



MOVING

*An Introduction to
Trade Corridors*

TRADE

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Trade Movement: What's the Big Idea?

Never in the history of our world has there been so much debate and discussion about moving trade. Behind the technical and sophisticated discussions about security, border issues, transportation infrastructure, traffic, economic development, urban planning, customs and immigration, or international relations is one central concern – moving trade. The Coalition for Secure and Trade-Efficient Borders, in “Rethinking Our Borders – Statement of Principle,” writes that,

The terrorist attacks of September 11th have pushed security concerns to the forefront of the agenda for Canadians and Americans alike. They have also posed a threat to the economies of both nations. The federal government must take swift and effective action to respond to the new security reality. In doing so, it will re-establish confidence in our trading relationship with the United States which is so vital for Canada.

Soon after 9/11, 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 last twelve months, the widest range of ministries at every level of government has taken at least some responsibility in managing the movement of trade in North America.

Our national business organizations have scurried to position themselves as experts on all areas related to moving trade. The media are all familiar with the latest Canadian/American trade data. Words like “customs union” or “North American perimeter” are the new credentials for pundits and public policy experts.

Economic Metaphors

Curiously, however, no one has successfully developed an integrating framework for understanding trade movement. The flurry of action and hodgepodge of strategies preoccupying bureaucracies in the post-9/11 world have no articulated vision of the “big picture.” Consider this: between the Canadian federal and Ontario provincial governments, there are at least thirteen ministries (five and six, respectively), and numerous agencies that all have trade movement as a “high priority responsibility.” To be sure, each department is managing their *specific* responsibility expertly, yet no one really has a handle on the overall structure. Once one factors in the complexity of the US levels of government and the growing power of municipal government, the big picture becomes hopelessly elusive.

What we need, says Dr. Wendy Dobson, a noted international trade expert at the Rotman School of Business (University of Toronto), is a “Big Idea” that will set the direction of North American trade relationships. In her paper “Shaping the Future of the North American Space,” published as the first of a series of *Border Papers* by the C.D. Howe Institute, she states:

A major strategic bargain would afford the opportunity to advance a vision of North American economic security and to obtain linkages that would be out of reach if we were to proceed on an incremental basis. The NAFTA reduced a number of barriers to trade and investment. Market pressures are forcing further convergence in certain sectors. But obstacles to the free flow of trade and FDI remain. A Big Idea would open new bargaining possibilities in which Canada can leverage its advantages in exchange for what it wants and is otherwise unlikely to obtain. Another factor to consider is that, once the vision and strategic framework were agreed, the objective could be pursued at a more measured pace. (Dobson: 19-20)

Dobson suggests three economic and political strategies that would promote economic security: a customs union, a common market, and a strategic bargain. Any of these proposals would go a long way toward harmonizing international standards, regulations, and policies – and they would certainly encourage efficient production and energetic competition. At the same time, we must develop an overarching economic metaphor, one that recognizes the dramatic shifts in the movement of trade since the NAFTA was signed.

Allow me to back up for a moment. Political scientists, economists, sociologists, and philosophers spend vast amounts of time, energy, and money developing theories that will somehow capture the *essence* of human interaction. When we apply our ideas to the macro-level, however, we discover that complexity increases infinitely. Think of the butterfly concept in meteorology, in which the flap of a butterfly’s wings in Brazil causes a tsunami in Japan.

Economics is equal to the weather in its complexity. As is the case with all systems, we must develop models or metaphors in order to simplify and manage the range of data. Our metaphors become the lenses that help us understand the economy and its impact on our communities. We live and make our daily financial decisions based on our economic metaphors. Some will understand the economy through the lens of market cycles: boom, bust, and echo periods. Others use demographic profiles. The more intellectual see the economy in terms of ideology, and see underlying ground motives 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

In this paper, I argue that *trade corridors* are a useful, clear, and focused lens 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, and institutions.

Defining Trade Corridors

“Trade Corridors” have only recently been introduced into the political jargon, but the concept is becoming ever more prevalent. 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, of course, is more efficiently integrated transportation infrastructure, manufacturing, and international trade.

Despite the ubiquity of trade corridor language, it is difficult to find a definition of what trade corridors really are. Usually, the term “trade corridor” assumes a connection between transportation and trade – a rather shallow understanding of a supposedly integrative 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”). Senator Trent Lott, attempting to get a grip on the idea of trade corridors, determined to call transportation corridors “economic corridors,” suggesting a whole economy built along the physical infrastructure of transportation routes.

Transport Canada defines trade corridors in their 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.

The above definition was developed by the “Interdepartmental Working Group on Trade Corridors,” which is comprised of ten different federal agencies, including (among others) Transport Canada, Industry Canada, Foreign Affairs and International Trade, Canada Custom and Revenue, and Canada Customs and Immigration.

Unfortunately, this definition also limits the concept of trade corridors to a transportation perspective. It does not encompass the integral nature of the *community*, or the socio-economic infrastructure through which and to which trade moves. Trade corridors could more aptly be defined as:

- The flow of goods, people, and information (trade movement) domestically and internationally, based on shifting geographic patterns which follow transportation infrastructure systems;
- The economic and political social communities encompassed in these geographic patterns.

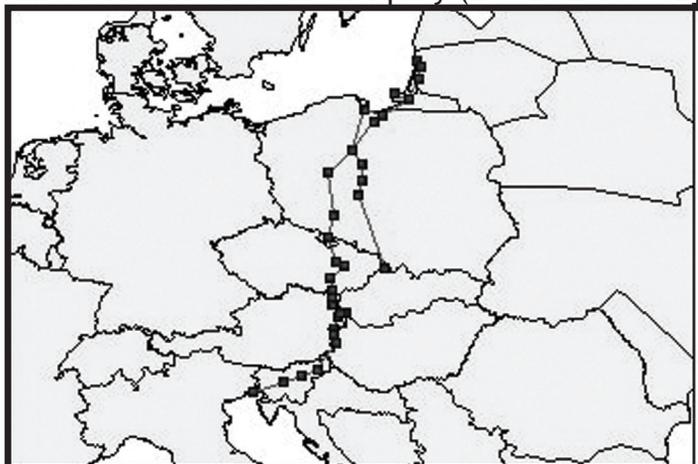
More concisely, trade corridors are streams of products, services, and information moving within and through communities in geographic patterns. Trade corridors are not immutable: they are created, and shift or decline over time as a result of new technology, land use planning, new infrastructure, and new policy initiatives. Geographic patterns of trade and communities have a bi-lateral relationship. The presence of communities affect patterns of trade, but the changing patterns of trade will also establish, strengthen, or weaken economic, political, and social communities.

This more comprehensive definition of trade corridors is presumed in statements like “Canada and the United States are inextricably linked by geography and economics” or “we must not allow the events of September 11th to impede the economically vital flow of people and goods across our common border.”

History and Change

Though the use of the term itself is recent, trade corridors are nothing new. North America’s late-19th, early-20th century railway development, and the great Saint Lawrence Seaway are both brilliant examples of trade corridor development. Recent scholarship is generating renewed interest in ancient trade routes, which show the pattern of community and economic development. The map at right is one example of the kind of trade cartography with which the Old World Traditional Trade Routes Project (<http://www.ciolek.com/owtrad.html>) is engaged. The map outlines the data points (places) and route (corridor) that made up the historic Amber Road route. It illustrates the enduring nature of trade corridors.

Old World Trade Routes:
Amber Road routes in antiquity (200 BCE-400 CE)



While trade corridors may be a well-established historic phenomenon, the face of trade movement has changed dramatically. The concept of corridors as a geographically-based economic relationship between communities is increasingly important, due to five major reasons:

- Incessant and urgent *demand* for more products and services delivered at faster speeds.
- Sophisticated *integration* of transportation into the manufacturing process: “just-in-time” manufacturing.
- Inflated consumer *confidence* in technology and its applications, leading to the expectation of products being “right there, right now.”
- Increasingly *irrelevant boundaries* (whether international, national, provincial/state, or municipal).
- The *permeation* of technological advances into every aspect of moving trade.

Although the idea of modern trade corridors has received little play in academic circles up to this point, the fundamental changes I’ve listed are pushing trade corridors to the forefront of economic research.

Economic Geography: Trade Corridors and the Cluster Model

Recent technology is generating new respect for geographic, spatial, and location research in the economic sphere. GIS/GPS and digital mapping can generate real-time information that powerfully influences day-to-day business decisions. Until recently, increased mobility and information-sharing in the global knowledge economy argued against the importance of location. What does one’s geographic position matter when the world is getting smaller? In fact, as Tom Peters notes (writing about Michael Porter’s theory of competitive advantage), “the nation and region have never been more important.” (Peters: 503-504)

Michael Porter’s cluster model is the most influential economic geography today. In “Cluster and the New Economics of Competition” (Harvard Business Review, Nov.-Dec. 1998) Porter defines clusters as the “geographic concentration of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition.”

He notes:

Today’s economic map of the world is dominated by what I call cluster: critical masses – in one place – of unusual competitive success in particular fields. Clusters are a striking feature of virtually every national, regional, state, and even metropolitan economy; especially in more economically advanced nations. Silicon Valley and Hollywood may be the world’s best-known clusters. Clusters are not unique, however; they are highly typical

– and therein lies a paradox: the enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships, motivation – that distant rivals cannot match.

Porter argues that healthy clusters are key to successful economic development, real productivity, innovation, creativity, and globally competitive businesses. Canada and the United States have both committed to Porter’s idea of clusters as the key economic model to plan and understand economic life. (Roger L. Martin and Michael E. Porter, “Canadian Competitiveness: A Decade After the Crossroads,” 2001) The Ontario Government is planning its innovation strategy on the cluster model. (Institute for Competitiveness and Prosperity) The genius of Porter’s cluster model is that it provides so many practical micro-economic directions as to how a healthy economy must order itself and what government can do to promote productivity and innovation.

How does the concept of trade corridors relate to the economic model of clusters? Both are based on a geographic understanding of the economy. Both map out economic activity, though on different levels. When we map a trade corridor, we map a *series* of economic and social activity. Just as a line is made of a connected series of points, the trade corridor is a connected series of clusters.

The link between innovative clusters as defined by Porter and trade corridors is the existence of economic, social, and cultural *communities* in which these clusters work. The clusters in turn give the communities their vitality. If we map the major north-south trade corridors in North America, we will see a series of communities (most often recognized as cities). The cities and regions that are not effectively linked to the trade corridor from practical infrastructure and economic relationship points of view will generally experience less productivity, less economic activity, and less prosperity.

Linking the idea of clusters and corridors helps us recognize how production really happens, how services are provided, and where and why information travels. For example, the just-in-time manufacturing process that keeps GM’s doors in Oshawa opening and closing on a minute-by-minute basis in effect assumes the public highway system as part of the assembly line. On September 11, 2001, when that “assembly line” was severely damaged, productivity plummeted. General Motors lost millions of dollars per hour.

Another case in point is the city and region of Sarnia-Lambton. For decades, Sarnia-Lambton counted on its economic prosperity on a large petrochemical industry. However, when this industry suffered a dramatic decline in the 1980s and early 1990s, the community had to look elsewhere for its economic future. Only when Sarnia-Lambton positioned itself as a hub on a major transportation corridor – exploiting its Bluewater Bridge asset, planning an industrial park on its major transportation corridor (Highway #402) and targeting industries most active on the corridor – did it begin the process of rebuilding its economy.

Corridors and Shifting Trade Patterns

The following observations and projections attempt to understand the importance of the dramatic shifts in how trade moves in North America. They are tentative observations – many will require significant research to substantiate.

Communities

- Communities will respond differently to moving trade.
- Communities will be preoccupied with development at intersections of major trade corridor routes and community roads. Development will extend well beyond the existing need to service direct traveling needs. The “traveling needs” will become more sophisticated, and include entertainment, recreation, etc.
- Community focal points will change and shift toward trade corridor related developments.
- Transportation infrastructure will become the key to the future growth of a community. Official plans will concentrate more on capturing opportunities on major trade corridor routes.
- Trade corridors will place urban planning back on the high-priority list.
- Communities will look externally to define and determine the nature of their economy.
- Communities will define themselves by their major trade corridors.

Economic Development

- Properly designed transportation infrastructure will be viewed as the most effective long-term economic development tool.
- The trade corridor concept will speed the move toward regional economic development entities (including international economic development entities).
- Land along major trade corridor routes will consistently increase in value proportionally to the increased volume of traffic.
- Economic development and planning departments will focus rezoning efforts, anticipate planning needs and assess accessibility and exposure along major trade routes.
- Transportation/trade and location-based (GIS/GPS) research will be the standard research tools of economic development departments.

Transportation Infrastructure Planning

- The integration of trade and transportation is the strongest motivator for investment in transportation infrastructure at all levels of government.

- Tragic accidents such as the accident on Highway #401 between Windsor and Chatham (1999), or gas price hikes politically galvanize transportation infrastructure issues. Making an argument for transportation infrastructure spending is most effectively accomplished through the broader policy framework of trade corridor developments.
- For the past 20-30 years, many governments have understood transportation infrastructure planning based on forecasted transportation capacity, and designed spending schedules to meet the capacity. Planning transportation infrastructure from a trade corridors point of view designs infrastructure to facilitate and accelerate economic growth and ensure effective community/urban development.
- A consistent and fair public policy approach to the interrelation of different modes of transportation is a key to formulating a better understanding of how trade corridors will develop in the future.

Changing How Government Works

- Trade Corridors will continue to prompt restructuring of government ministries.
- Trade Corridor developments will also challenge International, Federal, Provincial and Municipal relationships. Examples of this include:
 - o Disagreements over federal and provincial transportation spending priorities;
 - o Growing municipal demand for taxation privileges for investment;
 - o Cross-border planning organizations;
 - o Development of regional economies, including international economic development entities.

Challenging International Borders

Trade Corridor developments will attempt to minimize the practical realities of international borders. Discussions of an “open border,” legislative issues such as “Section 110,” and numerous practical challenges encourage a view of international borders that sees them as artificial barriers to the natural development of trade corridors. Furthermore, discussions about international economic development entities spur the idea that communities and regional economies can develop across international lines. The events of September 11, 2001 will only temporarily slow this development.

Private/Public

The success of the economy (including the private sector has never been so integrated and interdependent on public infrastructure. This will exert new pressures on communities and governments to create new relationships with the private sector. New organizational designs will blur the distinction between the private and the public spheres.

Emerging Organizations

New organizations are emerging in North America that better represent the north/south nature of trade corridors. Many of these organizations were launched as advocacy platforms to lobby for US government funding for major transportation initiatives. They centred around the largest transportation funding program in North America: the “Transportation Equity Act for the 21st century (TEA-21), particularly its provisions for “high-priority corridors, designating forty-four major transportation routes for funding and development.

Over time, these transportation infrastructure-focused organizations developed broader missions, taking on economic development, trade, and tourism.

Organizations such as “Continental One” – a coalition representing the trade corridor stretching along the US eastern seaboard and looping into the Ontario-Niagara region; the Cascadia trade corridor, capturing the natural trade routes through Washington state and the province of British Columbia; the I-35 Corridor – a unique coalition of cities, trade organizations, and business stretching from Winnipeg, Manitoba to Mexico; and the I-94 and I-69 Coalitions flowing through the largest economic region in the world (Ontario and Michigan) see broad opportunities to represent a geographical trade corridor, rather than simply to lobby for transportation funding. For example, the marketing of a trade corridor is taking on similar characteristics to what one would find in the marketing plan of a city economic development department.

Trade corridor organizations vary greatly in geographical scope and organizational sophistication. The North American Superhighway Coalition (NASCO) has a large geographical scope capturing the trade corridor from Laredo, Texas to Winnipeg and Detroit/Toronto. Powerful business and government interests represent NASCO. Its mission is:

To maximize economic opportunity and investment in North American international trade corridors through development and advocacy of an efficient, seamless, intermodal trade and transportation system.

On the other hand, the Niagara Bi-National Roundtable is a more informal trade corridor network of governments (both provincial and regional), businesses, and trade associations committed to an aggressive economic development plan to capture the growing trade movement through the Niagara Region into the State of New York.

Trade corridor organizations cross international, provincial/state, and municipal borders. They are interdisciplinary. They represent social, business, and political interests. Most are less than ten years old. It remains to be seen whether these organizations will sustain themselves over the long-term, or whether they signal a new genre of economic and business associations.

Conclusion

Moving trade in North America is at the heart of our economic, social, and community prosperity. The trade corridors model is the motion picture of how this trade moves and the communities it builds in the process.

Trade corridors are a geo-economic lens that can provide useful insights to policy makers in Canada and the United States. Academics and public policy think tanks would do well to build a coherent and comprehensive framework around this concept that has proven itself to be such an apt metaphor in the practical world of trade and transportation.