

ideas

matter

It's not
just
about
TRADE
anymore

- Building Atlantica 2.0
- A gateway is not a region
- Saving Atlantica from the politicians

Perry B. Newman



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EDITOR Jan Matthews

Cover photo: Courtesy of David Fox, Photographer

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“Economist Brian Lee Crowley imagines new ways to look at boundary lines on maps, which have a hypnotic, mind-numbing way of making the world look more permanent, more finished, than it is. He has made the imaginary Atlantica a real place – real enough, at any rate, for the United States to spend a million dollars for a study of its infrastructure, real enough for Liberal leadership candidate Scott Brison to give it a prominent place in his platform. Mr. Crowley has made the East Coast an important part of the Pacific Rim.”

– Neil Reynolds, *Want efficient trade?*,
The Globe & Mail, Sept. 20, 2006.

Atlantic Business magazine named Atlantica a business newsmaker of the year in 2007.

What is Atlantica

For some time, the Atlantic Institute for Market Studies has been promoting discussion about a geographical concept dubbed Atlantica. The region is broadly composed of the Atlantic provinces, eastern Quebec, the northern tier of New England states, and upstate New York. These territories share a number of common characteristics — similar demographics, diversity, and migration; a shared history, and interrelated transport issues. Perhaps most important, the residents of Atlantica have generally suffered from relative economic underdevelopment and growth compared to their respective national economies.

Atlantica may not merely be an accidental aggregation of like economies or even a region reflecting a confluence of similar external forces. The regional characteristics may exist precisely because the border passes through it. Conceptually, at least, it is not too hard to understand why this may be so. Geographically, the axis of Atlantic Canada's trade would seem to be naturally north-south — as historically it used to be until national policies imposed an east-west bias. The huge northward bulge of Maine represents a major obstacle between Atlantic Canada and the country's industrial heartland.

Maine and the other upper New England states, on the other hand, are a peninsula encircled by the border. Whatever local opportunities for development that might exist are frequently stymied by that frontier and drawn off southward along the interstate transportation corridors — reinforcing the relative isolation and underdevelopment of the north.

In the 21st century, infrastructure may well more than ever be destiny. While infrastructure has always mattered, the transition to a service-based economy is creating an economy that is more transportation sensitive than any that preceded it. Areas that are remote and inaccessible or add costs that need not be endured in other regions will see economic

opportunities leak away to better endowed, more economically coherent regions.

One almost certain explanation for Atlantica's relative degree of underdevelopment is the inability to think of the region as a shared, cross-border area where local success depends on working more effectively across boundaries to achieve the economics of scale, transportation efficiencies and other regional coherences that more successful regions — such as the US MidWest and Ontario, and Texas/Mexico — take for granted. In short, Atlantica's political and natural disadvantages have been compounded by the US and Canadian governments' relative disregard for the region's economic requirements.

With free trade and globalization, however, the region now has an opportunity to establish its rightful place in the continental economy. If the border cannot be made to disappear, its impact must at least be blurred. The introduction of vehicle-handling efficiencies and the building of new crossings will help, but the concept is much bigger than that. Ideally, it should become equally attractive to establish commercial relationships across provincial-state lines as it is across state lines or provincial lines within the two countries. Canada's Atlantic Provinces and the US northeast must become economically integrated. Only then will Atlantica realize its economic potential.

For that to happen, however, it is necessary to rethink the policy, planning, and regulatory settings in all the provinces and states in the region, as well as the two national governments. Such an undertaking will require an unprecedented degree of common purpose — including, but not limited to, an understanding of how taxation regimes interact, the establishment of complementary regulatory and licensing regimes, new policies respecting corporate linkages, and freer movement of labour. Much can be accomplished at state and provincial levels, but participation at the federal level is essential.

Atlantica is a region composed of Atlantic Canada, eastern Quebec, the Northern tier of New England states, and upstate New York.

To learn more, visit
www.atlantica.org
or www.aims.ca.

Building Atlantica 2.0

Moving beyond exports to a regional knowledge economy can benefit people on both sides of the border

BY PERRY B. NEWMAN

A little more than a decade ago, a group of business leaders, academics, and former government officials convened at Pugwash, Nova Scotia's renowned Thinkers' Lodge to consider why Atlantic Canada and northern New England have, for generations, lagged other regions of our respective countries in virtually every economic category.

We considered our histories, politics, geography, assets, challenges, triumphs, and failures. We looked at what we do well, what we could better, and what we should aspire to achieve.

In the end, we concluded that our region of the continent, which we called "Atlantica," enjoys enormous potential to succeed economically, but that the potential would only be realized if we enhanced the connections and reduced the impediments that impact cross-border trade and investment. We recognized that the border between our countries would remain a reality, but we envisioned one that permitted more efficient transport and the freer flow of goods and people.

So we advocated for better ports and better co-ordination between them. We pushed for the construction of safer and wider roads that link population centers. We encouraged air carriers to explore new routes between such places as Halifax and Bangor, and Portland and Montreal.

Above all, we encouraged each other—and anyone else who would listen—to think about the states and provinces within the Atlantica region as part of something that conceptually transcended national boundaries. We also began to consider how, if the border was less of an impediment to the movement of people and goods, we could unlock the economic potential of a historically "have-not" region by working together.

More than a decade has passed, and much has been said and done to advance the notion of a cross-border region whose economies are linked, and whose assets might take their place among the best the world has to offer. But it's clear that more needs to be done, and it's equally clear that we need our vision of the region to evolve.

Of course, it must be said that we're not working (or thinking) in a vacuum. Even as we advocated for better connectivity and the reduction of barriers to trade and the movement of goods, during the intervening years the world turned upside down in ways that directly affected the vision and realization of a cross-

border economic region.

Among its many impacts, the tragedy of September 11, 2001 resulted in impediments to the flow of goods and people across borders around the world in the name of security. And the border between the United States and Canada is no exception. New technologies and procedures were developed and imposed at border crossings. The United States' Western Hemisphere Travel Initiative now requires enhanced and more costly documentation in order to travel between our countries. In general, people can no longer cross the border in the same relatively casual sense as they did a generation ago. Times have changed.

Yet even as the vision of a more unified regional economy must be re-focused to accommodate new security realities, it is essential that we take the Atlantica concept far beyond the movement of goods and the so-called export economy.

The export economy and the cross-border integrated supply-chain remain vital. But in the current global environment, characterized by a weak U.S. dollar, structural weakness in the U.S. economy, the relative strength of the Canadian dollar, and the stability of the Canadian economy—combined with the rise of such large and emerging consumer nations as China and India—an economic strategy that depends too heavily on the standard "Exporter A sells widget to Buyer B" protocol or "operating system" is a recipe for stagnation.

The operating system that has so far characterized the economic relationship between Atlantic Canada and northern New England is something we'll call "Atlantica 1.0."

An export-driven operating system has served Canada and the United States very well indeed. When exchange rates were favourable, it served Atlantic Canada especially well. Millions of buyers in New England have been only too happy to purchase Atlantic Canada's products and commodities at excellent prices for many years.

The problem now, of course, is that the American consumer's buying power is diminished, goods produced in Canada are relatively more expensive, and there are now numerous global competitors producing competitive goods to sell to Americans at prices lower than Atlantic Canadians can offer.

With this state of affairs likely to continue for the foresee-



CANADIAN SCIENTIFIC AND APPLIED EXPERTISE IS WELL REGARDED IN THE UNITED STATES



able future, a new regional economic vision that less reflects the Atlantica 1.0 model of goods and commodities, and instead leverages assets and linkages involving intellectual property and innovation—an “Atlantica 2.0” model—may hold more potential.

Despite the current weakness in the U.S. economy, it's important to note that in every field—from the oceans to outer space, alternative energy to homeland security, medical devices to agriculture—research, development, and commercialization in the United States continues unabated. Given the longstanding relationships that exist between Canadian and American counterparts in virtually every industry, America's technology prowess should be regarded as the nation's most attractive immediate and long-term economic opportunity as far as Canada is concerned.

The U.S.'s leading technology companies are nimble and ambitious. American universities and incubators are hotbeds of creativity and relentless producers of patents, applications, and advances. The quest for individual success and achievement drives the U.S.

economy. There is no weakness in America's entrepreneurial DNA.

Atlantic Canada has much to contribute to every one of the aforementioned scientific and commercial disciplines, and the good news is that ongoing co-operation between Canadian and American researchers and entrepreneurs is less dependent upon foreign exchange than upon clearly identifiable and articulated value propositions.

Canadian scientific and applied expertise is well regarded in the United States, and Canada enjoys a very positive image in technology circles. Since research and development is all about collaboration and partnering for excellence, there is much less friction in technology communities than there is acrimony between manufacturers and processors of commodities.

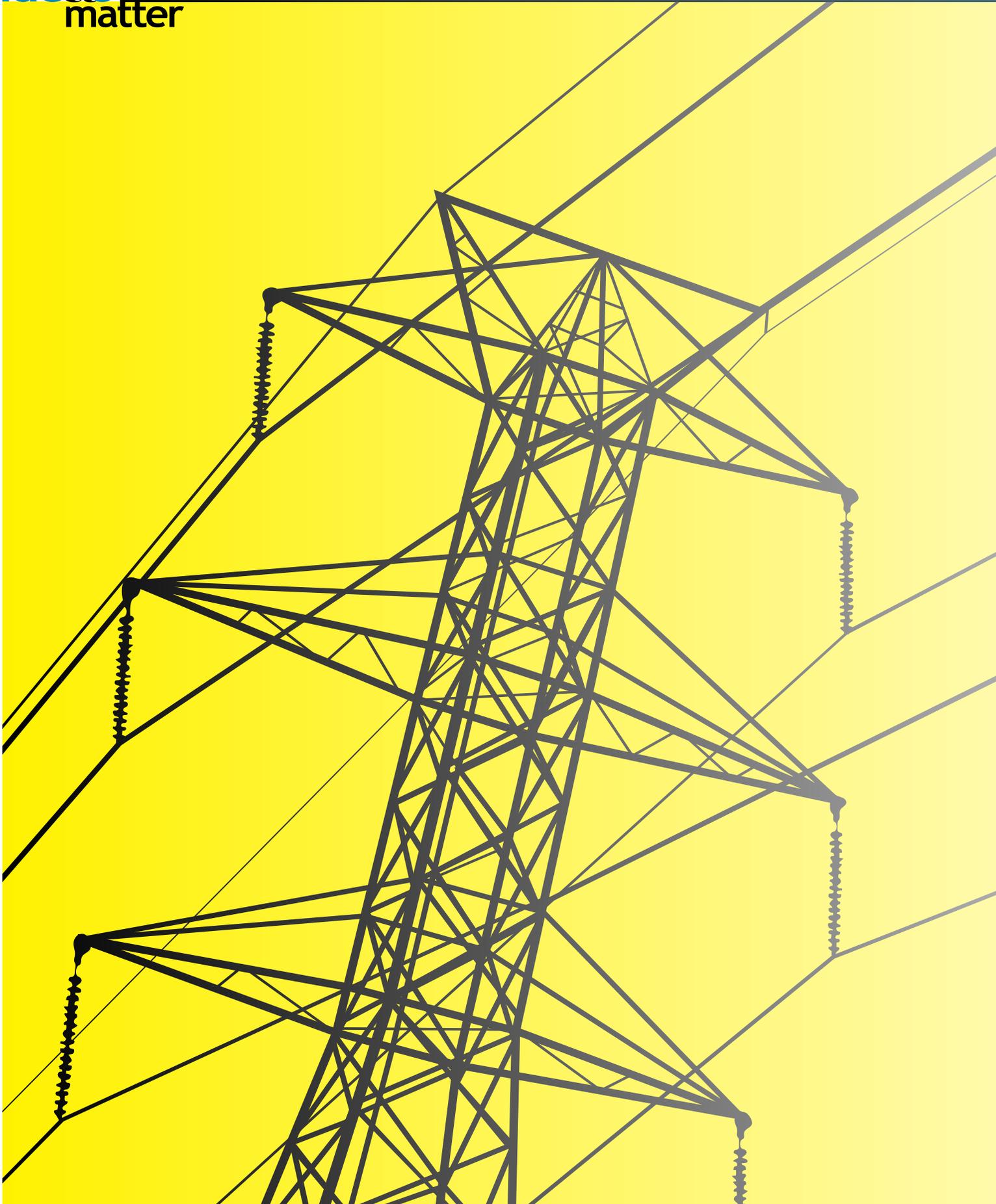
While exports and joint production remain vital and eminently worthy of support, the world is changing. Particularly in the current environment of “Buy America” and other protectionist impulses, our relationships must adapt and evolve to meet emerging conditions and challenges.

If Atlantica 1.0 was built on an export and joint production model, Atlantica 2.0 can be an operating system focused on areas in which Canadian and American technical and scientific comparative advantages can be married and leveraged for global success. Atlantic Canadians and New Englanders should aggressively inventory their best-in-class intellectual and technology-driven assets and go about the business of identifying partners with complementary skills, technologies, research interests, and aspirations.

The economic crisis notwithstanding, America's technology capabilities and intellectual capital remain undiminished, and Atlantic Canada can profit by pursuing “soft” cross-border partnerships with the same vigor it has pursued quantifiable export sales and manufacturing efficiencies.

Indeed, if all of us in the Atlantica region pursue cross-border technology, research, and commercialization partnerships with the focus that we have put on the export economy, a decade from now we will look back on this period as the beginning of the era in which a region was not merely born, but truly came of age.

Perry B. Newman is the president of Atlantica Group LLC, an international business development and consulting firm based in Portland, Maine.



Power without borders

Maine and New Brunswick Support International Energy Corridor

Maine Governor John Baldacci and New Brunswick Premier Shawn Graham announced in March of 2009 that they are working together to explore the development of a Northeast Energy Corridor.

Irving Oil is conducting commercial and technical feasibility on the first phase of development of the Northeast Energy Corridor, which could include 1,200 – 1,500MW of electrical transmission capability.

The improved transmission capability, along with the potential for increased natural gas co-generation, would make it possible to develop more wind power in Maine and New Brunswick.

The Northeast Energy Corridor would support the development of diverse energy sources in both jurisdictions for use in the region and in the Northeast United States.

If implemented, the Northeast Corridor would connect Canada and the U.S., crossing from New Brunswick into Maine, and would reliably and securely deliver a diverse portfolio of energy products from Maine and New Brunswick to the Northeast in the most economically and environmentally efficient way.

“Great potential exists for Maine and New Brunswick to grow and share clean, renewable energy,” said Governor John Baldacci. “For the full potential to be realized, regional transmission capacity must expand. Exploring the potential for private investment in the Northeast Energy Corridor is a vital next step to realizing our shared



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CO-GENERATION**



goals of achieving energy independence, accessing reliable and affordable energy, and reducing carbon emissions on both sides of the border.”

The corridor would provide reliable and secure access for electricity, with an emphasis on renewable power, including wind and tidal, as well as natural-gas-fired co-generation.

“Through these challenging economic times, New Brunswick remains focused on a vision of economic self-sufficiency,” said Premier Shawn Graham. “The concept of a fully integrated Northeast Energy Corridor will provide tangible economic, environmental and energy self-sufficiency benefits for the citizens and businesses of New Brunswick and our friends and neighbors in the State of Maine. The proposed energy corridor will help accelerate the development and deployment of clean, renewable and greenhouse gas free electricity generation resources in both New Brunswick and Maine, as well as provide leadership in helping address and support the overall North American energy security agenda.”

The Northeast Energy Corridor would further the shared strategic objectives of the United States and Canada in the areas of energy supply and energy security; the development of green power and carbon dioxide reduction; economic development and stimulus; and trade. The corridor would help to attract significant direct investment to the region and support Maine’s and New Brunswick’s energy self-sufficiency goals.

“This is another important step in our approach to energy independence,” said John Kerry, Director of Maine’s Office of Energy Independence and Security. “Maine and New Brunswick have begun a process to realize our shared goal to increase the long-term supply of secure, reliable and clean energy to our region.”

“We are motivated by Premier Graham’s and Governor Baldacci’s long-term vision for the growth of our region, and are pleased to be playing a role in helping to develop the concept,” said Kenneth Irving of Irving Oil. “The Northeast Energy Corridor would involve a complex series of projects that would require a high level of collaboration and effort to attract companies to come invest in our region. The undertaking is particularly challenging at a time when our industry and the global economy face a high degree of uncertainty. There is still a long road and many decisions ahead of us, but we wanted to respond to our governments’ and our communities’ desire to continue to pursue energy projects that would meet shared social, economic, and environmental goals.”

Governor Baldacci outlined a process by which the State will pursue the exploratory phase on the Maine side of the border.

“I am directing my Director of the Office of Energy Independence and Security, John Kerry, and the Public Advocate, Richard Davies, to lead this exploratory phase, in concert with New Brunswick’s efforts and in cooperation with Irving Oil,” said the Governor. “They will advise me regarding the best course of action to implement this concept with New Brunswick. I am also directing them to review and consider utilizing the designation process for an ‘Energy Infrastructure Corridor’ that was enacted in 2008 by the Maine Legislature.”

BY GORDON L. WEIL

The Cornerstone

The case for a regional transmission rate

Three elements are needed for a reliable electrical power market in New Brunswick, the Maritimes or the northeast: transmission lines, power stations and cooperation. The New Brunswick Power Corporation and Emera, a Nova Scotia company, are in the process of taking the first step. They have fortunately recommended building a new transmission line between New Brunswick and Maine. With this line, the links between the Maritimes and New England, now limited to only one line, will enable an increase in exchanges and even a market uniting the two parts of the northeast.

Removing barriers imposed by transmission rates is essential for developing a new market in this region. Each power corporation currently has its own rate. In order to transmit power from New Brunswick to northern Maine, which is, in fact, part of the New Brunswick system, transmission costs have to be paid on two systems. If Emera wants to transmit power from Nova Scotia to Maine, for use by Bangor Hydro consumers, its subsidiary, it has to pay three times.

A few years ago, an attempt was made to set up the East Coast Transmission Organization, a system operator for the Maritimes and northern Maine. This project did not succeed. In order to have a single rate, the average rate must be higher than the current rates of certain participants and lower than the rates of others. The corporations that would have been required to pay more rejected the proposal.

Each corporation's rates are comprised of subsidies paid by certain consumers in favour of others. It is obvious that the costs of serving each consumer are not identical, but that the rates of each class of consumer – residential, commercial – are identical. Therefore, what is true at the provincial level would also be true among the regional power corporations.

This same problem came up 10 years ago in New England. I presided over negotiations involving the nine corporations from the six states, each of which own part of the system. We were finally able to agree by adopting a gradual

introduction of a common rate, spread over several years.

Ten years later, with the creation of a common rate, we have noticed that the increase in the amount of transmission transactions is the result of the sacrifices made by the corporations that were forced to pay the subsidies. It is usually possible to use existing lines without increasing costs for a larger number of transactions. Therefore, the subsidies were more than offset by the increased revenues from new transactions. Under this plan, each corporation continues receiving the required revenues according to its own rate. What may be different is what each user pays in transmission costs.

The ultimate goal is to arrive at what we call a postage-stamp rate — everyone pays the same amount per unit of electricity transmitted, regardless of distance. However, for several years from the start of the transition, it is possible to establish a rate called a licence-plate rate — you pay the rate for your own system and get access to the regional system.

To date, the NBPC hasn't wanted to accept such a transmission rate plan. However, perhaps the time has come to revisit the matter.

If we succeed in creating a regional system, what would be the outcome? Having made a bigger market possible, this system could be used to encourage the construction of new power stations to serve consumers located anywhere on the expanded system. These stations could quite easily be set up in the middle of the system, i.e., in New Brunswick. These new power stations could also provide the province's consumers with a greater choice. If the NBPC could bring in greater revenues as a result of new users on its system, it could use the additional funds to lower rates for the province's consumers. The experience of the New England power corporations shows that their transmission services contributed to their revenues, which now far exceed expectations. These revenues are steadier and more stable than those from power station operation.

Based on a presentation to the Conseil économique du Nouveau-Brunswick, May 6, 2006.

BY CLAIRE LEPAGE

New Brunswick: Moving forward as Atlantica's energy hub

(Excerpt from a speech by New Brunswick Deputy Minister of Energy Claire LePage in May of 2009 to the Canadian Energy Forum in Halifax organized by the Energy Council of Canada.)

As most of you know, New Brunswick neighbours Quebec, Prince Edward Island, Nova Scotia, and the State of Maine. It is located within the geographic centre of the international region that encompasses Atlantic Canada and New England, often referred to as Atlantica, or the International Northeast.

New Brunswick is home to an increasingly diverse energy portfolio, including: electricity generation from hydro, nuclear, wind, biomass, natural gas, coal and oil. As well, we are home to Canada's largest producer of refined petroleum products, and the country's only liquefied natural gas terminal.

We offer a gateway for secure and clean energy supplies to businesses and consumers alike, acting as a strategic energy corridor linking New England and Atlantic Canada, with an opportunity to move increasing amounts of clean, non-emitting energy.

As a former U.S. Ambassador to Canada, recently stated, "New Brunswick is poised to be the new energy hub, certainly in this part of North America" and "New Brunswick will become an integral part of U.S. energy security in the future."

Energy security is important to the Obama administration. We look forward to working with our counterparts in New England, and the new administration in Washington on energy security matters.

There are no borders in North America when it comes to energy. New Brunswick is committed to being a strong partner with the U.S. Northeast.

Just over a month ago, the Premier made a milestone announcement for the province. In partnership with the State of Maine, we launched cross-border planning efforts for the development of the Northeast Energy Corridor.

Irving Oil has come forward as a potential investor and partner in this initiative. They are pursuing the development of a 1200 to 1500 MW transmission line from New Brunswick and Maine to Southern New England. This would be anchored by a 500 to 700 MW high efficiency gas fired cogeneration plant to be located at the Canaport site.

The Northeast Energy Corridor would create a path to market to increase our region's supply of secure, reliable and clean energy; attract investment; and create new economic development opportunities. It will also significantly accelerate the development of wind energy resources in both Maine and New Brunswick.

This marks an important milestone in the development of a New Brunswick energy hub and in our partnership with the State of Maine.

We have the potential to write a new chapter with respect to cross-border energy sector collaboration and partnerships.

Excerpt from an address to the Canadian Energy Forum in Halifax, Nova Scotia – 14 May 2009. Full transcript at <http://www.aims.ca/library/AtlanticaLePage.pdf>

2006 CONFERENCE

Defining Atlantica

BY CHARLES CIRTWILL

Let me provide two facts from the recently released Northeast CanAm Connections project - a million-dollar study paid for by the US government that looks at transportation capacity on both sides of the border in the interest of making life better for their citizens.

Poor transportation infrastructure means that those in Maritime Canada have significantly higher transportation costs than the national average in the tourism, government and cultural industries. At the same time, we are already building on our traditional strengths as exporters. Transportation-related industries which support our exports occupy three of Atlantica's top 10 growth industries - all with greater than 50% growth over the last decade. The US government identifying our weaknesses (so they can help us fix them) and celebrating our successes - who would have thought that would happen any time soon?

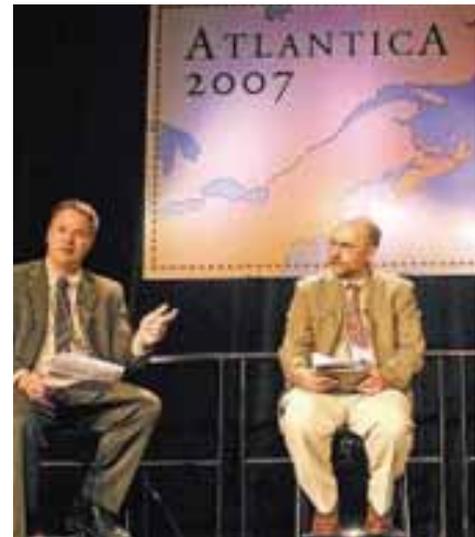
It is important to emphasize that no one is advocating the removal of the border. There are real security and sovereignty issues. Not to mention that political union doesn't necessarily translate into guaranteed solutions. But there are lots of opportunities to remove barriers that have nothing to do with our sense of being Canadian.

Let's look at the port. While it's true that the Halifax Port Authority operates in both Halifax and Dartmouth, all of the container terminals are in Halifax. Right now they are running at about 50% capacity. Should Dartmouth spend \$400 million to develop its own terminal? When Halifax runs at a higher capacity, will Dartmouth benefit? Anyone ever been to Burnside? Dartmouth has done very well, thanks to the success of the port. Do we want to lose all of those jobs? Would Dartmouth have seen the development of Dartmouth Crossing without the port?

How do we take advantage of Atlantica to maximize our local success?

- ▶ Aggressively question whether any regulatory differences serve a fundamental purpose. There should be clear and open defenses for any regulations which prohibit professionals or trades-people from practicing wherever they wish.
- ▶ Work together to support projects that show promise.
- ▶ Accept that benefits do not accrue equally. We live in a great country where wonders abound. It is not a problem that Halifax has a great harbour any more than it is a problem that Ontario is home to Niagara Falls.
- ▶ Look to your bottom line. If you have no frustrations about getting parts cheaply and quickly... If you have no frustrations getting products to market... But if you are frustrated, start asking if Atlantica makes sense.
- ▶ Build business cases. Governments have shown a willingness to get behind these projects when there is a solid business case - and frankly, we should not be looking to build it if there isn't such a business case.
- ▶ Promote co-operation. Look to others on either side of the border for opportunities.
- ▶ Marketing and promotion. If we don't tell anyone that we are a regional market, then no one will treat us that way.
- ▶ Get involved.

Based on comments to the Atlantic Provinces Chambers of Commerce conference, Atlantic 2007: Charting the Course, June 14, 2007.



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BRINGING ATLANTICA TO THE FRONT PAGES

CRITICISM AND DEFENCE

*In February of 2007, the Canadian Centre for Policy Alternatives released a report called *Atlantica: Myths and Realities*. The report and AIMS' response to the criticism was widely covered in print and broadcast, including on CBC Radio. The following is an example of some of that coverage.*

Myths and realities

BY DAVID SHIPLEY. TELEGRAPH JOURNAL

Atlantica opponents need to get their facts straight, says the head of the Atlantic Institute for Market Studies. "It's pretty clear they've issued a report without understanding the concept of Atlantica or apparently making any real effort to get their heads around it," said Charles Cirtwill, acting president of the Halifax-based think tank.

Cirtwill was reacting Thursday to the release of "Atlantica: Myths and Realities" by the Centre for Policy Alternatives. The report is skeptical of the Atlantica trade zone concept and criticizes the idea of creating an Atlantic Gateway to move container goods from Asia through the Suez Canal to Halifax and on to the U.S. Midwest. It also slams the idea of exporting oil and gas to the U.S. market as not being beneficial to the region.

Atlantica opponents were focusing only on certain aspects of Atlantica without understanding the whole concept, said Cirtwill.

Cirtwill said the report's authors, Scott Sinclair and John Jacobs, should explain to workers on projects such as the new liquefied natural gas terminal in Saint John how exporting energy to the U.S. doesn't benefit the region.

"Atlantica is a reality on the ground today and it's just going to continue to grow," said Cirtwill.

Atlantic energy developments such as the Sable Island natural gas project in Nova Scotia or the LNG terminal in New Brunswick wouldn't be feasible without U.S. markets, he said. The construction of those facilities had led to the adoption of more natural gas in the region, which has benefited individuals and businesses, he said.

Cirtwill described it as a "symbiotic" relationship in which Atlantic Canadians benefit alongside Americans. "You can't cherry-pick which part you want to have, you have to have all of it," he said.

*Excerpted from "Atlantica proponents dismiss study's conclusions," *Telegraph-Journal*, Feb. 16, 2007.*

Afterword

Not since Bill Clinton and the U.S. Congress clashed over what the word "is" meant has one little word been the source of such confusion and conflict. The word is "Atlantica."

Listen to über-nationalist Maude Barlow and her friends at the Council of Canadians, and you'd think it was the equivalent of crying "Praise the Devil" at a revival meeting. Atlantica is "free trade on steroids," and a secret agenda to drag local wages down to Third World levels while handing over millions in profits to rapacious capitalists.

Such tales of bogeymen told around the campfire may send a comradely shiver up the spine of youngsters at the Leon Trotsky Memorial Summer Camp for Future Agit-Prop Professionals. They have nothing to do, however, with life on Planet Earth.

*Excerpted from "Atlantica will secure trade," *Moncton Times & Transcript*, June 14, 2006, by Brian Lee Crowley.*

Debaters find common ground

BY DAVID SHIPLEY. TELEGRAPH-JOURNAL

A vocal proponent and opponent of the trade bloc concept were able to reach some agreement on the benefits of increased trade for Atlantic Canada. Both Scott Sinclair, co-author of a report for the Canadian Centre for Policy Alternatives that criticizes Atlantica, and Charles Cirtwill, acting president of the Atlantic Institute for Market Studies, agreed increased international trade would benefit the economy of Atlantic Canada during an afternoon session at the 2007 Atlantica conference in Halifax. Cirtwill and Sinclair have sparred over Atlantica on radio talk shows and in newspapers over the past four months.

Cirtwill said there were a number of areas where he and Sinclair have common ground. "The list so far that I've heard, (what) we agree on so far, is: the environment is going to be critical to this entire discussion, that trade and transportation has to be more than trucks, (and) that growing trade isn't necessarily a bad thing," he said. "I think those three are a pretty good place to start."

Sinclair said that while there may be some common ground,



more disagreements than agreements remain over Atlantica. “AIMS has taken an aggressive attitude towards public service, on your website you list unions and minimum wages and other things that are very dear to my heart,” he said.

Cirtwill was quick to jump on Sinclair’s comment. “No, no, no,” said Cirtwill, “That is not what the website says, you have to stop repeating that because it is simply not true.” Cirtwill said the references to minimum wage and union density on the AIMS Atlantica website do not advocate the abolishment of either. “It has nothing to do with whether or not the minimum wage or the existence of the minimum wage is a distress factor,” he said. “It talks about whether the economy we have can sustain the minimum wages we have in place.” Cirtwill said as things stand, the regional economy can’t support existing minimum wages. “Atlantica is all about finding an economy that can maintain not only minimum wages we have, but better minimum wages going forward.”

Based on an article by David Shipley in Telegraph-Journal, June 20, 2007

CANAM CONNECTIONS

A \$1-million study of transportation and economic activity, including business costs, safety and mobility in the Atlantic northeast. Commissioned by the US National Corridor Planning and Development Program and the Coordinated Border Infrastructure Program. Maine’s department of transportation is leading the project.

Why growing the port of Halifax matters

BY DR. PETER W. DELANGEN AND STEPHEN KYMLICKA

While industry surrounding the Port of Halifax participates in direct and support services for transportation providers and associated port-led industry, warehousing and distribution, it participates less than expectations derived from port container volume. However, by analyzing the catchments area for the port, a more balanced picture emerges.

The major finding of the report is that the major beneficiaries of the port are not localized in Halifax, but dispersed through the region as suppliers, consumers, transportation providers and regional distribution hubs. Not all supporting industries are equally concentrated, however, and the port would likely benefit from a stronger warehousing and distribution base. Market forces may be addressing any shortfalls as seen in recent investments in the port, transload facilities and corridor infrastructure. These investments provide additional reasons for regional integration in the port cluster. The success of the Port of Halifax and the region are tied in a virtuous circle; when one wins, we all win.

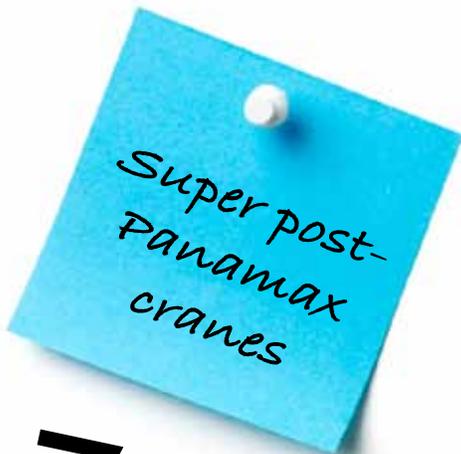
Excerpted from AIMS Atlantica Ports Series #2, Everybody Wins: Why growing the port of Halifax matters to Moncton (and Saint John, Amherst, Bangor...). June 2007.



A Gateway is **Not** a Region

STEPHEN KYMLICKA

THERE IS GREAT CONFUSION ABOUT THE ATLANTIC Gateway strategy. Is it a regional development strategy, an exercise in regulatory streamlining or a national asset? To add fuel to this fire, the announcement on October 21, 2005 of \$590 million of federal assistance for the Pacific Gateway has, once again, driven Atlantic Canadians to dream up new ways of turning fractious, regional initiatives into "gateways." If allowed to continue, the result will be neither



Stick to business

The Atlantic Gateway is about policy, provincial and federal, and some targeted regional spending, most of which occurs outside Nova Scotia or falls within the domain of the usual port funding process. We need to send a signal that the Maritimes is a rational place to do business. Ploughing \$400 million into the community most entitled to its subsidy entitlement is not the way to go, nor is debate on the topic very useful. Ships will come to Halifax if the business case makes sense. Right now, the only thing upsetting the business case is bad public policy – not a shortage of cash.

Charles Cirtwill, Ding, Ding, Ding, It's subsidy season. Various publications, March 16, 2007.

a gateway nor federal funding.

Hubs are places where freight leaves one transportation provider (air, ship, rail, truck, llama...) and continues with a second. Gateways are special cases of hubs, generally located at customs points with a land-based component. If the final market is local, then it is a regional gateway. Otherwise, the gateway is linked to markets through corridors.

Ports can be gateways. Some ports experience tremendous growth, not because the regional population has grown significantly, but because they have built robust corridors to major inland markets. The oft-cited Savannah, Georgia, would be a successful example of such.

If the objective is to get goods from Europe or Asia to the continental interior, then shippers will choose the ports that can deliver water depth, air draft, Class-1 rail service, four-lane highway, good supply of trucks, efficient dockside services, full logistics/customs/processing support, on the great circle route from Europe or Gibraltar, large urban market at the port that will absorb 30% of the shipment, super post-Panamax cranes, etc. There is only one port in Atlantic Canada that can deliver most of these requirements. I believe that a strong, vibrant gateway/corridor from

Halifax to Toronto and on to Chicago, a continuous four-lane corridor to Boston, and an east-west highway through northern New England will add regional jobs and improve regional infrastructure.

The days of government trying to pick industrial winners through pork-barrel subsidies are over. So long as there is existing capacity in the system, Atlantic Canada will not see substantial federal spending on regional transportation. Let us get smart and separate the two problems. On one side is Regional Transportation that requires ongoing attention to safety, road maintenance and the positive experience of tourists. Regional traffic may grow, albeit slowly, on its own. Regional transportation may require more studies. On the other side is an Atlantic Gateway that is well understood, imminent, needs some regulatory help and a minor (targeted) financial push.

Atlantic Canadians should stop fighting amongst ourselves. We need to evaluate opportunities based upon their own terms and not confuse regional and national initiatives. Most importantly, when we find winners that can help us all, we should get behind them.

Excerpted from September 2006 AIMS Commentary "A Gateway is not a region," by Stephen Kymlicka.

The federal response

It appears the federal government will not support a comprehensive regional strategy that would apply to all ports in Atlantic Canada. Brian Bohunicky, a director in the federal government's department of transportation, said talk of an Atlantic Gateway begins in the private sector. "It's a market-driven approach," Bohunicky said last week. "Gateways don't exist because governments put a bunch of money on the table. We're not looking to develop province-specific strategies." – "All for one and one for all," *Telegraph-Journal*, August 19, 2008.

Saving Atlantica from politicians

BY BRIAN LEE CROWLEY

If an Atlantic Gateway strategy is the bad old political approach to development under some fancy new name, we shouldn't want it and we don't need it. What we have here is a genuine business opportunity whose significance has attracted the attention of our friends and neighbours across the border and in Washington and that has been part of the impetus for the Atlantica concept. There is an opportunity here that is too big for Atlantic Canada to contain. But parochialism can still prevent that opportunity from being realised.

If we are to succeed, we should not, we must not and we cannot settle for mediocrity; rather we must strive for excellence. An undignified scramble for "free government money" that isn't even being spent on the right things won't get us there. Only unwavering focus on our real competitive strengths and a sound understanding of the demanding international logistics chain we are trying to break into will even get our puck to the crease, let alone into the net.

Brian Lee Crowley. Excerpted from Saving Atlantica and the Atlantic Gateway from the politicians, AIMS Commentary, April 28, 2008. Based on remarks at the Halifax Shipping Association annual general meeting.

Short sea shipping should be the jewel in the transport crown. This involves smaller shuttle ships ferrying containers to regional ports, and there are other potential short-sea shipping connections radiating out from, say, Saint John or the Straits or other suitable locations around the region. Short-sea shipping is environmentally friendly and low cost, but it is constrained by protectionist legislation.

Have we learned our lessons?

BY CHARLES CIRTWILL

Real momentum is building on the Atlantic Gateway file and we must take advantage of it. But there are some troubling signs that we have not yet learned the lessons from other people's success. Over the past 10 years my institute has released a series of studies in this area; taken together, they tell us there are several key items that we can't afford to ignore.

First and foremost, the government must follow, not lead, on this file. Commentators generally agree that the Pacific Gateway has achieved such great success because it is private-sector led. We need to immediately appoint a private sector co-chair for the Atlantic Gateway Officials Committee. We also need to change that committee's name, mandate and composition. In appointing an equal number of private sector members to the group we should target not parochial interests (one New Brunswick company, one Nova Scotia company, and so on), but the companies in the industries that will make this opportunity a reality – our biggest shipping partners, biggest retail customers, our rail line, our terminal operators and our heaviest private-sector investors. It is they who have the skill, experience and investment capital to make the business case a reality.

We also need to get far more comfortable with the concept of differential benefits. If it were to achieve its full potential, the Gateway will bring growth and opportunity to the entire region. But the simple truth is that the growth will not and cannot be equally divided across the region. The inevitable pressure the government will face to balance its investments to reflect local and regional priorities is one of the key reasons why it must not have a leadership role on this file.

Finally, we need to remember the entire business case. If Indian ports – which are the ideal partners to grow the Atlantic Gateway – need infrastructure and other improvements, is there a potential return for an investment from this end? Can our immigration, trade and development dollars (tax dollars we already spend outside of Canada) be leveraged to grow new markets, new linkages and new investors in the Indian sub-continent?

Ultimately, just having a good business case isn't enough. You need to make the business case work for you. Government can improve the environment, only the private sector can make it happen.

This column originally appeared in The Chronicle-Herald, Oct. 23, 2007.

BY BRIAN LEE CROWLEY



A strategy for unlocking the Halifax Gateway

If I am right about this -- that the opportunity for the whole region flows from one port with a plausible chance to become a genuine gateway port of continental and global significance -- we have to concentrate our efforts on taking that from a plausible chance to a reality. That means overcoming the region's weaknesses and building on our strengths, and that's what our gateway strategy needs to be about.

Having only one class-one railway serving the port is a real weakness. CP is not going to show up in Halifax any time soon. That means that we have to have ways to compensate for this weakness. The keys here are improved truck and short sea shipping service. The quality of relevant high-ways in the region needs to be improved, along with border infrastructure and procedures. We know what needs to be done, and indeed some of it is already being done, such as the improvements at Calais-St. Stephen. No study is required; just action.

We need to look at both regulatory and labour issues. For example, if we can make the practical geographic reach of trucks greater, we help to compensate for our rail weakness. The answer here lies in part in understanding that efficiency and driver shortages mean that we need to look at road trains, i.e. more than one trailer per tractor. This requires concerted regulatory action throughout the region.

We need to give our ports the freedom and accountability they need to act on the business case for expansion, including removing the barriers to raising private capital. We need genuine business leadership for the Port of Halifax and a strong collaboration across all transport-related sectors of the economy. We need to raise the profile of the region and its gateway through a much more extensive joint marketing effort in major growth markets such as India, China, the Asian Tigers, Turkey and elsewhere.

I am convinced that much of the port's expansion needs can be accommodated through private investment, getting the politics out and concentrating attention on the business case.

Excerpted from July 2006 AIMS Commentary A Strategy for Unlocking the Halifax Gateway, by Brian Lee Crowley, as presented to the Halifax Shipping Association.

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WE NEED TO GIVE OUR PORTS THE FREEDOM AND ACCOUNTABILITY THEY NEED TO ACT ON THE BUSINESS CASE FOR EXPANSION

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Atlantica: Our shared region

BY BRIAN LEE CROWLEY

IT IS NOW WELL ESTABLISHED THAT A CAR made in North America by one of the Big Three may cross the border three or four times at various stages of the production process, and parts maybe brought at each of those stages from suppliers throughout the continent. If the border is seized up, so that each one of those shipments is delayed, adding to costs for manufacturers, the irony is that that makes the continental industry as a whole less competitive with foreign suppliers who make their cars in Japan or Germany and then only have to ship them across the border once. More than 300,000 trucks enter Maine each year from Canada, bound for destinations throughout the US. If we add 30 minutes at the border to each one of those truck crossings through poor border management, if we have inconsistent regulations preventing loads being shipped across many jurisdictions without extra handling, if we don't harmonise various kinds of regulation, we don't advantage Canadian or American workers. We disadvantage our increasingly integrated continental economy in its efforts to lower costs and be highly competitive our efforts to capture global markets. Do the math about the damage we cause to ourselves.

I know that I've used the equivalent of a four-letter word for some people: harmonization. That raises all kinds of hackles from people who immediately stand up and cry, "What about sovereignty? Aren't we are own masters here in (insert the name of your jurisdiction)? How dare you come here and tell us what to do? We run things the way we like them here and that is our right."

And of course it is your right, as it is our right to do the same. But that is not the point. The point is that in a world where everyone has their own jurisdiction, and where everyone is autonomous, you cannot sustain the childish fantasy

that you should not suffer any untoward consequences from the decisions that you make. No one contests that Maine or Nova Scotia has the right to make rules about, say, labour standards or road safety, or land planning or any one of a thousand other things. But what can and must be contested is the idea that if you make decisions that others don't agree with, decisions that lower their standard of living, that make them less efficient in their efforts to sell their goods and services, then those people, both individuals and companies, will avoid your jurisdiction, as it is their perfect right to do.

In a world where everyone is sovereign, the question is: how should we use our sovereignty to create conditions that make us and our children better off? And in an interdependent world, that means knowing when to negotiate common standards when the balance of advantages and disadvantages seems favourable, refusing to do so when the balance seems unfavourable, and not complaining when your exercises of sovereignty drive away investment and jobs. Being free (or sovereign) means doing what you like, and then accepting the consequences. If your idea is that you should be able to set uncompetitive standards, and that people should simply accept those terms because you are sovereign, and come and invest money and employ people regardless of the consequences for them, then you are in for a bitter disappointment. In a world where people may go where they wish, you must take account of their interests in your exercise of sovereignty. This is not an attack on sovereignty, merely a plea to understand what it can and should mean in an interdependent world.

Excerpted from a talk by AIMS President Brian Lee Crowley to the Citizens' Trade Committee, June 20th 2008, Augusta, ME

Why trade is a force for good

BY BRIAN LEE CROWLEY

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

There is a reason why societies that are open to trade are not just more prosperous, but generally more open, more free, more dynamic, more attractive to newcomers. Freedom is tightly linked to human development because freedom exposes us to new ideas, it gives us more insights into ourselves, it exposes us to ways of life we might not see or understand if closed up within the society in which we have grown up.

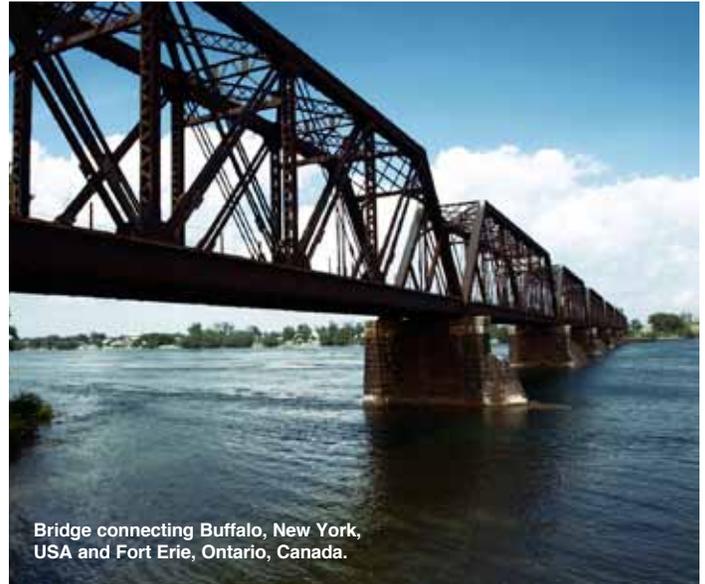
And trade is part of that marketplace of ideas that helps us in the search for truth, by ensuring that all ideas are made available and are subject to criticism and revision. The more open our society, the greater the chances that we will achieve our fullest potential as individuals, and that is the highest good at which society can aim.

Trade in goods is trade in ideas (or, perhaps more properly, knowledge). There is no distinction between the two. Goods are merely ideas and knowledge made manifest, turned into objects. When we buy goods and services that are imported, we are benefiting from the ideas and the knowledge of people around the world. And it is established beyond a doubt that it is being exposed to those ideas, seeing what others are capable of doing, and seeking not only to match what they can do, but exceed it, that is the greatest spur to human creativity.

It generates prosperity, yes; more importantly, however, it challenges us to be more than we are and to learn from what others do better than we do, whether it is the finished product or the supply chain logistics or the superior management that made it possible for us to have these goods half a world away from where they are made.

And that trade in ideas and knowledge, the only thing that humans really trade with one another, that trade is a two-way trade. America sends back software, financial services, management techniques, business expertise, consumer tastes and preferences, engineering techniques, satellite technology. The notion that we are being exploited because we send our knowledge back in light, elegant and sometimes weightless forms, while foreigners are getting the better of us because they send us their ideas in the form of rather crude physical objects that you can drop on your foot, is the most primitive of economic fallacies.

Excerpted from The Audacity of Trade. Commentary based on a talk to the North America Works Conference, Kansas City, Missouri, Nov. 5, 2008.



A multi-modal facility in Buffalo

BY STEPHEN KYMLICKA

Buffalo is central to all of Atlantica's major markets. It's the only place in the region that has continuous, Class-1 rail service to New York, Boston, Montreal, Toronto, Detroit, Philadelphia, Pittsburgh and Chicago. It's the second busiest border crossing for trucks, the fourth busiest by rail, and the busiest for passengers between Canada and the U.S. It's strategically located on the Continental One Corridor from Toronto to Miami and is adjacent to the North American SuperCorridor (NASCO).

Despite its obvious benefits, Buffalo is underutilized. Indeed, US highways leading out of the city are not congested. One of the reasons is that there is no east-west highway corridor back into northern New England, although this should improve with the Calais, ME, to Watertown, NY, congressional high-priority corridor. Other reasons: highway congestion in Canada leading to Buffalo, and underutilized rail connections.

The competitive advantages of Halifax should serve as a great opportunity not just for the region as a destination but also for Buffalo as hub. The challenge here, however, is to avoid handling costs by delivering freight directly to Buffalo rather than transferring in Toronto. There is optimism that plans for a large, multi-modal yard for all carriers in Buffalo will help. The challenge is for industry and government to support a proposal that maximizes trade and regional development opportunities.

Based on May 2006 AIMS Commentary "Increasing the Iron Horse Population in Buffalo," by Stephen Kymlicka, prepared to support a talk given by AIMS president Brian Lee Crowley in Buffalo in April of 2006.

How the past will shape the future

BY ROBIN NEILL

ATLANTICA HAS LONG BEEN A DE FACTO HISTORICAL concept and has, over time, seen varying levels of interaction and integration between the Maritime Provinces, Newfoundland & Labrador and the northeast United States. A flow of trade between Acadia and Massachusetts in the 17th century constituted the beginning of historical Atlantica. Hardware including agricultural implements and clothing moved northeast from New England, while furs, feathers, livestock, and grain moved southwest from Acadia. In association with this trade, New England's fishery continued to expand along the Acadian Atlantic shore, and its fur trading posts and lumber mills continued to operate as far to the northeast as the Penobscot River.

Development of the Maritimes economy was largely a matter of external forces, including military activity. Given the low portion of the land that was in any way arable, and the relatively low level of arability where it was arable, it is arguable that even good settlement policy would not have lifted living standards significantly in the long term. The Maritimes was not going to develop like Upper Canada, which was planted with a more felicitous alienation and tenure policy on a well-watered eastern extension of the Great Central Plain.

The years between the French Revolution and the Reciprocity Treaty bracketed the First Industrial Revolution. Some industrialization occurred in Nova Scotia, but lacking a strong agricultural base, having a small population, and pre-empted from using the agricultural advantages of the Great Central Plain by Montreal and New York, Nova Scotia's policy embodied "excessive expectations." The forces of history were not to be hurried.

The connection between the Maritimes and New England remained strong over the last years of the 19th century and the first third of the 20th. The effects of the passing of the Age of Wood, Wind, and Water was the occasion of a substantial migration of people from the Maritimes to New England, pointing to a strong social link between the two jurisdictions.

In the past, governments have attempted to mould the Maritime Provinces into miniature versions of central Canada, all of which have failed. The assertion that the Maritimes economy should be modeled on that of central Canada can only make sense if the forces generating activity in the two economies are the same. They are not. Elements of the Maritimes economy do not "lag behind" those of central Canada; they differ from them, because a different set of forces is generating them.

It is important for governments to realize that Atlantica is in a sense a natural occurrence. There is a role for government to play within Atlantica, but they cannot force it into being. Instead, gov-

ernments should act as facilitators by providing the infrastructure that will allow Atlantica to thrive. National and provincial governments need to look at the situation of the Maritimes and determine which policies will play to their strengths. It is foolish to try to create a situation and ignore the global economic forces that make the current version of Atlantica an avenue for economic growth. Instead, we can study the past and turn history to our advantage.

The importance of recognizing the historical Atlantica is that it makes possible a consideration of the long-term factors shaping the Maritimes' economic development, such as external forces, internal dynamics and government initiative. There is no single factor that has made the Maritime Provinces what they are today; their historical context has shaped them into their current forms. It is important to accommodate the forces of history to best realize the Maritimes' possibilities.

Adapted from AIMS paper "Historical Atlantica: How the impact of the past will shape our future," by Robin Neill. September 2007

Media coverage

"An integrated cross-border region consisting of New England and the Maritimes existed long before globalization," Prof. Neill says. "There is an historical Atlantica [which] has persisted through all the gyrations of Keynesian policy, regional development policy and neo-conservative cutbacks."

Interestingly enough, he says, "historical Atlantica seems to have remained intact." The Maritime provinces now trade roughly the same relative amounts of goods with New England in the 21st century as they traded in the 19th century.

In other words, Prof. Neill concludes, the emergent Atlantica does not appear significantly different from the historical Atlantica - and offers the Maritimes, once again, "unique possibilities to realize a unique success." The federal policy that should derive from this is ancient, though rarely deployed: Let it be."

Neil Reynolds, Maritimes sail best under winds of Atlantica, Globe and Mail, Jan. 4, 2008.



The Halifax-based Atlantic Institute for Market Studies is a non-partisan, independent social and economic policy think tank founded by Atlantic Canadians to encourage and promote debate about realistic options to help build the economy. At www.aims.ca

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