2,409,769,560	Arkansas	133,401,835
California	2,378,707,759	Louisiana	127,042,895
Illinois	1,610,257,512	Utah	113,783,659
Vermont	1,591,364,461	Maine	95,816,609
Kentucky	1,081,739,056	Nebraska	69,612,801
Missouri	1,065,335,975	North Dakota	65,131,273
Pennsylvania	1,034,772,967	Rhode Island	44,188,711
Virginia	1,000,574,003	Montana	43,800,917
Georgia	997,177,225	Delaware	43,104,834
Indiana	856,237,834	Idaho	42,740,924
Massachusetts	769,800,495	Puerto Rico	40,999,140
Tennessee	766,534,649	South Dakota	33,558,422
North Carolina	712,951,611	New Mexico	30,992,907
Florida	711,337,448	Hawaii	25,344,594
Wisconsin	681,933,098	Alaska	20,268,292
New Jersey	667,479,153	District of Columbia	19,346,365
Minnesota	584,067,638	Wyoming	18,740,166
Kansas	511,009,023	U.S. Virgin Islands	3,995,110
South Carolina	451,743,416	Other	
Alabama	386,989,446	Unspecified	
Washington	333,740,987	U.S. State	-----
Maryland	310,395,154		
Oklahoma	280,818,723		
Arizona	276,091,788		
West Virginia	263,988,825	Sub-Total	\$34,978,516,733
Connecticut	259,382,662	Others	8,727,573,305
Colorado	231,360,622	Total	
New Hampshire	224,299,968	(all countries)	\$43,706,090,038
Iowa	205,259,367		

Source: Statistics Canada

However, the value of exports of this equipment to the U.S. has fallen by about one quarter³³ over the last five years, representing a shrinking export market and trade corridor for Canada. It also represented a negative trade balance of \$11,601,728,964 in 2004, albeit the lowest over the past five years beginning 2000. Even with this taken into consideration, these exports represent about 10% of Canada's total exports to the U.S. – an important source of jobs and trade.

4. Forest Products Trade Corridors

Canada exports forest products³⁴ valued at \$44,738,245,097 of which \$35,607,995,082 or nearly 80% goes to destinations in the United States. Canada enjoys a trade surplus in this sector with the U.S. totalling \$27,461,484,436. The largest part of forest products bound for export is produced in seven provinces clustered in three groups: Quebec and Ontario; New Brunswick and Nova Scotia; and British Columbia, Alberta, and Saskatchewan:

1. Quebec and Ontario together export forest products valued at \$19,118,234,507 or almost 54% of all such exports to the U.S.;
2. British Columbia, Alberta, and Saskatchewan together export forest products valued at \$12,690,345,336 or nearly 36% of all such exports to the U.S.; and
3. New Brunswick and Nova Scotia together export forest products valued at \$2,847,914,525 or 8% of all such Canadian exports to the U.S.

Ontario and Quebec export forest products throughout a trade corridor supply chain running east of the Mississippi from the Great Lakes, the "mid-east," New England, on south to the Southeast and Texas valued at

Canada's US-bound Forest Products Exports, 2004

Province	Value of Forest Products Exports (2004)
Quebec	\$10,387,900,466
British Columbia	9,478,079,233
Ontario	8,730,334,041
Alberta	2,591,954,513
New Brunswick	2,122,601,829
Nova Scotia	725,312,696
Manitoba	719,827,149
Saskatchewan	620,311,590
Newfoundland	212,008,774
Prince Edward Island	18,672,156
Yukon	961,842
Northwest Territories	26,148
Nunavut	4,645
Total	\$44,738,245,097

Source: Statistics Canada

\$16,337,578,000 or 85% of the total bound for U.S. destinations from Ontario and Quebec. Nova Scotia and New Brunswick export forest products valued at \$2,594,819,869 or 91% of their U.S. exports in this sector throughout the same trade corridor. The British Columbia-Alberta-Saskatchewan cluster, however, exports forest products valued at \$7,923,466,108 or 62% of its total U.S. exports to the “far west” (including a small amount to Alaska and Hawaii), to the southwest, the Rocky Mountain region, and to the plains states. To the Great Lakes region, these provinces also export forest products valued at circa \$1,871,457,000 or another 14% of their total exports of this type to the U.S. Since most forest products are moved between Canada and the U.S. by rail or by highway, the key physical infrastructure challenges may be potential choke points at border crossings for customs, particularly with respect to exports from British Columbia to Washington and Oregon. But the greater barrier of long-standing to the export trade in forest products from Canada has more to do with U.S. tariffs and quotas on Canadian forest products and the ongoing dispute prosecuted by the U.S. forestry industry in U.S. courts and by the U.S. administration alternately through the FTA, NAFTA, or the World Trade Organization disputes resolution processes.

5. Commercial Services Trade Corridor

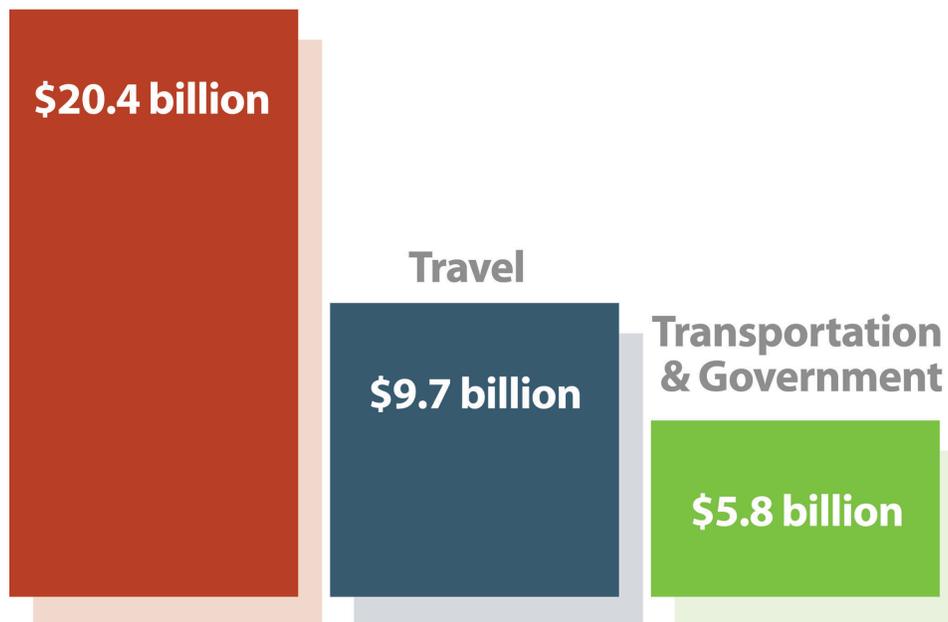
To reiterate, Canada’s service exports to the world total \$62.338 billion of which half are in the form of commercial services valued at \$32.384 billion or nearly 52% of the total. Canada’s service exports to the United States are valued at \$36.020 billion and of these \$20.444 billion are commercial services or nearly 58%. For comparison, over one quarter of service exports to the U.S. were travel services amounting to \$9.732 billion, and transportation and government services amounted to \$5.844 billion. In 2004, Canada ran a trade deficit of circa \$5.8 billion in this sector.

Exports of commercial services to the U.S. represent nearly one third (33%) of all service exports to the U.S.³⁵ Of service exports to the United States, over half were commercial services amounting to \$20.444 billion. Key advantages for Canada in this sector are the overall integration in business and information technology and in accounting practices, shared time zones, and, to a large extent, our common language and culture. This sector may well represent an archetype of our definition of trade corridors.

However, in his *The World is Flat*, Thomas Friedman argues that commercial services, IT, and accounting expertise are being lost by North America to Asia. At present, Canada appears to hold the upper hand in competition with India – specifically, Bangalore. But as the value of the Canadian dollar rises, Canada’s cost advantage could diminish to the point that other advantages will cease to keep and to lure U.S. customers in choosing Canada over other suppliers.

Canada's Service Exports to the United States, 2004

Commercial



Source: Cameron, et al., Table 5D: Canada's International Transactions in Services by Selected Country; CAD.

In our research, we were unable to trace the flows of Canadian exports of commercial services from specific Canadian jurisdictions to specific U.S. jurisdictions or regions. This begs further study to identify the “supply chains” and track the trade corridors of commercial services from Canada to the United States.

6. Agricultural and Fish Products Trade Corridors

Canada's agricultural products³⁶ – excluding implements – for export total \$26,795,988,054 (2004) of which \$16,500,986,965 or almost 62% went to U.S. destinations. Canada enjoys a trade surplus with the U.S. in this sector of \$4,736,129,671. By far, most agricultural exports to U.S. destinations follow a trade corridor to northern states across the Canada-U.S. border, California, Texas and to the more populous southeastern states of North Carolina, Georgia, and Florida.

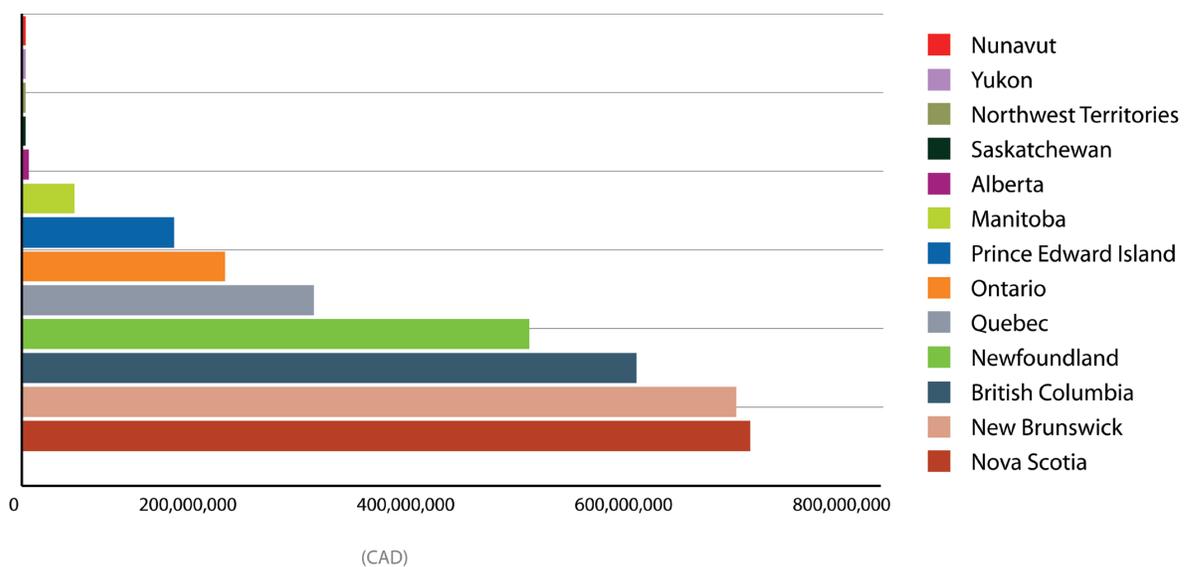
The bulk of Canada's agricultural exports come from six provinces: Quebec, Ontario, Manitoba, Saskatchewan, Alberta, and British Columbia.

Canada's Agricultural Products Exports to the US by Province of Origin, 2004

Jurisdiction	2004
Ontario	\$7,439,073,031
Quebec	2,514,036,078
Alberta	2,221,790,142
Manitoba	1,518,085,926
British Columbia	1,044,389,998
Saskatchewan	724,994,940
New Brunswick	457,446,881
Prince Edward Island	253,855,741
Nova Scotia	248,650,349
Newfoundland	78,480,412
Nunavut	145,550
Yukon	37,917
Northwest Territories	-----
Total Exports to US	\$16,500,986,965
Others	10,295,001,089
Total (all countries)	\$26,795,988,054

Source: Statistics Canada

Canada's Fish Products Exports to the US by Province, 2004



Source: Statistics Canada

Canada's Fish Products Exports to the US by Province of Origin, 2004 (CAD)

Jurisdiction	2004
Nova Scotia	\$641,455,860
BritishColumbia	548,777,416
New Brunswick	518,272,129
Newfoundland	401,281,471
Ontario	108,951,016
Prince Edward Island	107,928,076
Quebec	107,739,933
Manitoba	42,968,926
Saskatchewan	4,556,361
Alberta	341,965
North-West Territories	316,915
Yukon	84,227
Nunavut	-----
Sub-Total	\$2,482,674,295
Others	1,498,696,417
Total (all countries)	\$3,981,370,712

Source: Statistics Canada

Close to one half or 45% of Canada's U.S.-bound agricultural exports come from Ontario, about 15% from Quebec and 13% from Alberta, about the same from Saskatchewan and Manitoba taken together (14%), and about 6% from British Columbia. Or, to put it differently, about 60% from Quebec and Ontario, about 27% from the three Prairie provinces together, or almost 20% from Alberta and B.C. Again, the key infrastructure challenge is not so much one of things like highways and rail as it is customs at border crossings and U.S. import controls on such products as Canadian beef and Canadian tariffs on such as dairy products, now, being phased out under the WTO agreement. North American beef production and the herd from which it comes is highly integrated in Canada and the U.S. U.S. buyers frequently travel to Canadian cattle auctions in B.C., Saskatchewan, and, especially, Alberta.

Canada's exports of fish products³⁷ to the U.S. in 2004 totalled \$2,482,674,295 or more than 62% of its exports to the world (\$3,981,370,712) in this category, with a resulting trade balance in Canada's favour (surplus) of \$1,794,505,787. The value of U.S.-bound fish products exports from Atlantic Canada in 2004 totalled \$1,668,937,536 or 67% of Canada's exports in this category.

If Quebec is included with Atlantic Canada, that brings the total exports of fish products from this region to \$1,776,677,469 – 71% of the total from Canada. British Columbia represents 22% of Canada’s fish products exports to the U.S. Of Atlantic Canada (excluding Quebec) fish product exports, nearly 84% follows a trade corridor to New England (see below).³⁸ British Columbia’s fish products exports to Washington, Oregon, and California total \$435,920,105 – 79% of its exports to the U.S. in this products category.

The key challenges, here, are streamlining regulatory regimes between the two countries and, particularly with respect to beef, to manage the political pressures from U.S. producers on the U.S. Congress and Administration, and legal manoeuvres in U.S. courts. With respect to the Atlantic and Pacific fisheries, there are more than occasional, international jurisdictional disputes as to access and management of the Canadian coastal fisheries. Canada’s challenges are how it can best manage and police the coastal fisheries. But with respect to trade, Canada is vulnerable to any questions as to the safety of its fishery products intended for human consumption.

Notes

¹⁴ Speech from the Throne, 38th Parliament, 1st Session, October 5, 2004. Ottawa: Government of Canada, 2004. Found at: http://www.parl.gc.ca/38/1/parlbus/chambus/house/debates/002_2004-10-05/han002_1630-E.htm#SOB-954645, June 2005.

¹⁵ “Canada’s Merchandise Trade (Customs Basis),” Trade and Economic Analysis Division, Statistics Canada CANSIM, February 14, 2005. By our calculation using the figures cited, this report erroneously gives Canada’s merchandise exports as “85.78%” of its world merchandise exports – unless there is some anomaly of which we are unaware.

¹⁶ Richard Cameron, et al. *Sixth Annual Report on Canada’s State of Trade: Trade Update, April 2005*. Trade and Economic Analysis Division (EET), Department of Foreign Affairs and International Trade (International Trade). Ottawa: Minister of Public Works and Government Services Canada, 2005, “Content of Statistical Annex, Table 5A: Canada’s Services Trade with All Countries by Type.”

¹⁷ “Canada’s Merchandise Trade (Customs Basis),” Trade and Economic Analysis Division, Statistics Canada CANSIM, February 14, 2005. See also Cameron, *State of Trade 2005 – Content of Statistical Annex*, Table 1A: Indicators of Globalization.

¹⁸ Latest year for which data is available. See Cameron, Table 1B: International Comparison of Market Openness.

¹⁹ Canadian Ambassador to the U.S. Frank McKenna, “How Washington sees us.” *National Post* (8 June 2005):A22.

²⁰ *Ibid.*

²¹ According to the North American Industry Classification System (NAICS) used by Canada, the United States, and Mexico. For an explanation of these, go to: <http://www.statcan.ca/english/Subjects/Standard/naics/2002/naics02-menu.htm> (June 2005).

²² According to the “Harmonized Commodity System from Strategis” (Industry Canada), described at: http://strategis.ic.gc.ca/sc_mrkti/tdst/tdotdoDefinitions_30.php#harmonized_system (June 2005) and also used by the U.S. Census Bureau and Department of Commerce.

²³ HS2 code ‘87’. From *Trade Data Online*, Statistics Canada, Industry Canada, 2005.

²⁴ This average is based on Statistics Canada figures not adjusted for inflation.

²⁵ Oral presentation to the *Trade Corridors Roundtable*, April 25, 2005, Toronto, Ontario.

²⁶ Canadian Total Exports, HS2 category ‘27’, *Trade Data Online*, Industry Canada, May 2005. This includes “oil” which had a barrel price (NYMEX Light Sweet Crude) ranging from a low of US\$32.48 (February 6th 2004) to a high of US\$55.17 on October 22nd and 26th 2004 (Found at: <http://octane.nmt.edu/marketplace/prices/Default.asp>, September 2005).

²⁷ Canada’s exports (2004) of electrical energy (“HS 2716”) amounted to \$2,007,829,740 from mainly Quebec (\$740,582,803), Ontario (\$404,110,518), Manitoba (\$379,728,902), British Columbia (\$290,495,993), and New Brunswick (\$136,781,179). All of Canada’s exports of electrical energy are to the United States (Source: *Statistics Canada*).

²⁸ This calculation is based on Statistics Canada figures not adjusted for inflation.

²⁹ “Canadian Total Exports Products (HS 27 - Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes).” Alberta to the U.S., Distribution by State (U.S.). *Trade Data Online*. Statistics Canada and the U.S. Census Bureau, 2005.

³⁰ Alberta Chamber of Resources, *Oilsands Technology Roadmap: Unlocking the Potential*. Edmonton: Alberta Chamber of Resources, January 30, 2004, p. 2.

³¹ *Trade Data Online*.

³² Michigan, New York, Ohio, Illinois, Vermont, Pennsylvania, Indiana, Massachusetts, Wisconsin, New Jersey, Maryland, Connecticut, New Hampshire, Maine, Rhode Island, and Delaware.

³³ Estimated from year-on-year figures with no adjustments for inflation.

³⁴ HS 44 - Wood and Articles of Wood (Incl. Wood Charcoal); HS 47 - Pulp of Wood and The Like; Waste and Scrap of Paper or Paperboard; HS 45 - Cork and Articles of Cork; and HS 48 - Paper, Paperboard and Articles Made From These Materials – *Trade Data Online* (Statistics Canada).

³⁵ Cameron, Tables 5B, 5C, and 5D.

³⁶ Categories included: HS 01 - Live Animals; HS 02 - Meat and Edible Meat Offal; HS 04 - Dairy Produce, Eggs, Honey and Other Similar Edible Products of Animal Origin; HS 06 - Live Trees and Other Plants (Incl. Cut Flowers and Ornamental Foliage); HS 07 - Edible Vegetables and Certain Roots and Tubers; HS 08 - Edible Fruits and Nuts; HS 09 - Coffee, Tea, Maté and Spices; HS 11 - Products of the Milling Industry; Malt, Starches, Inulin and Wheat Gluten; HS 10 - Cereals; HS 13 - Lac, Gums, Resins and Other Vegetable Saps and Extracts; HS 14 - Vegetable Plaiting Material and Other Similar Vegetable Products; HS 12 - Oil Seeds, Oleaginous Fruits, Industrial or Medicinal Plants, Straw and Fodder; HS 16 - Meat, Fish and Seafood Preparations; HS 17 - Sugars and Sugar Confectionery; HS 18 - Cocoa and Cocoa Preparations; HS 19 - Preparations of Cereals, Flour, Starch or Milk (Including Bread and Pastry); HS 20 - Preparations of Vegetables, Fruit, Nuts or Other Parts of Plants; HS 21 - Miscellaneous Edible Preparations; HS 22 - Beverages, Spirits and Vinegar; HS 23 - Residues and Waste from the Food Industries, and Prepared Animal Fodder; HS 24 - Tobacco and Manufactured Tobacco Substitutes; HS 1501 - Rendered Pig or Poultry Fat (including lard); HS 1502 - Rendered Fats of Bovine Animals, Sheep, or Goats; HS 1503 - Lard Stearin, Lard Oil, Oleostearin, Oleo-oil and Tallow Oil; HS 1505 - Wool Grease and Derivatives - not chemically modified; HS 1506 - Other Animal Fats, Oils and their Fractions NES (whether or

not refined) – not chemically modified; HS 1507 – Soya-bean Oil and its Fractions – not chemically modified; HS 1508 – Ground-nut Oil and its Fractions – not chemically modified; HS 1509 – Olive Oil and its Fractions – not chemically modified; HS 1510 – Olive Oil and its Fractions (including blends) NEW – whether or not refined, not chemically modified; HS 1511 – Palm Oil and its Fractions – not chemically modified; HS 1512 – Sunflower Seed, Safflower or Cotton Seed Oil and their Fractions – not chemically modified; HS 1514 – Rape (Canola), Colza or Mustard Oil and their Fractions – not chemically modified; HS 1515 – Other Fixed Vegetables Fats and Oils and their Other Fixed Vegetable Fats and Oils and their Fractions – not chemically modified; HS 1516 – Animal/Vegetable Fats or Oils and their Fractions – Hydrogenated, Inter or Re-esterified, Elaidinize; HS 1517 – Margarine and Edible Mixtures/Preparations of Animal/Vegetable Fats, Oils or their Fractions; HS 1518 – Vegetable/Animal Fats or Oils and Their Fractions – Boiled, Dehydrated, Bown, Chemically Modified; HS 1519 – Industrial Monocarboxylic Fatty Acids, Acid Oils and Fatty Alcohols; HS 1520 – Glycerol (Glycerine), Glycerol Waters, Lyes and Synthetic Glycerol; HS 1521 – Vegetable Waxes (excluding Triglycerides), Insect Waxes and Spermaceti; HS 1522 – Debras, Residues from treatment of Fatty Substances or Animal or Vegetable Waxes; HS 1513 – Coconut, Palm-Kernel or Babassu Oil and their Fractions – not chemically modified; HS 0502 – Bristles, Hair and Waste of Pigs, Hogs, Boars or Badger and Other Brush-making Hair; HS 0503 – Horsehair and Waste; HS 0504 – Guts, Bladders and Stomachs of Animals (Other than Fish); HS 0506 – Ossein, Bones and Horn-Cores; HS 0510 – Glands, Bile and Animal Products used to Prepare Pharmaceutical Products; HS 051110 – Bovine Semen; and HS -51199 – Other Products of Animal Origin NES – Unfit for Human Consumption (*Trade Data Online*, Statistics Canada).

³⁷ Categories included: HS 03 - Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates; HS 1504 – Fats and Oils (and their Fractions) from Fish and Marine Mammals – not chemically modified; HS 0507 – Ivory, Ivory Powder/Waste, Whalebone, Horns, Hooves, Tortoise-shell, Antlers, Nails, Claws, Beaks; HS 0508 – Coral, Molluscs/Crustaceans/Echinoderm Shells and Cuttle Bone; HS 0509 – Natural Sponges of Animal Origin; 051191 – Products of Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates (*Trade Data Online*, Statistics Canada).

³⁸ Although Statistics Canada and *Trade Data Online* usually include New York with the “Mideast,” we have grouped it with New England, here.



Next Steps

Canada's trade dependency

Canada's challenge is to maintain and to expand infrastructure necessary to keeping itself accessible to the world, but more so to the rest of North America and, especially, the U.S. In its 2004 Throne speech, the Government of Canada noted that "Canada has always been a trading nation, but never more so than today. It is vital that we secure and enhance our access to markets, both in North America and the world."³⁹ The big idea of trade corridors brings coherence to the geographic and sectoral character of Canada-U.S. trade, and clearly expresses the need for maintaining, expanding, and creating infrastructure that addresses geographic and sectoral realities. A number of the next steps relate to the infrastructure challenges we identified globally and in terms of the sheer volume passing through the Canada-U.S. trade corridors. But we also take note of the international relations challenges vis à vis the U.S. concerns about security challenges from terrorism, and Canada's pressing need to secure markets.

Following, we suggest several steps that should be taken by government, industry and trade associations, business, and unions:

1. Develop a comprehensive framework for Canada-U.S. trade

- a. Acknowledge the importance – the paramountcy – of Canada-U.S. trade and foreign relations in Canadian foreign policy and adopt a comprehensive approach to our relations on "the Crawford declaration" (*Security and Prosperity Partnership of North America*) model.⁴⁰ Pursue a

“big initiative,” broad-strategy approach to trade and foreign relations between Canada and the U.S. on a wide range of issues.⁴¹

Canada should approach its formal diplomatic relations with the U.S. administration and Congress with a view to building understanding, alliances, and sympathetic interests instead of pursuing advocacy;⁴²

- b. *Adopt a trade corridors, conceptual understanding of Canada-U.S. trade as the integration of the two economies by way of the trade in goods and services, which tends to be continentally regionalized or, at least, concentrated, depending on the sector of trade. Recognize Canada-U.S. trade as a product of trading communities defined and described in our trading cultures, in trade treaties, in statutes and delegated legislation (regulations), and in the millions of human relationships among business people, employers and employees, and public servants; and*
- c. *Seek orderly and expeditious resolution of trade disputes by way of arbitration. Canada must minimize the impact of U.S. assertions of sovereignty over trade law.*⁴³

2. Maintain and expand transportation infrastructure to account for trade volume and growth

- a. Identify high-volume areas and, even, “chokepoints” in the transportation infrastructure that moves the trade in goods and services;
- b. Move to increase physical infrastructure capacity for the movement of trade by way of publicly funded capital improvements, in public-private partnerships, and by way of permissions for private concerns to fund and to create such infrastructure in the public interest. Recognize that current trade infrastructure reflects 19th and 20th-century realities instead of the 21st-century reality of NAFTA.⁴⁴ *What should be kept in mind is the supply chain for each trade corridor (regional, sectoral, and regional/sectoral), and how physical infrastructure impedes or smooths the flow of trade in each.*

These may include:

- i. the creation of increased highway capacity, which may require a mid-peninsula highway corridor running along the north shore of Lake Erie, improvements to the Trans-Canada highway across northern Ontario and over the Prairies, better highway connections between the Maritimes and central Canada, and ongoing improvements to traffic flows between Lower Mainland B.C. and northern Washington, consideration of the creation of “trucking highways” in high-traffic-flow areas of the country, and the construction of another crossing across the Detroit River at Windsor-Detroit;

- ii. increased oil and gas pipeline capacity;
- iii. medium and long-range planning for improvements and increased capacity to the St. Lawrence Seaway in view of the post-Panamax world in shipping; and
- iv. port improvements and expansion of handling capacities and security improvements.

3. Address continental perimeter security

- a. Identify and address potential security threats to physical infrastructure of all kinds including highways, terminals, ports, rail, shipping, pipelines, and electrical power grids – as well as air transport;
- b. Expand and strengthen border and port controls with an eye to U.S. concerns about national and continental security by way of technologies capable of detecting contraband, by way of stepped-up customs and immigration enforcement, and by way of enabling legislation with a view to creation of a continental security perimeter; and
- c. With the creation of a continental security perimeter, beyond Smart Borders, there is the possibility of considering and moving forward on steps to lower barriers and smooth flows between Canada and the United States on border crossings, customs and immigration controls, and in the harmonization of food testing and regulation.

4. More explicit recognition that Canada-U.S. trade can't be exhaustively understood by way of international treaties and government-to-government relations of all kinds, alone.

As former Ambassador Gotlieb points out:

North American integration has resulted not from high-level public policy nor central direction but from activity that is overwhelmingly bottom-up, reflecting the vast preferences and habits of our population, from one end of our country to the other. To put it in its starkest terms, it is these habits or preferences, not the policies of government, that turned the economic axis of Canada from East-West to North-South (Gotlieb, *"A Special Relationship"*).

With this in view, we look for the encouragement of building and enhancing bilateral, non-governmental business networks and trade associations. As former U.S. Ambassador Paul Cellucci observed in a recent interview, shortly

after New York City's World Trade Center towers and the Pentagon were attacked on September 11th 2001, more than 100,000 Canadians gathered on the Centre Block lawn on Parliament Hill and sang both the Canadian and U.S. national anthems in an expression of support to Americans in their loss.⁴⁵ That kind of relationship can't be legislated into – or out of – existence.

5. For further study, we suggest:

- a. Looking at the movement of people across the Canada-U.S. border as a further dimension of trade, initially with particular attention to the mineral energy trade corridor;
- b. An examination of the movement and shifts of capital investments around Canada and the U.S. geographically and by sector, and how that impinges on Canada-U.S. trade;
- c. As mentioned above, in our research, we were unable to trace the flows of Canadian exports of commercial services with any specificity. This begs further study to identify the "supply chains" of commercial services from Canada to the United States;
- d. Study of the trading culture represented in the innumerable relationships and customs – the ways of doing things – between traders, suppliers, and customers on both sides of the Canada-U.S. trading relationship, with a level of detail that is beyond the scope of this study; and
- e. Given how their effectiveness is now openly questioned even among free trade advocates, review the effectiveness of trade disputes resolution under the various agreements governing Canada-U.S. trade.

Beyond these specific next steps, we would like to see the understanding of the Canada-U.S. "special relationship," including on trade corridors, develop and grow along these more broadly philosophical lines:

1. Canada and the U.S. should understand themselves and each other as *limited states* who nonetheless hold a monopoly on the use of force to enforce the rule of law within their respective, defined, geographic territories;
2. The principle of the plurality of authority and power. This entails recognizing that the Canadian and American states' (governments') monopolies on the use of force should not translate into monopolies on authority and power. Other institutions, organizations, and associations – including economic and trading institutions – should exercise forms of authority and power which may even be coercive. A healthy society disperses power and recognizes the plural nature of authority;

3. The “pluriformity” of society – that there is a plurality of institutions, organizations, and associations with distinctive functions and objects. The state is not the only institution of society. Business, unions, religious institutions, and other non-governmental organizations also compose society. They should be encouraged to fully assume their respective responsibilities and roles in it;
4. “Sphere sovereignty” and “subsidiarity” – related ideas – that each institution, organization, and association is sovereign within its sphere of authority and power, with some overlap among the spheres. Sphere sovereignty and subsidiarity should inform each state’s exercise of force, guide its function as arbiter of justice and adjudicator of society’s pluriformity, and frame a state’s relations to other states and international institutions, organizations, and associations. It should also inform international trade;
5. “Democracy” explicitly understood as constitutional, representative government. Each state is itself subject to the rule of law, as is democratic will; and
6. Canada and the U.S. shall each engage in the pursuit of justice with a view to human flourishing as a general, guiding principle.

These principles should represent “the common commitment” that Canada and the U.S. hold with respect to both their domestic and international affairs. Allowing these principles to guide how the Canada-U.S. trade corridors unfold and develop will lead to the continued flourishing of the world’s most important trading relationship.

Notes

³⁹ Speech from the Throne, 38th Parliament, 1st Session, October 5, 2004. Ottawa: Government of Canada, 2004. Found at: http://www.parl.gc.ca/38/1/parlbus/chambus/house/debates/002_2004-10-05/han002_1630-E.htm#SOB-954645, June 2005.

⁴⁰Gotlieb, "A *Special Relationship*."

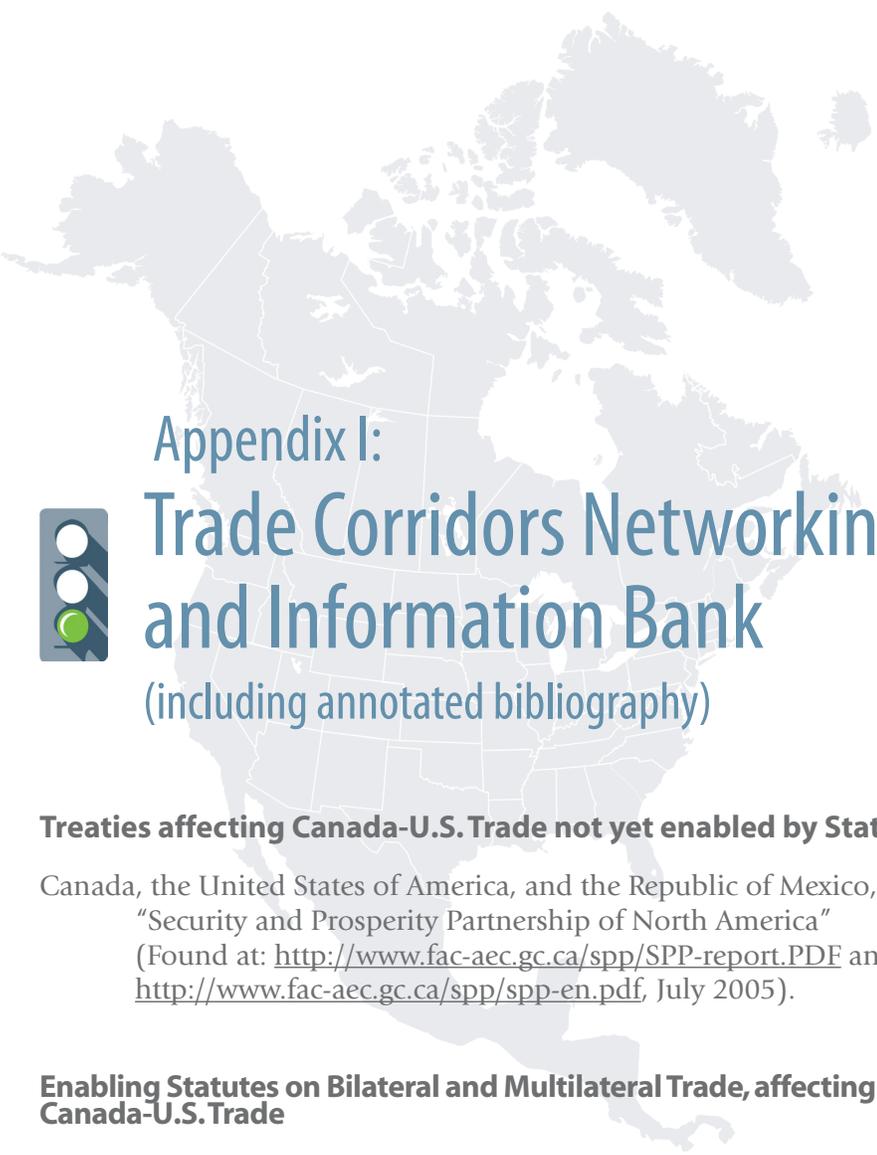
⁴¹ Ibid.

⁴² Ibid.

⁴³ See Charles A. Barrett and Hugh Williams, "Renewing the Relationship: Canada and the United States in the 21st Century." Ottawa: Conference Board of Canada, 2003

⁴⁴ Gotlieb, "A *Special Relationship*."

⁴⁵ Canada AM interview, CTV News, September 26, 2005.


Appendix I: Trade Corridors Networking and Information Bank

(including annotated bibliography)

Treaties affecting Canada-U.S. Trade not yet enabled by Statute

Canada, the United States of America, and the Republic of Mexico,
"Security and Prosperity Partnership of North America"
(Found at: <http://www.fac-aec.gc.ca/spp/SPP-report.PDF> and
<http://www.fac-aec.gc.ca/spp/spp-en.pdf>, July 2005).

Enabling Statutes on Bilateral and Multilateral Trade, affecting Canada-U.S. Trade

Parliament of Canada. "Agreement on Internal Trade Implementation Act."
In *Statutes of Canada*, 1996, c. 17. 45 Elizabeth II, 1996. Ottawa:
Queen's Printer for Canada, 1993. An Act to implement the
Agreement on Internal Trade. In certain respects, this statute may
impinge on Canada-U.S. trade. Found at :
<http://laws.justice.gc.ca/en/A-2.4/578.html>, November 9, 2004.

Parliament of Canada. "Canada-Chile Free Trade Agreement
Implementation Act." In *Statutes of Canada*, 1997, c. 14. 46
Elizabeth II, 1997. Ottawa: Queen's Printer for Canada, 1988. An
Act to implement the Canada-Chile Free Trade Agreement and
related agreements. Found at:
<http://laws.justice.gc.ca/en/C-1.6/25778.html>, November 9, 2004.

- Parliament of Canada. "Canada-Costa Rica Free Trade Implementation Act." In *Statutes of Canada*, 2001, c. 28. 50 Elizabeth II, 2001. Ottawa: Queen's Printer for Canada, 2001. An Act to implement the Free Trade Agreement between the Government of Canada and the Government of the Republic of Costa Rica. Found at: <http://laws.justice.gc.ca/en/C-1.9/25847.html> , November 9, 2004.
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Appendix II:



“A Special Relationship”: Canada-U.S. Trade in the 21st Century

By Allan Gotlieb⁴⁶

The concept of trade corridors as an overarching metaphor – to borrow a phrase from your literature – is both imaginative and useful. You describe trade corridors as “streams of products, services and infrastructure moving within and through communities in geographic patterns.” You link corridors, quite rightly, to the cluster model of economic geography visualizing them as critical masses of geographic concentration of closely linked industries and entities. The corridor and associated cluster concepts come as close as any I know to providing an adequate description of the geographic, demographic, economic, social and cultural realities that characterize the border between Canada and the United States.

The formation of various “trade corridor” organizations in Canada and the United States reflects a profound reality that underlines the history of our relationship: North American integration has resulted not from high-level public policy nor central direction but from activity that is overwhelmingly bottom-up, reflecting the vast preferences and habits of our population, from one end of our country to the other. To put it in its starkest terms, it is these habits or preferences, not the policies of government, that turned the economic axis of Canada from East–West to North–South.

In the process, our continent, dominated by corridors and clusters, has become the world’s largest trading bloc. One-third of the trade of the United States, the world’s pre-dominant economic power, is conducted with its two geographic neighbours. Astonishing Canadian-U.S. statistics – such as our bilateral trade averages 1.7 billion Canadian dollars a day – are cited so often as to become a cliché of the relationship.

But the density of our integration is not fully revealed by trade figures. By a number of measures, the integration of the Canada-U.S. economy exceeds the economic integration of the European Union's principal members. As Stephen Blank has pointed out, North America, crisscrossed by electricity grids and pipelines, has become the largest integrated energy market the world has ever seen. As we know from Ontario's automotive industry, the integration of our economies is deeply structural because what flows across our border is not mainly finished goods, but rather the components of cross-border production systems, linked together in a highly calibrated supply chain.

I refer to these facts as something of a cliché. I use that term because I believe that even after the events of September 11, 2001, we Canadians tend to take for granted the access we have to the U.S. market and economy. This assertion may surprise you because it is hard not to be aware that since September 11, 2001, there has been a booming industry in Canada called Canada-U.S. relations. Every university, every think tank, every business association, has convened conferences and commissioned studies about the relationship. Unfortunately, the value of the output does not equal the effort of the input.

Much of the discussions have been obsessively concerned with Canada's role and place in the world, our independence, our sovereignty, our values, our identity and everything except the most fundamental questions in the post 9/11 environment. How do we secure our access to the U.S. market? How do we ensure that it grows, not shrinks? And how do we overcome the existing barriers so as to make our markets more efficient and competitive in the world of tomorrow? Even when our public intellectuals and experts do manage to address these questions, the debates are often hesitant, even constipated. There is, I believe, a fearfulness that pervades these discussions, and a lack of imagination. There is a fear of thinking big. But we will get nowhere by thinking small.

In my many years of experience in dealing with Canadian foreign affairs, as Canadian Ambassador to Washington during the Reagan years, as Undersecretary of State for External Affairs under Pierre Trudeau and Departmental Legal Advisor, I have always advocated the need for Canada to have a reality-based foreign policy. In last year's C.D. Howe Benefactor's Annual Lecture, my theme was that geography was the pre-eminent fact that we need to take into consideration in defining our national interests.

A reality-based foreign policy requires Canada to recognize the paramountcy of Canada-U.S. relations in our foreign policy. This does not mean, as some fear, that Canada must support the U.S. in all dimensions of its foreign activities. Far from it. But it does require us to base our relations with them on an assessment of our own national interests. What does our

national interest require? It demands that we be sensitive to the vital interests of the United States and try to take them into account in our foreign policy. We must ask ourselves – repeatedly – why would we expect the U.S. to be sensitive to our agenda if we are not sensitive to theirs.

One would have to live on another planet not to recognize that national security is the principal concern of the U.S. in its dealings with the rest of the world including its allies. At a conference I attended in Washington just last week, Vice President Cheney's and Donald Rumsfeld's remarks were devoted about exclusively to combatting terrorism. The events of September 11, 2001 were transformative in many respects but U.S. concern about security goes back a very long way – as far as the Monroe Doctrine, the Theodore Roosevelt Corollary, the Ogdensburg Declaration, the formation of NATO, NORAD and other defence alliances. On the big issues of peace, war and defence, Canada has had a long history of successful collaboration with the U.S. We have rarely put our real interests in jeopardy by being insensitive to their real interests when there is no conflict with our own.

It is bizarre to pick fights with the U.S. regarding issues where it believes its national security interests are at stake.

As was well expressed in a recent study paper on Canada-U.S. relations and the battle over soft-wood lumber by Eliot Feldman and Carl Grenier:

For Canada, whose prosperity and security are completely dependent on relations with the United States, sovereignty can no longer be defined by occasional defiance on matters that ultimately have little consequence for Canada and great consequences for the United States. Canada must be more selective and strategic when it parts company.

Unfortunately, Canada was being neither selective nor strategic when it declined to participate in a North American missile defence system.

One would also have to live on another planet not to recognize that the flow of goods, services and people across our border into the U.S. is becoming more constrained, rather than simpler. Compare the obstacles today to earlier years – but not that long ago – when the border was almost seamless. Compare the Canada-U.S. border to the border within the European Union, where there are almost no barriers whatever to the free movement of people, goods, services and capital. The European experience puts our border to shame.

While it is true that Europe is striving for political union, there seems no reason why we don't have our own "Swengen" agreement – named after the

city where the process of eliminating barriers to the movement of people began. But instead of "Swengentalization" we are at risk of experiencing the "Mexicanization" of our border, as the U.S. puts more enforcement officers at our boundaries and creates new restrictions and requirements, such as the newly announced requirement for passports for all returning U.S. citizens and visitors. Already, the additional cost of doing business across the boundary - estimated at some 10 to 12 billion annually - comes close to equalling the amount of the tariffs that the Canada-U.S. Free Trade Agreement abolished.

The truth of the matter is that Canada, the U.S. and Mexico planned for NAFTA but did not plan for its remarkable success. Trade exploded but the infrastructure that supports it - the physical infrastructure, roads, tunnels, bridges, railroads, border-crossings, institutions to speed the flows of people and goods, regulatory processes and coordination mechanisms, redundancies and overlapping jurisdictional competencies - all belong more to the pre-NAFTA era than "the post."

No one is more familiar with these realities than people like yourselves involved in making the trade corridors work. Heroic efforts to smooth the system, relieve the pressure points and expedite the flows are the hallmarks of the many organizations, working groups, partnerships and coalitions which, thanks to grassroots pressures on both sides of the borders have sprung up in recent years in order to create, seamless inter-modal trade and transportation corridors.

But the reality remains. The combined effects of the success of NAFTA, the continued movement towards deeper integration and the security impacts of September 11th, have resulted in a North American border that reflects twentieth century realities, even nineteenth, rather than twenty-first.

As you all well know, only five of all our major border crossings carry more than 70% of all bilateral trade. I find it astonishing that 27% of all our trade crosses one bridge, the Ambassador Bridge at Windsor-Detroit, which is a structure that is over 75 years old. I find it equally astonishing that the Peace Bridge Authority in the Niagara-Buffalo region has been planning a second border crossing in the area since 1992 and is still discussing it. I find it astonishing that of all our border crossing infrastructure, only two are under the jurisdiction of a bi-national authority of some sort.

While bilateral partnerships such as the Canada-U.S.-Ontario-Michigan Transportation group struggle valiantly to improve the situation, there have been no reforms I am aware of that address the need to establish coherent bi-national management mechanisms to smooth the vast flow of goods, services and people across our borders.

Bottom-up efforts have been impressive, even remarkable, and they were greatly assisted by the leadership shown by our governments in establishing the Smart Border Accord of 2001. But there is an urgent need for ambitious and top-down leadership on the part of our two national governments. There is, I would submit, the need to work towards establishing a single economic and security space which would make the Canada-U.S. border an insignificant factor in the movement of people, goods, services and capital across our boundary.

Shortly after Paul Martin's inexplicable and unexplained rejection of Canadian participation in North American missile defence, the Prime Minister did address the border issues in a dramatic and high-profile way. He announced the Declaration and Partnership Agreement⁴⁷ with George W. Bush and Vincent Fox in Crawford, Texas, on March 23rd. This represented a new departure in the policies of our Government.

The Partnership Agreement demonstrated a willingness on Canada's part to embark on a single comprehensive set of discussions or negotiations simultaneously on a very broad range of issues – border security, transportation, financial services, infrastructure, regulatory overlaps and redundancy, the flow of trade, rules of origin, the movement of people – in fact about almost all the problems that create costs and cause bottlenecks at our border.

This comprehensive approach towards dealing with the U.S. was, I am glad to say, strongly reaffirmed in the foreign policy review released last week by the Canadian Government. Rather refreshingly, the International Policy Statement firmly roots our foreign policy on the foundation of our national interest. It speaks explicitly of the need for a common economic space in North America if our countries are to remain competitive in the contemporary world. In articulating the need for a comprehensive approach to the challenges of border security, the Crawford Declaration acknowledges at least implicitly, that issues are interrelated and can be bargained for or traded off. The potential is thus established for the elements of a deal or deals to be brought together. I believe this represents forward movement in the management of our relationship because it is very difficult to make progress on resolving differences with the U.S., small or big, by approaching them on an isolated, *ad hoc*, incremental basis.

"Incrementalism," or *ad hocery*, has its advocates in our country but I am not one of them. When public policy differences arise in two democracies, and they are in conflict and becoming more so, it is extremely difficult to resolve them. I call this the conflict of legitimacies. No elected legislator in democracy wants to be seen to subordinate his or her constituents to the interests of a foreign state. This is particularly true for the United States

where individual Senators and Congressmen wield so much power, often independent of party affiliation. Hence, disputes like the softwood lumber conflict can last for years or decades. They can, in fact, become virtually unsolvable.

Many of the files I dealt with when in Washington – softwood lumber, border broadcasting, wheat, hogs, asbestos, the Garrison dam in North Dakota, the Skagit River in Washington State, had been around for a very long time or were prone to be revived after seeming to be resolved. It took 50 years to settle the Skagit River. The Garrison Dam dispute, now reborn in the Devil's Lake Diversion, had bedevilled the relationship since Franklin Roosevelt. To apply Yogi Berra's aphorism, in the Congress of the United States, "It's never over till it's over" – and it's never over.

Hence, "decrementalism" is as likely to occur as "incrementalism" – that is to say, steps backward, rather than forward in dispute settlement. This characterizes the softwood lumber dispute where, after twenty-two years of debate, negotiation and litigation, the U.S. position has hardened against Canada on both ends of Pennsylvania Avenue.

Anyone who believes the U.S. system can be managed by fighting special interests in the U.S. on a one-on-one basis is out of touch with the realities of the Congress. As the New York Times editorialized a couple of weeks ago: the lobbying industry in Washington has doubled in size in just six years. An estimated 240 former members of Congress and federal agency heads and senior officials are now lobbyists, as well as 2000 other former senior officials. In the past six years 13 billion dollars has been spent on lobbying. This is the nature of representative government in the U.S. today.

I am somewhat skeptical about the increasing emphasis being placed by Ottawa on the importance of Canadian lobbying in Washington. There certainly are situations where it is worthwhile doing so. Indeed, when Ambassador, I once described myself as Canada's chief lobbyist in Washington. But generally speaking, a U.S. special interest can out-lobby a Canadian one any day of the week.

This is even more true for so-called 'advocacy' missions, for which our new foreign policy review expresses enthusiasm. Frankly, I think that they can often be a waste of time.



I believe in the importance of public diplomacy and would claim to have been its principal architect in Washington. But advocacy is another matter. The key to public diplomacy is to build understanding, while advocacy amounts to pleading a case. Experience demonstrates that this is often counterproductive and serves only to galvanize coalitions against us. For this reason I have been opposed to calling our senior public affairs official in the Washington Embassy a minister for 'advocacy.'

The role of public diplomacy is to assist in building alliances with sympathetic interests in the U.S. The current issue of imposing passport controls at our border is an example where building alliances is of critical importance. Elected U.S. politicians, Senators, Congressmen, Governors, as well as U.S. commercial interests, have clout in Washington and their support is critical to the success of our effort.



But strategies must differ on a case-by-case basis. On many issues, our greatest opponents are Senators and Congressmen from northern or bordering states. Think of Daschle of South Dakota, Dorgan of North Dakota, Baucus of Montana, Dingell of Michigan. Representing, as they often do, single-interest lobbies, whether on wheat, cattle, forest products, hogs or, in former days, acid-rain controls, no amount of advocacy could ever change their positions.

This is why bringing into a negotiation a very wide number of issues and setting broad political goals is more likely to succeed in dealing with the U.S. than trying to resolve issues one by one. This was the experience of Canada in our Free Trade Agreement. There were myriads of opposing single-interest groups, so broad trade-offs became possible. Big initiatives often do better in Washington than narrow ones because narrow ones are dominated by single-interest lobbies.

It might seem paradoxical but the reality is that in the U.S. political process, the narrower the special interest, the more successful it is likely to be.

Hence, the decision of this Martin Government to seek to embark in a broad-ranging initiative to reduce an enormously wide variety of barriers to the flow of goods, services and people is a welcome development.

While, as I will explain in a moment, the initiative taken at Crawford hardly



represents "a big bang" in our negotiations with the U.S., as many hoped it would be, it is certainly a lot more than a whimper.

Beyond the breadth of issues to be addressed, this initiative is significant in several other respects as marked:

1. It recognizes that "security and prosperity are mutually dependent and complementary." Put simply, the interdependence of the U.S. agenda - security - and the Canadian agenda - the economy is recognized. This represents a move toward realism on Canada's part in the conduct of our relations with the United States;
2. The partnership establishes a common approach to security to protect North America" This is another move toward realism, and an essential step if our border is not to become a barrier to the movement of goods and people;
3. The agreement establishes ministerial-level responsibility for achieving progress on their issues under negotiation – a necessary development. It seeks to address the problem of bureaucratic paralysis and the entrenchment of positions within silos;
4. And finally, while establishing that the "concept" of this partnership is trilateral, the leaders foresee the possibility of a two-speed (Canada-U.S.) approach.

But I personally believe that the initiative taken at Crawford does not go far enough and is unlikely to achieve the desired results. It suffers a number of weaknesses, at least as far as Canada is concerned. In the central issue of border security and prosperity, the initiative falls well short of providing a political vision for guiding the work to be undertaken. Its agenda:

1. fails to establish clearly that the goal is a single economic and security space;
2. fails to embrace the concept of a security perimeter;
3. fails to call for the establishment of a common external tariff (a customs union);
4. fails to call for termination of anti-dumping and countervailing laws and other forms of procedural protectionism, and their replacement by a single competition policy and common rules about subsidy practice;
5. fails to treat defence as part of security;

6. fails to envisage new bilateral institutions to ensure the smooth functioning of the economic and security space, and the management of our borders; and
7. fails to call for any sort of improved dispute-settlement mechanisms.

Although the partnership agreement sets a three-month target for initial ministerial reporting, and calls for semi-annual reports thereafter, the initiative creates an open-ended process. Without a time frame for achieving targets or objectives, the initiative is likely to lose momentum.

Perhaps most importantly, the initiative does not confer on any central authority in each country the responsibility for achieving progress. Without direct White House responsibility, the agenda will not be realized. While ministers are to report results to the three leaders, there are no personal "sherpas" to spur the process under the leaders' direction. As a result, the process may, at best, lapse into "incrementalism."

The leaders' failure to endorse the holding of annual trilateral summits raises the question of how deep is their commitment to the trilateral process. Although the Canadian Government's International Policy Statement uses language which seems to inch toward the concept of a single North American economic space, and thus represents further progress to some degree, it does nothing to address the weaknesses in the Crawford Declaration.

The key to progress lies, of course, in Washington. Unless George W. Bush is prepared to devote substantial political capital to the initiative, our expectations should be very low. We will have a dialogue about our continental challenges but perhaps not much more than that.

But we must recognize that the outlook for progress in our dealings with the U.S. is not promising. The winds of protectionism are blowing in the U.S. and they promise to blow stronger and stronger. Staggering under unsustainable trade, current account and budgetary deficits of unparalleled amounts, bombarded by messages from politicians deploring the export of American jobs, facing enormous challenges from the influx of manufactured products from China and the Far East, the U.S. might well rise to the challenge that all these forces present. But in the period ahead, the climate for access to U.S. markets will become more difficult for an increasing variety of goods. The brutal reality is this: economic protectionism is joining with national security concerns to make U.S. boundaries more constraining rather than less.

This is why I believe that, for Canada, the notion of a "special relationship" with the U.S. becomes all the more necessary to cultivate and pursue. This is why I believe Canadian leadership is so critical at this time. The visionary factor, if there is to be one, must originate in the north and travel from north to south.

Unfortunately, our view of Ottawa must be very clouded at the time. The future, or more precisely, the survival of Paul Martin's Government is in doubt and the composition of any new government cannot be predicted with confidence. Hence the future of the trilateral initiative, so far as Canada is concerned, has to be very much in doubt. But whatever happens in the political arena in Ottawa, we are unlikely to see the emergence of a closer and more harmonious economic and security space, unless the Canadian leader, whoever it might be, advocates a political vision that is more compelling than what can be found in the Crawford Declaration.

It will be very important for our well-being and prosperity to continue the strenuous bottom-up efforts to forge cross-border partnerships that have so dramatically increased in the past half-decade or so. But the reality is if we are to achieve major progress and breakthroughs, top-down must reach bottom-up. We cannot in Canada accept the failure of our leadership. We must press as vigorously as possible for our politicians to accept their responsibilities and provide the leadership that is the necessary condition for securing our economic prosperity.

While we should vigorously commit ourselves to a North American framework for the negotiation of a common economic and security space, I believe it is in Canada's national interest, at the same time, to maintain and strengthen our bilateral channels of communication, collaboration and partnership with the United States. I, for one, am an unapologetic believer in the view that a special relationship with the United States is in Canada's national interest.

Americans and Canadians retain a common commitment to values, principles and way of life that marks our relationship as different from that of most other nations, even the most friendly. Time and again, history has shown that the special relationship has served Canada well. It may well prove to be the case that Canada and the U.S. can make progress on trans-border and other issues that eludes the Mexican-U.S. bilateral relationship at this time. But just as our Canada-U.S. Free-Trade Agreement led to NAFTA, our future collaboration on the Canada-U.S. border can serve as model to be embraced in time by our southern neighbour.



Trilateralism and the construction of a North American community is a compelling goal for Canada, but if it is to be realized, Canada and the U.S. must, once again, show the way. Canada must privilege its bilateral channels if we are to succeed in a deeper, more secure, more predictable relationship with the United States.

Notes

⁴⁶ Remarks prepared for a Trade Corridors Roundtable, Monday, April 25th 2005, Park Hyatt Toronto, Toronto, Ontario.

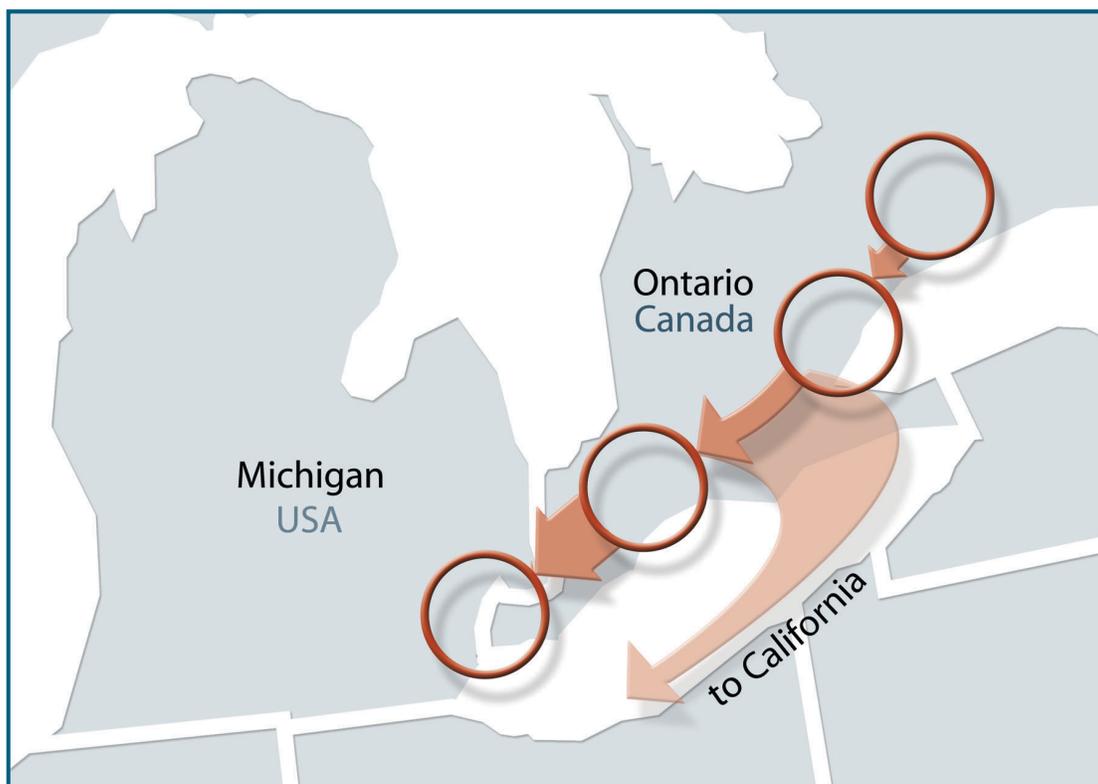
⁴⁷ Editor's note: the *Security and Prosperity Partnership of North America*.





Appendix III: A Trade Corridors Atlas and Gazetteer

1. Ontario-Michigan Auto Manufacturing Trade Corridor*



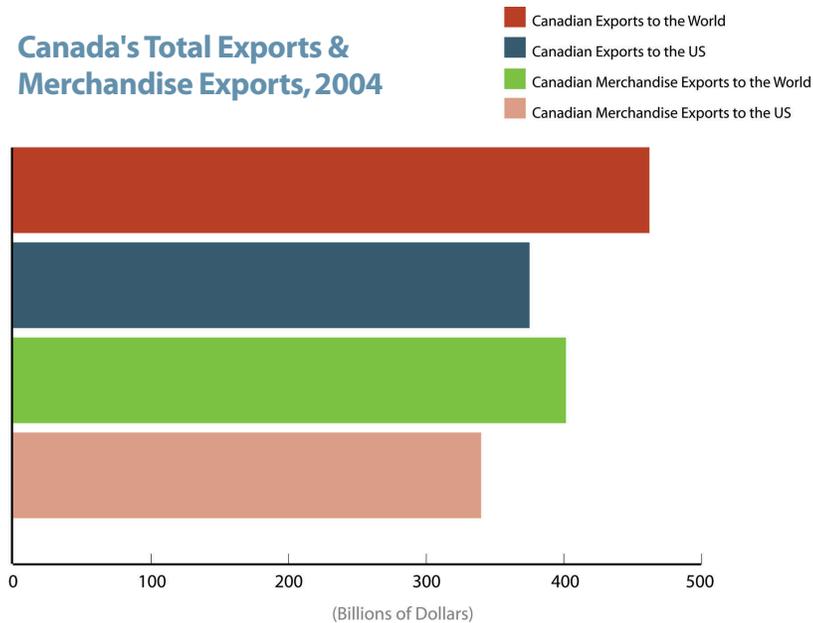
*Approximate major points of origin and destination, and volume of Canadian export trade. Does NOT necessarily portray transportation routes. **Source:** *Greenlighting Trade: A Trade Corridors Atlas* based on Statistics Canada data.

DESCRIPTION

A trade corridor centred in the Canadian Province of Ontario and the American State of Michigan with integrated manufacturing of automobiles in both political jurisdictions, distributing products throughout the rest of Canada and the United States.

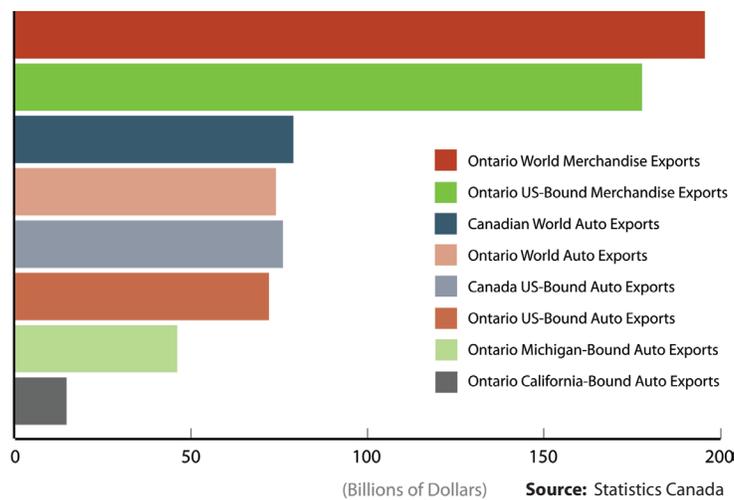
JUST THE NUMBERS

Canada's Total Exports & Merchandise Exports, 2004



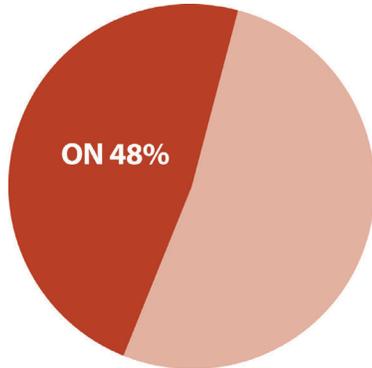
Source: Statistics Canada & Cameron, et al. (Foreign Affairs and International Trade Canada)

Ontario Merchandise Exports & Canada/Ontario Auto-Manufacturing Exports, 2004⁴⁸



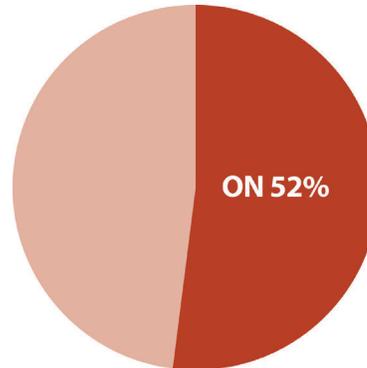
Source: Statistics Canada

Canada's World Merchandise Exports from Ontario, 2004



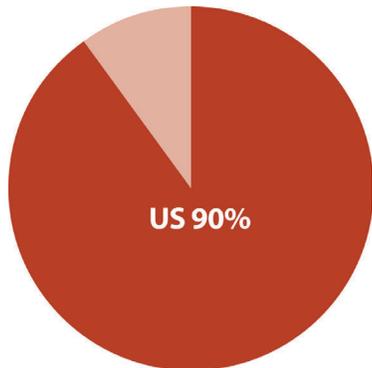
Source: Statistics Canada⁴⁹

Canada's US-Bound Merchandise Exports from Ontario, 2004



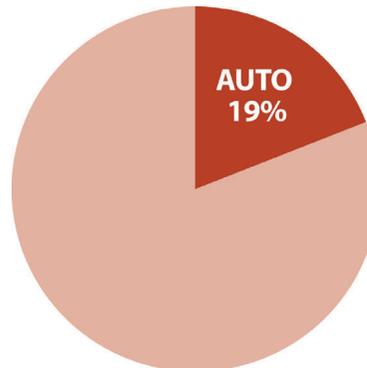
Source: Statistics Canada

Ontario's US-Bound Merchandise Exports, 2004



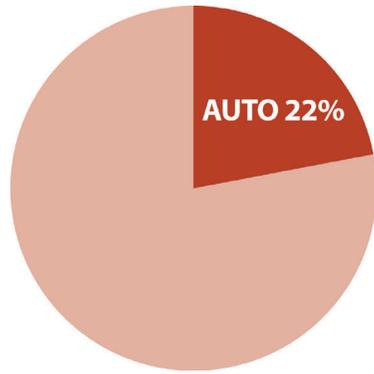
Source: Statistics Canada

Canada's World Merchandise Exports from Auto-Manufacturing, 2004



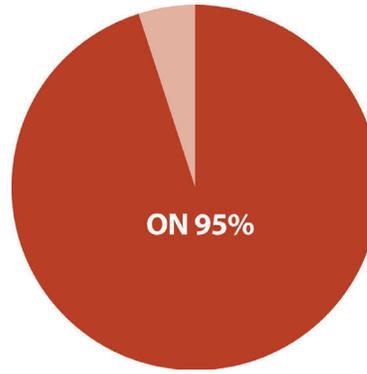
Source: Statistics Canada

Canada's US-Bound Exports from Auto-Manufacturing, 2004



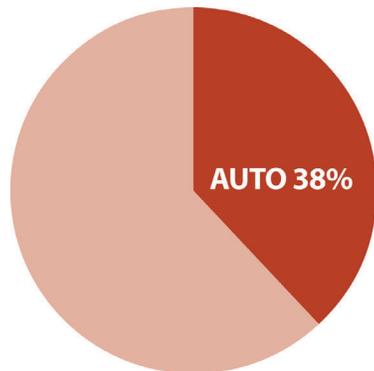
Source: Statistics Canada

Canada's US-Bound Auto-Manufacturing Exports from Ontario, 2004



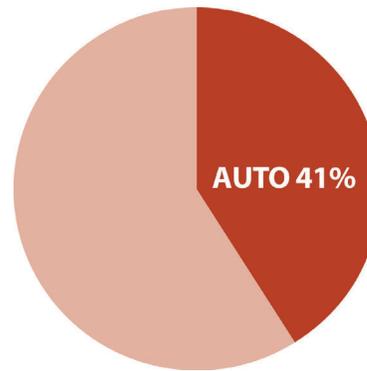
Source: Statistics Canada

Ontario's World Merchandise Exports from Auto-Manufacturing, 2004



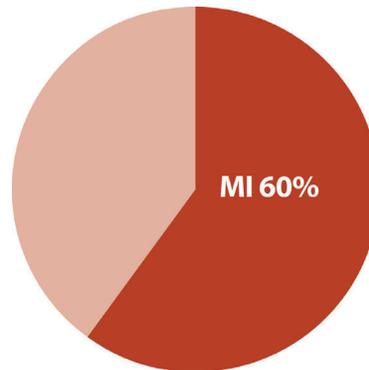
Source: Statistics Canada

Ontario's US-Bound Merchandise Exports from Auto-Manufacturing, 2004



Source: Statistics Canada

Ontario's Michigan-Bound, US Auto-Manufacturing Exports, 2004



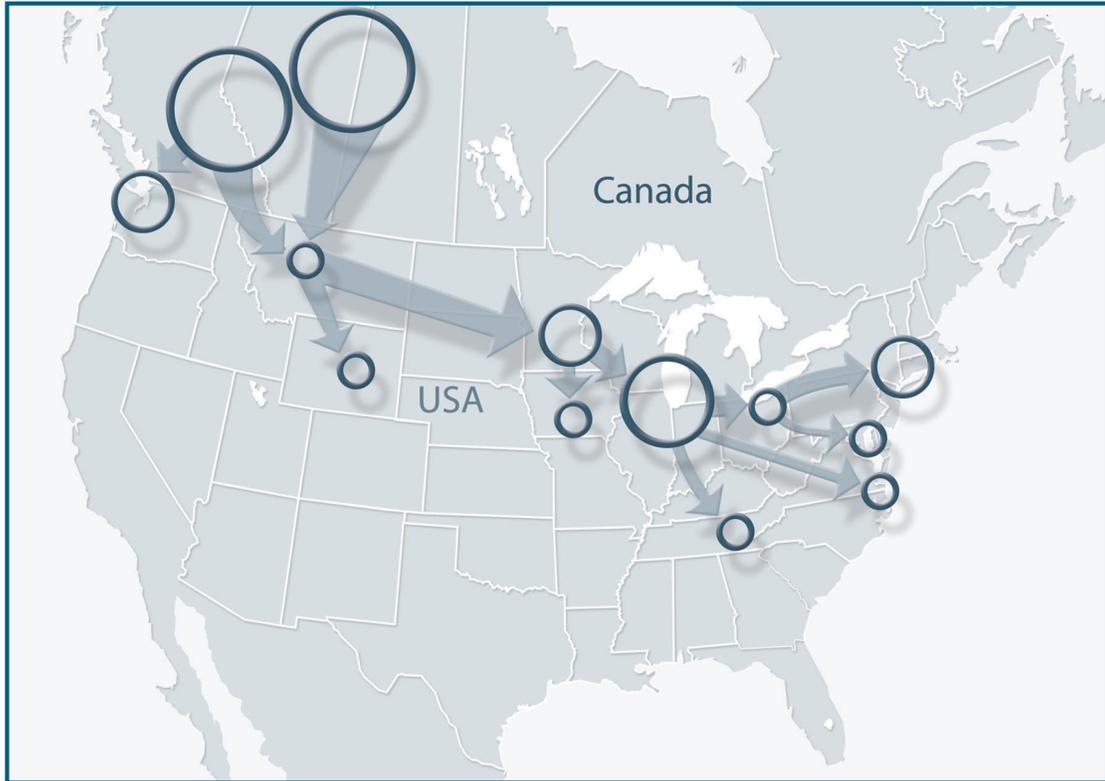
Source: Statistics Canada

Trade surplus with the U.S. (2004) in this sector: \$28,329,401,437

CORRIDOR CHALLENGES

The volume of traffic on highways, ports, canals, rail, bridges and tunnels, and customs and border facilities incoming and outgoing between, and outgoing from, Ontario and Michigan. Perhaps the greatest infrastructure challenge is that at present, by "road" there is a significant choke point with only one bridge and one tunnel crossing the Detroit River between Windsor and Detroit: 27% of all Canada-U.S. export trade volume passes over the Ambassador Bridge, Windsor-Detroit.

2. Alberta Mineral Energy Trade Corridor*



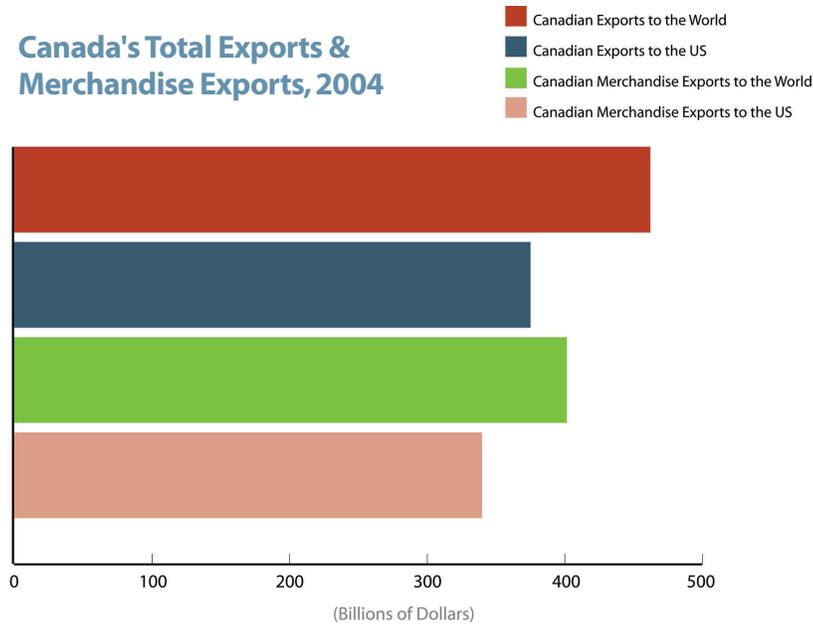
*Approximate major points of origin and destination, and volume of Canadian export trade. Approximates major pipeline routes. **Source:** *Greenlighting Trade: A Trade Corridors Atlas* based on Statistics Canada data.

DESCRIPTION

A trade corridor originating in the Canadian Province of Alberta exporting mineral energy (oil and gas) through a pipeline network whose major destinations are the American States of Illinois and Washington.

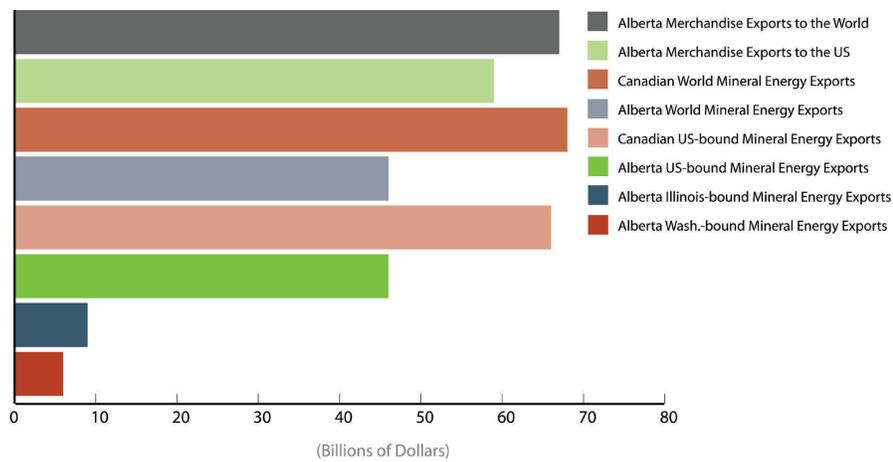
JUST THE NUMBERS

Canada's Total Exports & Merchandise Exports, 2004



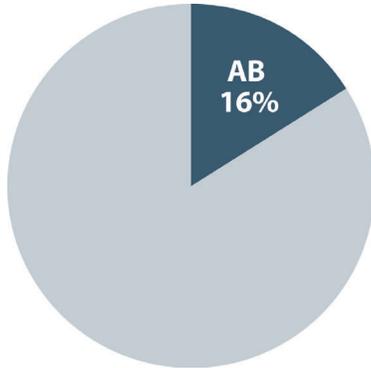
Source: Statistics Canada & Cameron, et al. (Foreign Affairs and International Trade Canada)

Canada & Alberta Merchandise & Mineral Energy Exports, 2004



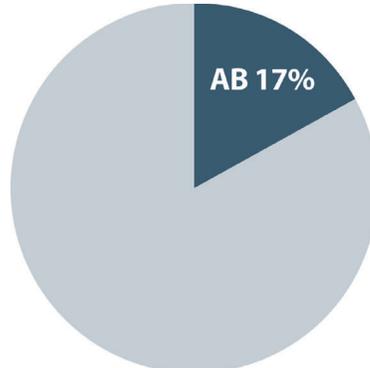
Source: Statistics Canada

Canada's World Merchandise Exports from Alberta, 2004



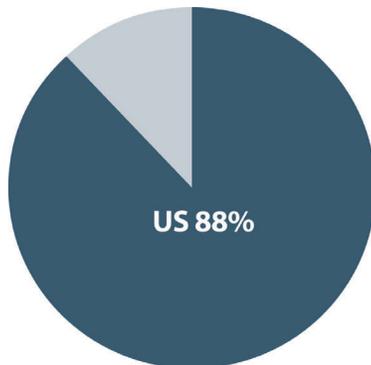
Source: Statistics Canada

Canada's US-Bound Merchandise Exports from Alberta, 2004



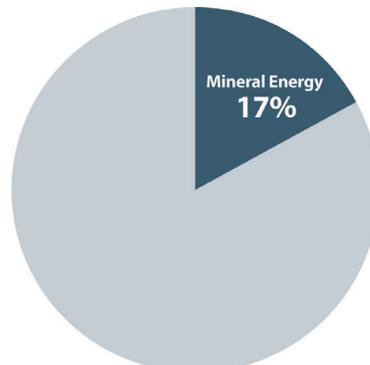
Source: Statistics Canada

Alberta's US-Bound Merchandise Exports, 2004



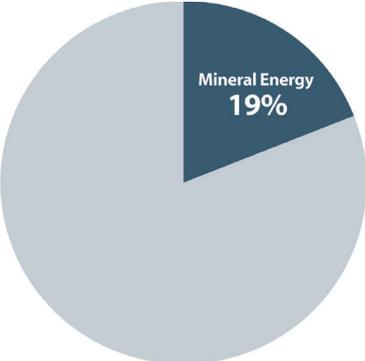
Source: Statistics Canada

Canada's World Merchandise and Mineral Energy Exports, 2004



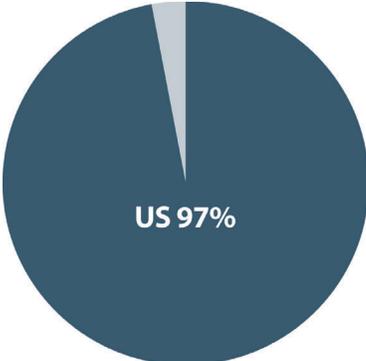
Source: Statistics Canada

Canada's US-Bound Merchandise and Mineral Energy Exports, 2004



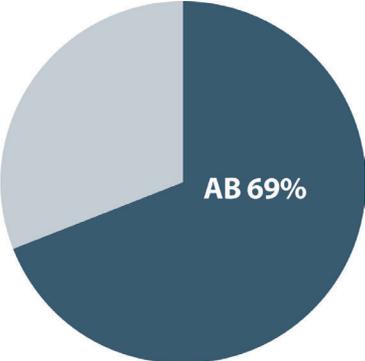
Source: Statistics Canada

Canada's US-Bound Mineral Energy Exports, 2004



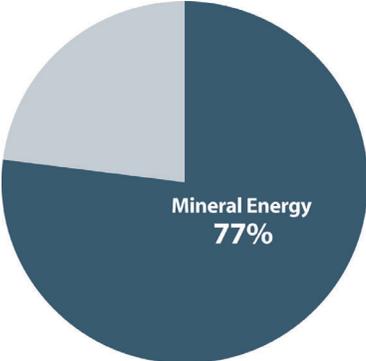
Source: Statistics Canada

Canada's US-Bound Mineral Energy Exports from Alberta, 2004



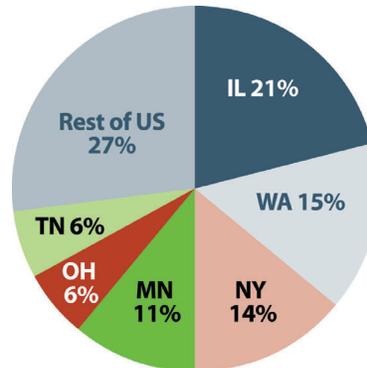
Source: Statistics Canada

Alberta's US-Bound Merchandise Exports of Mineral Energy, 2004



Source: Statistics Canada

Alberta's US-Bound Mineral Energy Exports, 2004



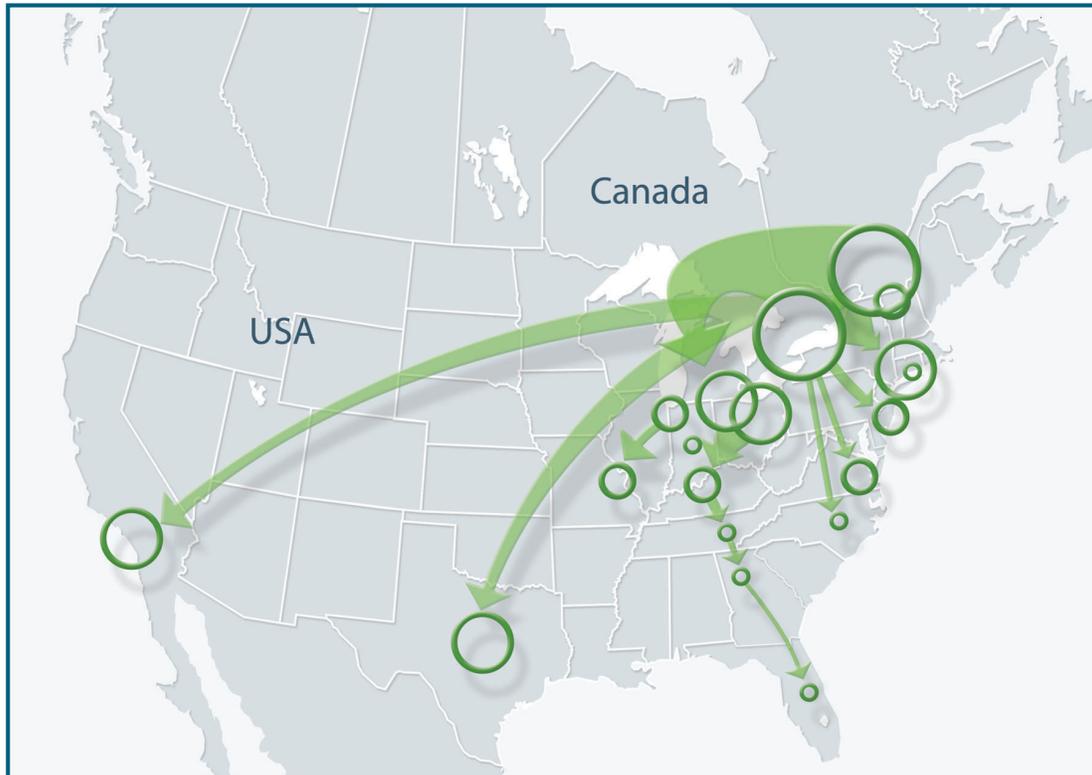
Source: Statistics Canada

Trade surplus with the U.S. (2004) in this sector: \$43,451,319,627.
Percentage increase of Alberta's mineral energy exports from 2000 to 2004: 35%

CORRIDOR CHALLENGES

Both Alberta's supplies of oil and gas are increasing approximately commensurate with U.S. demand for both. Critical issues stem from pipeline routes and capacity and from the skilled labour shortage to build production capacity.

3. Ontario-Quebec Machinery and Equipment Trade Corridor*



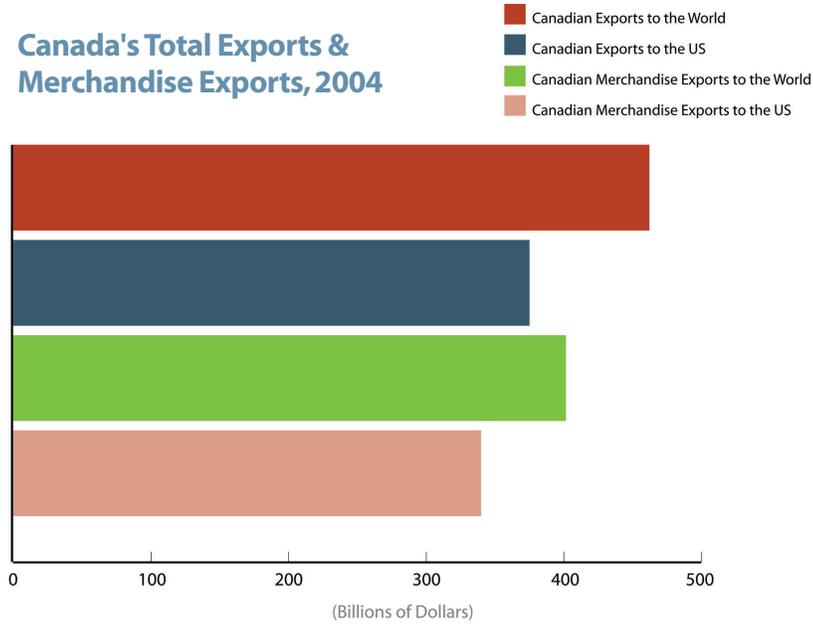
*Approximate major points of origin and destination, and volume of Canadian export trade. Does NOT necessarily portray transportation routes. **Source:** *Greenlighting Trade: A Trade Corridors Atlas* based on Statistics Canada data.

DESCRIPTION

A trade corridor centred in the Canadian Provinces of Ontario and Quebec distributing products especially to American states east of the Mississippi River.

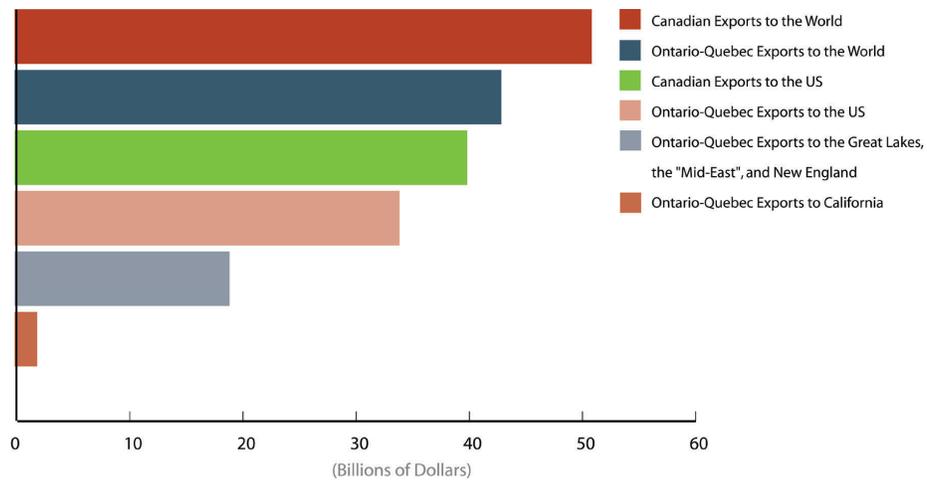
JUST THE NUMBERS

Canada's Total Exports & Merchandise Exports, 2004



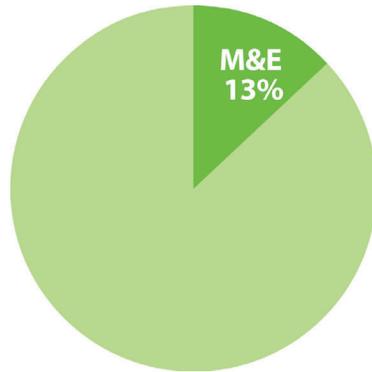
Source: Statistics Canada & Cameron, et al. (Foreign Affairs and International Trade Canada)

Machinery & Equipment: Canadian & Ontario-Quebec Exports to the World and US, 2004



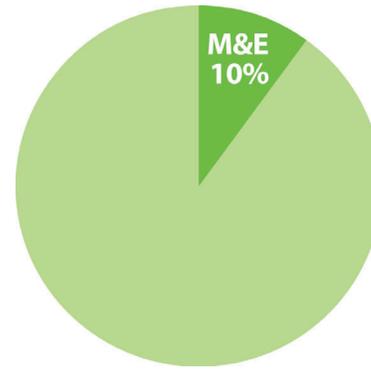
Source: Statistics Canada

Canada's World Exports from Machinery & Equipment, 2004



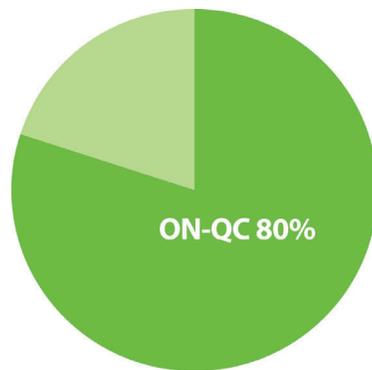
Source: Statistics Canada

Canada's US-Bound Exports from Machinery & Equipment, 2004



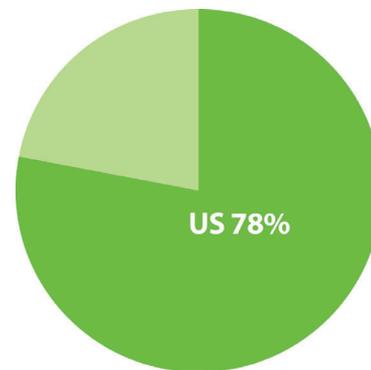
Source: Statistics Canada

Canada's World Machinery & Equipment Exports from Ontario-Quebec, 2004



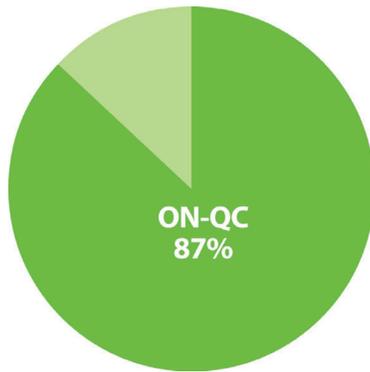
Source: Statistics Canada

Canada's Machinery & Equipment Exports US-Bound, 2004



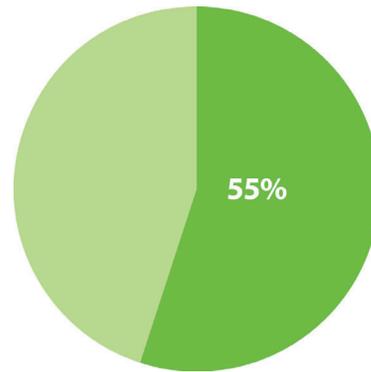
Source: Statistics Canada

Canada's US-Bound Machinery & Equipment Exports from Ontario-Quebec, 2004



Source: Statistics Canada

Ontario-Quebec Machinery & Equipment Exports Bound for Great Lakes, the "Mid-East", and New England, 2004



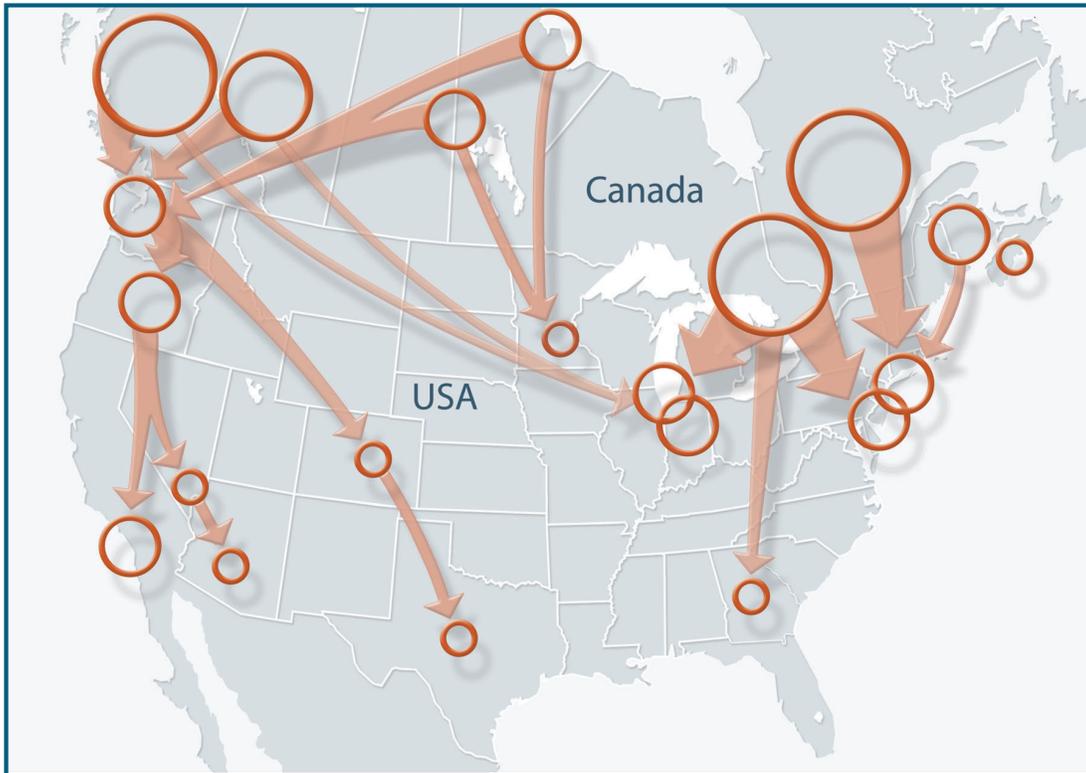
Source: Statistics Canada

Trade deficit with the U.S. (2004) in this sector: \$11,601,728,964

CORRIDOR CHALLENGES

This represents a shrinking export market and trade corridor for Canada. What might be worthy of consideration is how physical transportation and border infrastructure and trade agreements, statutes, regulations, and productivity and a more valuable Canadian dollar may be impeding Canada's competitiveness.

4. Forest Products Trade Corridors*



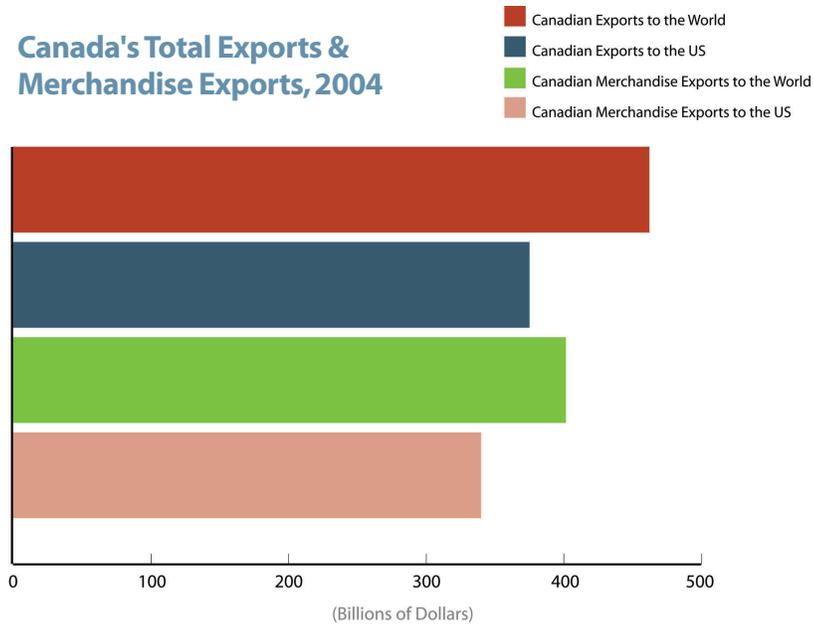
*Approximate major points of origin and destination, and volume of Canadian export trade. Does NOT necessarily portray transportation routes. **Source:** *Greenlighting Trade: A Trade Corridors Atlas* based on Statistics Canada data

DESCRIPTION

A three-part corridor composed of Ontario and Quebec exporting to destinations east of the Mississippi River, New Brunswick and Nova Scotia exporting east of the Mississippi and mainly to New England and to destinations along the eastern seaboard, and British Columbia, Alberta, and Saskatchewan exporting mainly to the “far west” as well as to other destinations west of the Mississippi River.

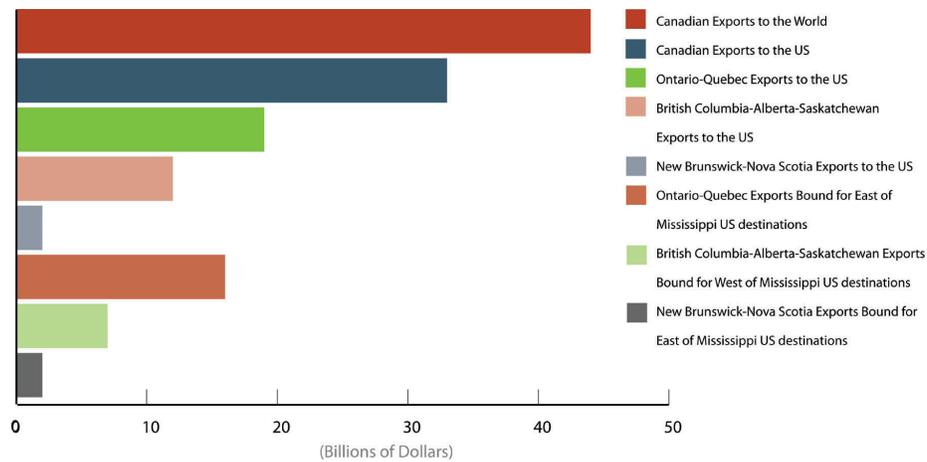
JUST THE NUMBERS

Canada's Total Exports & Merchandise Exports, 2004



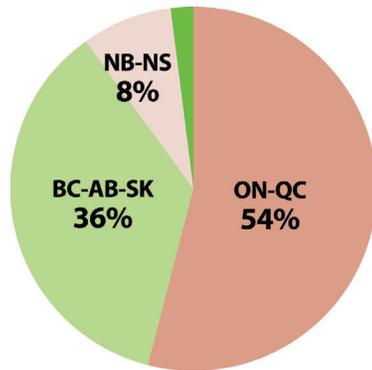
Source: Statistics Canada & Cameron, et al. (Foreign Affairs and International Trade Canada)

Canadian Forest Products Exports, 2004



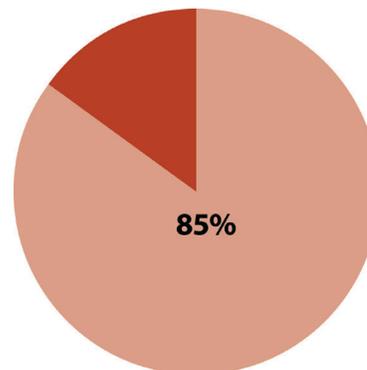
Source: Statistics Canada

Canada's US-Bound Forest Products Exports, 2004



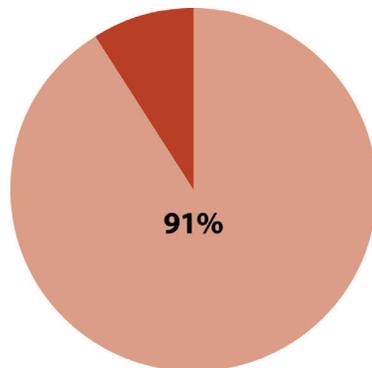
Source: Statistics Canada

Ontario-Quebec's Forest Products Exports East of Mississippi, 2004



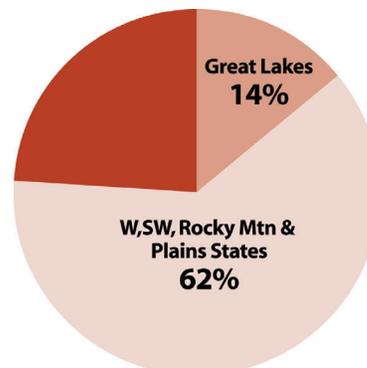
Source: Statistics Canada

New Brunswick-Nova Scotia's Forest Products Exports East of Mississippi, 2004



Source: Statistics Canada

British Columbia-Alberta-Saskatchewan's US-Bound Forest Products Exports, 2004



Source: Statistics Canada

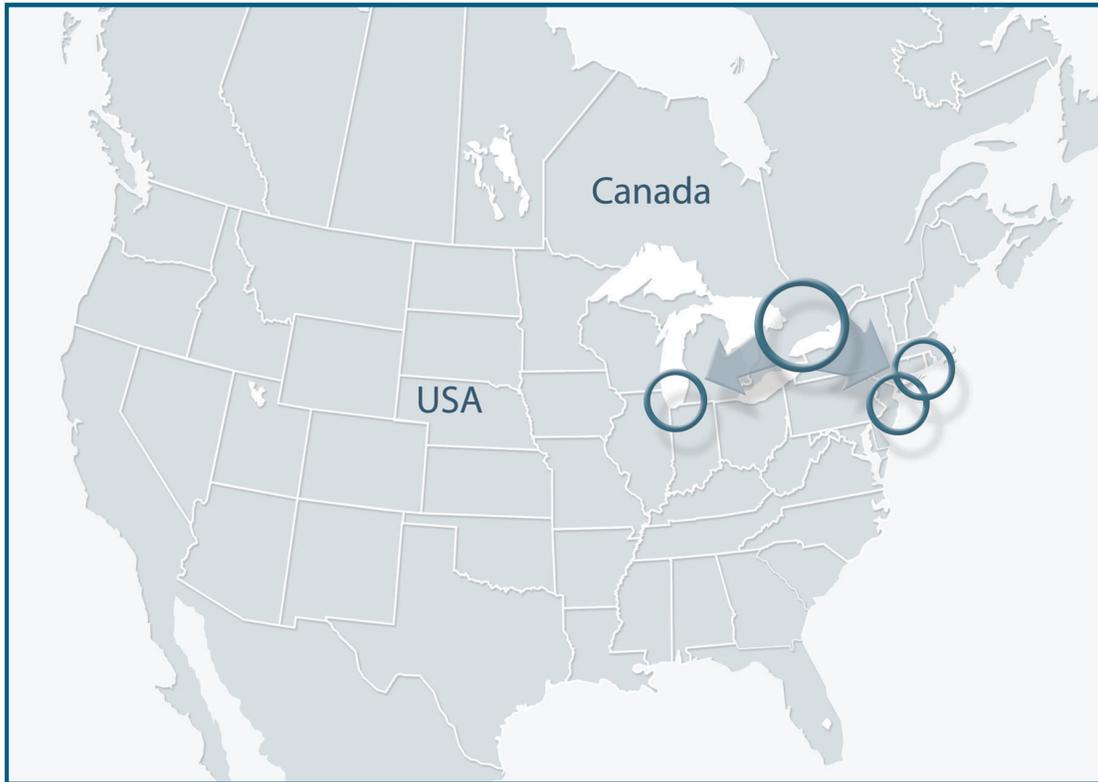
Trade surplus with the U.S. (2004) in this sector: \$27,461,484,436

CORRIDOR CHALLENGES

The greatest outstanding challenge for this trade corridor is Canada's long-standing dispute with the U.S. government and the U.S. forestry industry under the FTA, the NAFTA, and the WTO frameworks.



5. Commercial Services Trade Corridor*



*Data for major points of origin and destination of commercial services was not found. Volume is an approximation. This represents “a best guess” based on anecdotal information from the industry.

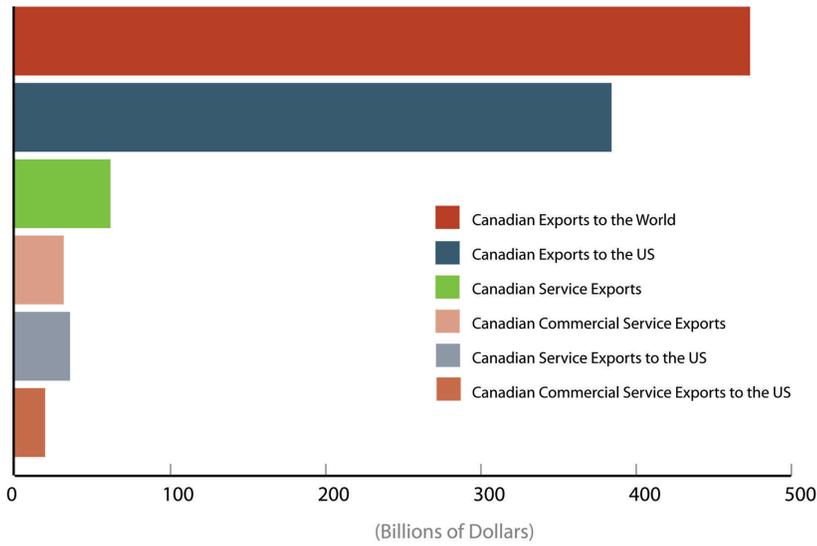
Source: *Greenlighting Trade: A Trade Corridors Atlas* and Richard Cameron et al., *Sixth Annual Report on Canada's State of Trade: Trade Update, April 2005*.

DESCRIPTION

A trade corridor that appears to be a result of Canada's proximity and shared business culture and time zones.

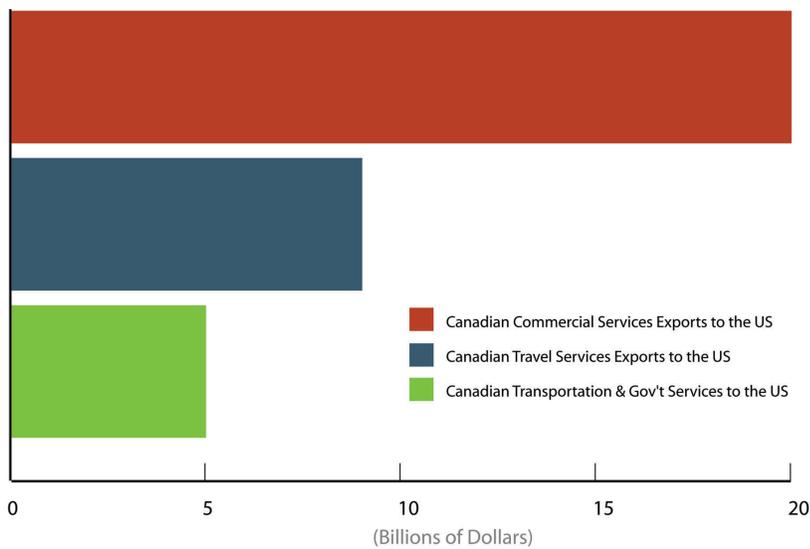
JUST THE NUMBERS

Canada's Total Exports & Service Exports, 2004



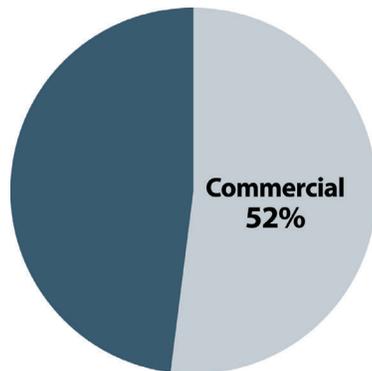
Source: Statistics Canada & Cameron, et al. (Foreign Affairs and International Trade Canada)

Canada's US-Bound Service Exports, 2004



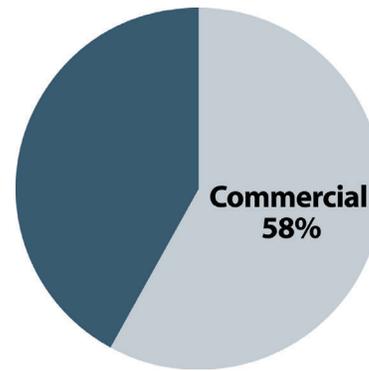
Source: Cameron, et al., Table 5D: Canada's International Transactions in Services by Selected Country.

Canada's World Service Exports from Commercial Services, 2004



Source: Statistics Canada

Canada's US-Bound Service Exports & Commercial Services, 2004



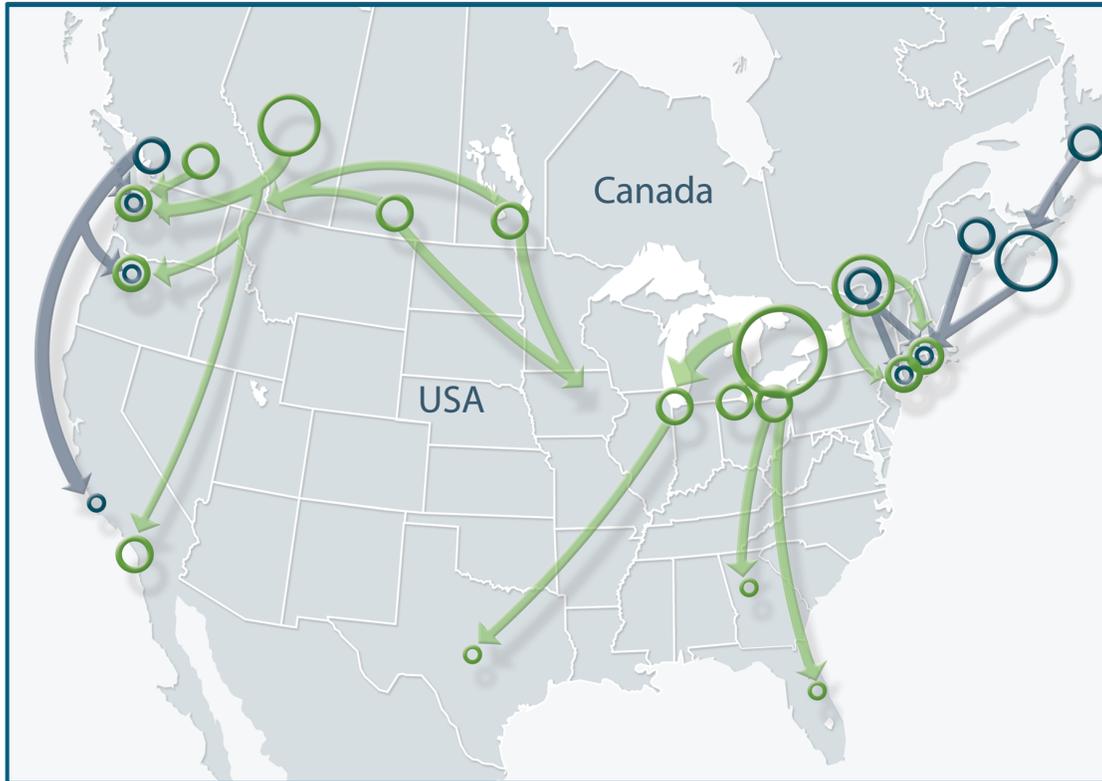
Source: Statistics Canada

Trade deficit with the U.S. (2004) in this sector: \$5.8 billion

CORRIDOR CHALLENGES

In his *The World is Flat*, Thomas Friedman argues that commercial services, IT, and accounting expertise is being lost by North America to Asia. At present, Canada appears to hold the upper hand in competition with India – specifically, Bangalore. But as the value of the Canadian dollar rises, Canada's cost advantage could diminish to the point that other advantages will cease to keep and to lure U.S. customers in choosing Canada over other suppliers of commercial services.

6. Agricultural and Fish Products Corridors*



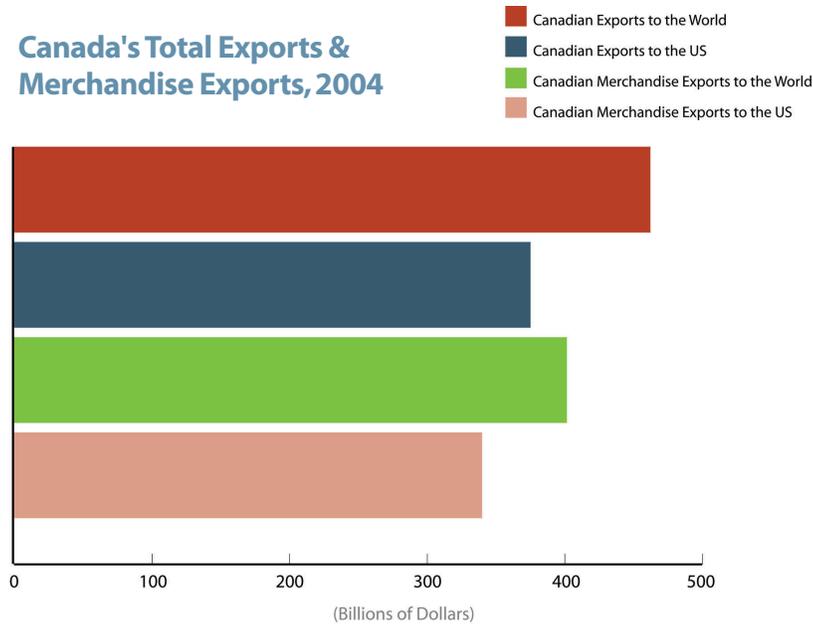
*Approximate major points of origin and destination, and volume of Canadian export trade. Does NOT necessarily portray transportation routes. **Source:** *Greenlighting Trade: A Trade Corridors Atlas* based on Statistics Canada data. Agricultural products in "green"; fish products in "blue."

DESCRIPTION

These are north-south trade corridors from the major agricultural and fish producing regions that mainly involve exporting products to their nearest, geographical neighbours in the U.S. These corridors are highly continentally regionalized.

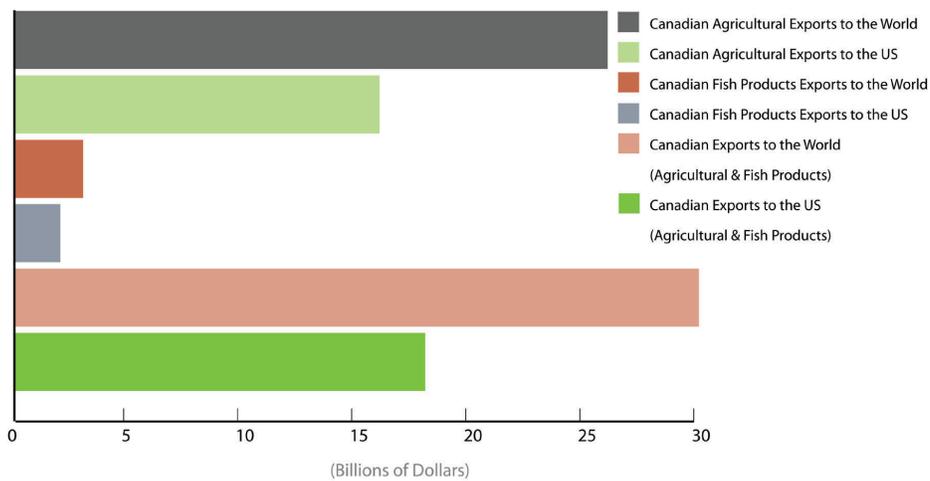
JUST THE NUMBERS

Canada's Total Exports & Merchandise Exports, 2004



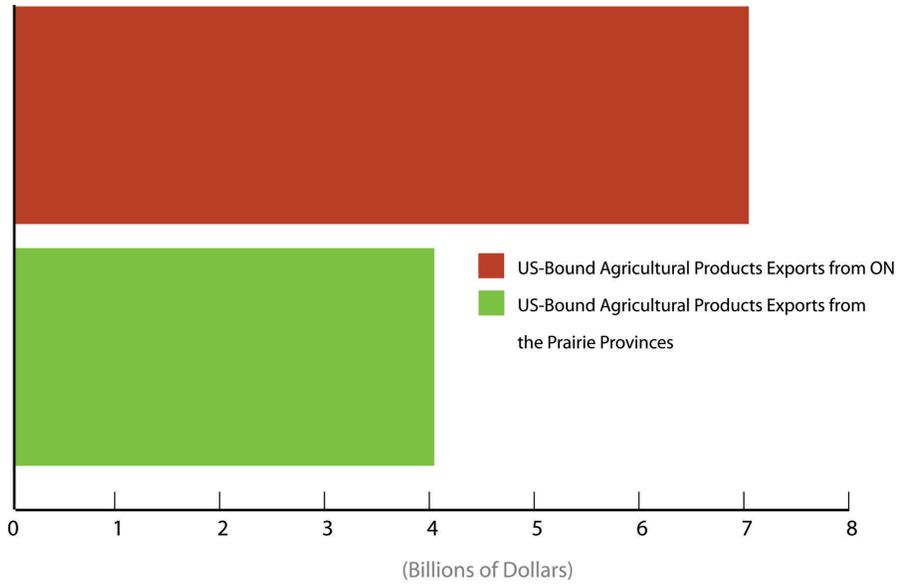
Source: Statistics Canada & Cameron, et al. (Foreign Affairs and International Trade Canada)

Canadian Exports to the US, 2004 (Agricultural & Fish Products)



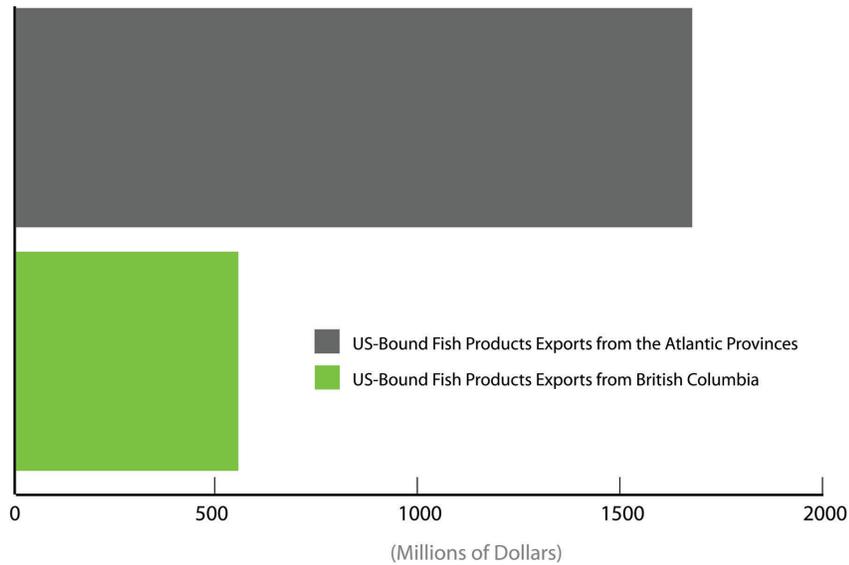
Source: Statistics Canada

Ontario & Prairies Agricultural Products Exports, 2004



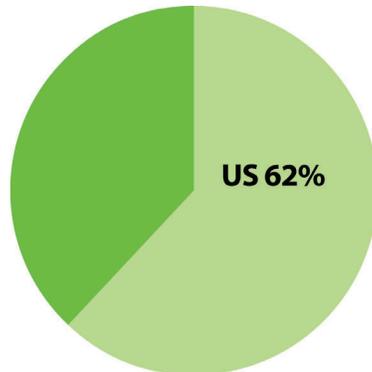
Source: Statistics Canada

Atlantic & British Columbia Fish Products Exports, 2004



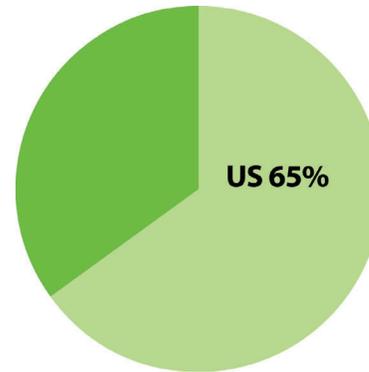
Source: Statistics Canada

Canada's Agricultural Exports,
US-Bound, 2004



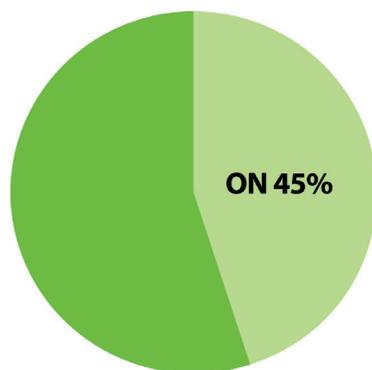
Source: Statistics Canada

Canada's Fish Exports,
US-Bound, 2004



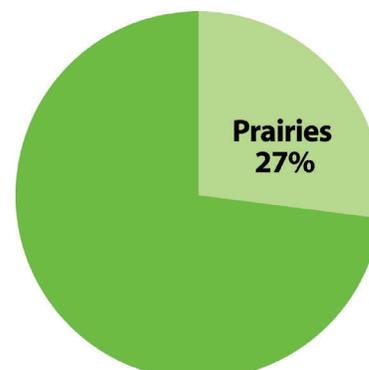
Source: Statistics Canada

Canada's US-Bound Agricultural
Products from Ontario, 2004



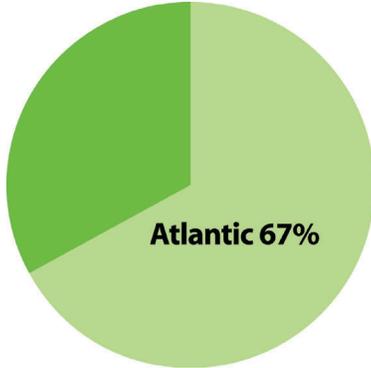
Source: Statistics Canada

Canada's US-Bound Agricultural
Products from the Prairies, 2004



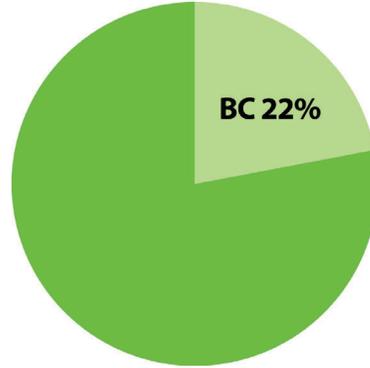
Source: Statistics Canada

Canada's US-Bound Fish Products from the Atlantic Provinces, 2004



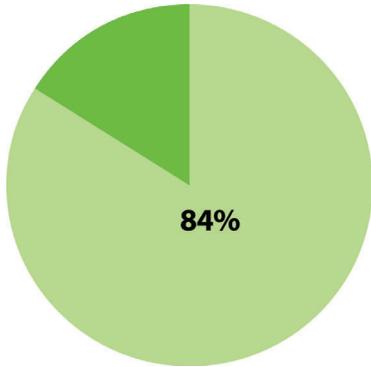
Source: Statistics Canada

Canada's US-Bound Fish Products from the British Columbia, 2004



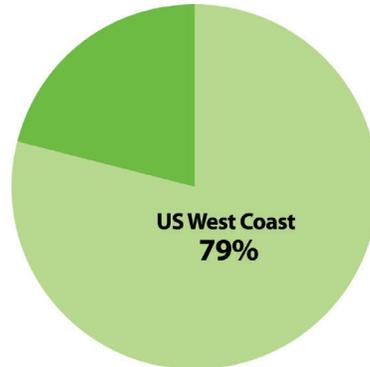
Source: Statistics Canada

Atlantic Provinces' New England-Bound Fish Products, 2004



Source: Statistics Canada

British Columbia's US West Coast-Bound Fish Products, 2004



Source: Statistics Canada

Agricultural products trade surplus with the U.S. (2004):

\$4,736,129,671.

Fishery products trade surplus with the U.S. (2004): \$1,794,505,787.

Trade surplus aggregate with the U.S.(2004) in this sector:

\$6,530,635,458.

CORRIDOR CHALLENGES

The key challenges, here, are streamlining regulatory regimes between the two countries and, particularly with respect to beef, to manage the political pressures from U.S. producers on the U.S. Congress and Administration, and legal manoeuvres in U.S. courts. Canada is vulnerable to any questions as to the safety of its fishery products intended for human consumption.

Notes

⁴⁸ See "Canada-U.S. Trade: Sectors and Corridors," in this document, p. 19.

⁴⁹ Rounded to the nearest full, percentage point.

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Michael Van Pelt is President of the Work Research Foundation, serving in that capacity since 2000. Previously, Michael worked with the Canadian Federation for Independent Business and as General Manager with the Sarnia-Lambton Chamber of Commerce, Sarnia, Ontario. Mr. Van Pelt is married to Deani Van Pelt. They have three children.

Russ Kuykendall is Senior Researcher with the Work Research Foundation. Russ is originally from Grande Prairie, Alberta. Prior to coming to WRF, Russ spent the last several years serving with the Government of Ontario and with the Parliament of Canada as political staff.





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