

**Standing Committee on Foreign Affairs and International Trade**  
**Number 059 - 1st Session - 37th Parliament**  
**EVIDENCE**

Tuesday, February 26, 2002

The Chair (Ms. Jean Augustine (Etobicoke--Lakeshore, Lib.)): Good morning. We're very pleased to be in the wonderful city of Halifax, here in the province of Nova Scotia, the province associated with some of the members around this table.

We want to begin by welcoming our witnesses. As the committee continues with its studies of two very important agendas facing Canada in terms of its role in the world and in North America, committee members are eager to hear from citizens across the country on key foreign policy challenges in the G-8 and in the North American context.

Canada is in the position of being president of the G-8 this year, and host of the G-8 summit, which will take place in Alberta in June. The major priorities for that summit have been identified as: improving the world economic situation; building a new partnership for Africa's development; and pursuing the international fight against terrorism. Canada is putting a particular emphasis on advancing an action plan for Africa.

The committee has been asked to report its findings and recommendations to the government by the end of April. Seeking input from Canadians is central to this purpose. This week, while one group of members is in Quebec, another group is hearing from the public in Atlantic Canada. In early April, committee members will be travelling to western Canada and Ontario to complete our cross-country hearings.

Given time and budget considerations, we are also using this as an opportunity to hear the views of Canadians on how they would like to see our North American relationship evolve. All aspects of Canada-U.S., Canada-Mexico, continental, and trilateral ties are on the table for discussion as part of a longer-term study. This is the beginning of the dialogue, and we will be reporting later this year.

More information in regard to both studies can be found on the committee's website. We invite additional input from all Canadians. Please note that input should be submitted by mid-April for the G-8 study and by the end of June for the North American study.

With us around the table this morning are members from four parties in the House. From the Liberals, we are joined by Aileen Carroll, Parliamentary Secretary to the Minister of Foreign Affairs, and member of Parliament for Barrie—Simcoe—Bradford; and the Hon. George Baker, the member from Gander—Grand Falls. Yves Rocheleau is the Member of Parliament from Trois-Rivières for the Bloc Québécois. Mr. Peter Stoffer, of the New Democratic Party, is the Member for Sackville—Musquodoboit Valley—Eastern Shore. I am Jean Augustine, Member of Parliament for Etobicoke—Lakeshore, and chair of the committee.

I would like to welcome the witnesses before us. From the Atlantic Institute—

...

The Chair: The witnesses this morning are Mr. Brian Crowley, the chair of the Atlantic Institute for Market Studies; Mr. Michael MacDonald, a senior fellow with that organization; and Mr. Perry Newman, a former adviser on international trade to the Governor of Maine, Mr. Angus King, whom

most of you would remember.

Welcome. You have some time to present to us this morning, and your presentation will be followed by questions from the members. Please proceed.

Mr. Brian Lee Crowley (President and Director, Atlantic Institute of Market Studies): Thank you, Madam Chair.

Please allow us to be the first to welcome the committee to Halifax. We're delighted to see you here to carry out this very important work on behalf of the Parliament of Canada and all Canadians.

We're here to speak to you about a concept we call "Atlantica". Mindful of the short time we have, we're each going to speak for just a few moments on the theme of Atlantica, and then we'll be glad to respond to committee members' questions.

For a century or more, geography has shaped the destiny of this corner of North America in a way that was largely beyond the control of the people who live here. As far as we're concerned, that era has ended, but we are only just beginning to understand how we can seize control of our lives again in this region. The corner of North America that I am referring to is not just Atlantic Canada; it also embraces the sliver of the United States that reaches from Maine through New Hampshire and Vermont and into northern New York State, as well as major portions of Quebec, centred around the eastern townships, and the south shore of the St. Lawrence River Valley.

This wedge of territory, which some are now calling Atlantica, has been outside the charmed circle of North American prosperity for many years, and the reasons for that exclusion from North American prosperity are of course buried deep in our history. Especially after the Americans rejected reciprocity and Confederation was born, the continent was divided into two national projects. Each sought to open up its half of the continent on an east-west axis; each had a funnel on the east coast that caught the energies of Europe and channelled them towards the conquest of the continent.

Montreal, of course, the second most important commercial city of the British Empire, was our point of contact. The urban eastern seaboard in the United States from Boston through New York, Philadelphia, and Washington was the American equivalent. If you look at a map, and we happen to have circulated a map of this region, you will soon see that in a world of two half continental national projects, or national enterprises, organized on an east-west axis, Atlantica is, in a certain way, the reef around which the movements of people, capital, and innovation surged, one heading north, the other south.

But continental free trade and globalization may, we think, put an end to the isolation of Atlantica. The east-west axis for development of North America is being supplemented by a drive to stitch back together the old north-south trade routes that had flourished across the continent before 1867. The U.S. will spend over \$400 billion U.S. over the next few years on priority highway construction.

By the way, I've distributed the map that shows the high-priority highway construction routes in the United States. Almost all of the money being spent in the United States, you will notice, is on north-south routes, such as the North American super highway running from Winnipeg to Mexico City.

For the moment, none of that money is earmarked to fill in the obvious gaps in Atlantica's transport infrastructure. The connections from St. Stephen, New Brunswick, to Bangor and then to Montreal, or to northern New York and then Toronto, Detroit, and points south, are still laughable. Yet St. Stephen-Calais is the eleventh most important road crossing linking the world's two largest trading partners. Over 300,000 trucks from Canada enter Maine every year, a number that has doubled in only five years.

For years, Canada and the United States turned their backs to each other at Maine's border with Quebec and New Brunswick. Maine's transport infrastructure was starved because, as it was surrounded on three sides by Canada, it looked to American transport planners as if you couldn't get anywhere from Maine. Under, of course, the half continent model, the transport problem of the Atlantica states was to join the party to the south. Our problem, in this part of the world, was to get around Maine. In the free trade era, Maine and the northern New England states are looking east-west, not south, because that's where the nearby Canadian free trade partners are. We are shipping containers to Chicago and natural gas to Boston.

The greatest obstacles to realizing the dream of a highly integrated regional economy at the confluence of Europe and North America are chiefly political. NAFTA reduced, but by no means eliminated, the economic effect of the border, and those economic effects have been exacerbated by the events of September 11 and the security concerns that they very legitimately raise.

If Atlantica is to escape the role of geographic backwater to which the last century relegated us, the coalition, in our view, that we must build, is a cross-border one. Just as many European regions, such as Scotland, the Flemish area of Belgium, the north of Italy, and the Basque region of Spain, have seen European integration as the key to escaping the dead hand of tired and inward-looking national governments, so people on both sides of the Atlantica border are increasingly seeing this region as a powerful, international counterweight to the benevolent indifference with which our respective national governments have often treated this region's component parts.

The consciousness of Atlantica's international synergy is already rising. Many American politicians, including five senators from the Atlantica states, have endorsed a call for Washington to examine the transport infrastructure in the quarter reaching from Halifax through northern New England and New York State.

But Canadian residents of Atlantica have their part to do too, and that's part of what my colleagues, especially Michael MacDonald, will speak to in the rest of our presentation. I'm going to turn it over to Michael now.

...

Mr. Michael MacDonald (Senior Fellow, Atlantic Institute of Market Studies): Thank you very much, Madam Chair, and welcome back. I should say welcome to Atlantica. My remarks will be very brief. I'm the Senior Fellow at AIMS and I'm leading this initiative. I want to spend a short time so I can turn it over to Mr. Perry Newman before our question period.

For about 50 years now we've been trying, in this part of the country and in Canada in general, to attract the attention of the Americans in terms of investment. Well, for the first time in 50 years, Americans in the northeast zone are now very much interested in us. This northeast zone, by the way, is southeastern Quebec, the Maritimes, and Newfoundland. Here's an initiative really that brings this part of Canada together, focused on the northeast trade zone of Maine, New Hampshire, Vermont, and northeastern New York.

What's the access? The focus is on two things that happen to be in Canada—the port of Montreal and the port of Halifax. Atlantica exists internationally between these two points.

The main principle, which is common but not discussed very much, is that basically in this decade small economies will max out—even our own country—unless we have new regional arrangements. Our

economies will max out. They can't grow any more. There's going to be a fixed life. What we see in terms of southeastern Quebec, the Maritimes, and Newfoundland is that Atlantica, as an economic zone, really allows the economies of all the different parts of this part of Canada and the U.S. to operate together between the two polarities I mentioned in terms of transportation.

One thing we have discovered is that our major challenge is transportation. Basically it is a boring subject, but it happens to be the spine of the economy. If you can't get from the ports of Montreal and Halifax easily to New York or Chicago, you're not doing business, period. If you look at the northeast of the United States, you will see that the spaghetti junction of highways and railways does not work in our interest.

What are we going to try to do in the next three years? For the first time, Atlantica, with our eastern provinces and the northeast zone, will develop the intellectual capital or the legs on which this region can stand. In trying to attract the attention of the Americans for 50 years, we never had the intellectual capital that explained why regional economies work. They were all one-shot deals--trade missions and ventures or what have you. Yet what has happened basically is that in the last 20 years Canadians and Canadian companies have become major investors in the northeast of the United States. Let me name you a few names—McCains, Irving Oil, Irving Forest Products, National Sea Products, Aliant Communications, and recently a dramatic purchase by Emera or Nova Scotia Power of Bangor Hydro-Electric.

Can you imagine a family in Quebec or Nova Scotia with the following economic scenario? Foreigners put the gas in your car, foreigners own your electricity, foreigners control the Internet, and foreigners basically control the highway stops where you stop for gas. We'd never tolerate that. Well, that's what's going on in Bangor today. Canadians own all those basic parts of the infrastructure. What we have to do is change our head here. We are moving in on them; they're not moving in on us when it comes to the northeast trade zone. It's very strong.

First of all, we're going to develop the intellectual capital that will allow us to think regionally and internationally.

Secondly, we're going to put together an international team of leaders, with Quebec and the Atlantic Provinces and the northeastern states--and I've mentioned northeastern New York--to really sustain this movement.

So that's what we're up to.

It's a very complex project. One of the main things we have to contend with is something called the border. What's the border? First of all, I would urge you to think in terms of land, air, and sea. That's the border. For some Canadians, 50 years ago the border was a kind of blanket that we wrapped around us and it protected us. Well, it isn't there any more.

So what should a border be in an age of NAFTA, the global economy, and electronic communications?

I headed up the Greater Halifax Partnership here for five years, the economic development agency of our city. One of our biggest problems to international investment was the Department of Citizenship and Immigration and the border. They kept stopping and demanding out of international investors questions such as these: "What are you here for?" "Oh, I'm here to look around." "Are you going to work when you're here?"

Finally, I'll leave you with one image of Canada. Canada is one of the only countries in the world where,

as you enter the country, you meet tax collectors. The tax collectors who are sure to make you pay your GST on the pantyhose you bought at Filene's Basement will then refer you, if they think so, to the Department of Citizenship and Immigration. How shameful! You could enter our country through the Department of Citizenship and Immigration and then pay your taxes as you go along. That's how the priorities in this country are wrong.

So, basically, we've been at this for 50 years or so. It finally changed. In many ways we are in the driver's seat, and it is Canadians who are leading the whole Atlantic initiative.

I want to turn it over to our American colleague, Perry Newman.

Mr. Perry Newman (Former Adviser on International Trade to Governor of Maine; Atlantic Institute of Market Studies): Good morning. Thank you very much for the opportunity to appear before you this morning. I'm grateful also to my colleagues on the panel, Messrs. Crowley and MacDonald, for their courtesy and assistance in this process.

By way of background, let me take a moment to give you a little biographical information that's relevant to my appearance here today. Currently, I am the president of an international business development firm in Portland, Maine, called Atlantica Group.

Prior to forming Atlantica Group in 2000, I served as the State of Maine's first director of international trade, having been appointed to that position by Maine Governor Angus King in 1996. In that position my responsibilities included developing business, export, and investment policy initiatives of an international nature that would strengthen and grow Maine's economy.

In the course of my work in state government, it became clear to me early on that there were in fact two Maine's within our state. The southern part, with its higher population, superior road and air infrastructure, and proximity to Boston, was more prosperous and dynamic. The northeastern part of the state, which comprises a far larger landmass with sparse population, has a comparatively weak and vulnerable economy.

While recognizing these geographical realities—our relative isolation, low population, large land areas inadequately served by transportation infrastructure—we continue to believe that closer economic ties to Canadian economic centres would be of significant benefit to the people of both Maine and Atlantic Canada.

Atlantic Canada and Maine, and indeed much of northern New England and even upstate New York, have a great deal in common: historical connections, economic connections, and strong political connections as well. Among the commonalities that challenge us are a lack of population, to which I alluded a moment ago, and a comparative lack of economic opportunity that typically accompanies a diverse and vibrant, more populous area.

As each of us considers important issues of trade, security, and so on in the context of our shared continent, I would suggest that any efforts we can collectively make to facilitate economic intercourse between Atlantic Canada and New England will be of great benefit to citizens on both sides of our border. We need to take aggressive steps to enhance economic activity that work to make our region a functioning, transnational market of linked population centres. Absent these linkages, our individual markets are far too small to achieve their potential.

By way of example, there is currently a clear and detrimental lack of adequate east-west road connections between Maine and indeed states and provinces to our west, and between New Brunswick

and Nova Scotia to our east. This lack is so obvious that, notwithstanding recent improvements to our principal east-west route, trucks carrying goods to and from Ontario and Quebec to our west and New Brunswick and Nova Scotia to our east actually choose to circumvent, that is to say, avoid, Maine altogether, rather than navigate the twists and turns of our current infrastructure.

The lack of a good road costs Maine people economic opportunity. It costs Atlantic Canadians time and money. It prevents all of us from linking our population centres more effectively.

Roads and infrastructure are critically important. In my state, 65% of all jobs are located within 25 kilometres of our principal interstate highway, I-95, and 65% of all Maine people live within 25 kilometres of the highway. Highways lead people to jobs and encourage employers to invest in facilities along their footprints. It's no coincidence that economic opportunities are poorest in areas of our state and indeed in northern New England, where good roads do not exist and people cannot get their goods or themselves to market.

This is but one example of the ways in which northern New England and Atlantic Canada can work together to establish closer connections of great mutual benefit.

Would it not benefit each of us to be able to get from place to place more effectively? Would it not benefit each of us to have more immediate access to potential new markets? Would it not benefit each of us to create an infrastructure that recognizes the transnational nature of our economies and reflects those realities when decisions are made that impact upon the region?

I am hopeful that policymakers and lawmakers on both sides of the border, at the state, provincial, and federal levels, will redouble their efforts, now ongoing for many years, to take concrete steps to facilitate the development of an economically vibrant region, whose metropolitan areas are more effectively and efficiently linked to each other than is currently the case.

Atlantic Canada and northern New England are similar in so many ways, regrettably not all of them positive. Indeed, our economies have tended to lag behind the rest of our respective countries in times of economic growth and have tended to suffer first when our economies have slowed.

By taking steps to create new economic paradigms, by taking an aggressive and creative regional approach, we have a unique opportunity to emancipate ourselves from the strictures and impediments of our geographical limitations and, literally, to begin the process of building a new and more vibrant economic future.

Thank you for your courtesy and attention.

The Chair: Thank you very much.

We will now start with our questions. We'll go to Mr. Rocheleau, please.

Mr. Yves Rocheleau (Trois-Rivières, BQ): Thank you, Madam Chair.

I would like to congratulate you for your brief, your vision, because I think that not only are we talking about a project, but also, about a vision. So, first, I would like you to elaborate on these boundaries, if you will allow me this expression.

I have three specific questions. Mr. MacDonald, when you speak about the vision you have for the international ports of Montreal and Halifax, I would like you to tell us if anything would change if two competing ports became complementary.

Second, how are the New England governors and the Quebec and Maritime premiers, who regularly meet for a statutory conference that I believe started several years ago, reacting? How are the political leaders reacting to your project?

Finally, third, what do you think, hypothetically, given the weak Canadian dollar, of a common Canada-United States currency, or eventually, a Canada-United States-Mexico, but at least a Canada-United States currency, within the context of your vision, your project?

Mr. Brian Crowley: Thank you for these extremely pertinent questions. I will start with the issue of regional borders. I must admit that the borders are not very delimited. In fact, we are trying to keep them relatively fluid for the time being, because we believe that there is still a certain amount of regional delimiting to be done. We can easily see which regions are central to this vision, as you have stated so well, but we are waiting to deepen our own knowledge of the region before setting up a too-rigid boundary around it.

It is clear, however, like I just mentioned, that there are certain regions that obviously belong to the region that we are talking about. Such as Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, the three northern New England States. I will come back to this point later.

We are certainly talking about a part of the State of New York, which is an economic region that is distinct from the rest of the state, and of course, a very important part of Quebec: Estrie, certainly Bois-Francs. We could even make Trois-Rivières an honorary member city, if its citizens would like. There is also the south shore of the Saint Lawrence, of course. We believe that this represents a coherent region with very clear economic ties and interests.

I mentioned that I wanted to come back to the issue of New England because you mentioned-and rightly so-that there is an annual meeting of the governors of the New England States and the five premiers of the Eastern Canadian provinces.

It seems to us, or it has appeared so up to now, that one of the challenges facing the region is that New England does not constitute a homogenous block, but on the contrary, that the south of this American

region is totally oriented to the south, to the City of New York, and toward the southern urban centres. This is much less the case for the three States on the Canadian border, which have a much more international orientation. This is why we are talking not so much about a coalition with New England as such, but rather about an effort to define a new region based on the common interests of these jurisdictions within the region.

Now, to reply to your question regarding the ports and the port infrastructures, I will turn things over to my colleague, Michael MacDonald. We will then come back to the issue of a common currency.

Mr. Michael MacDonald: Merci.

The question of the ports of Montreal and Halifax is a very important one to this discussion. Basically, Montreal and Halifax are competitors, and always have been. However, for the most part they now are in two distinctive markets. Halifax is focusing on the post-Panamax container shipping, which cannot access the St. Lawrence and Montreal.

I would invite you to consider the post-September 11 view of the port of New York. This will cause, I think, in terms of congestion and security, a huge increase in trade to our two ports if we are ready to receive it. And I would say that I don't think we are yet; we have to change our head.

What we are offering here, especially in terms of Quebec, is a new vision. We want Quebec to join the east and ignore the west, because that's a much more positive, creative section. Actually, you're one of our allies.

I must tell you, in my own experience I have always thought north south. I couldn't get to Boston and New York... As you begin to talk about a new corridor, which would go essentially from the New Brunswick border through Maine and Vermont to Sherbrooke, this makes sense, because this is the top of the T-bar of 95.

If you want to know what's happening in Canada, just look at this and weep. This map, which was done in conjunction with Transport Canada, is the new NAFTA map. Basically, southeastern Quebec, the Maritime Provinces, and northeastern New England are not there. We don't exist economically, and we have to do something about this. The easiest thing is to cooperate with the Americans in a new east-west corridor.

There is one thing we need your help on. It's one of the reasons we're here today. The Americans have done quadrant studies of transportation throughout their whole country in terms of the next five to ten years. They have not yet completed the northeast section, because the northeast goes up into Canada, with northern Maine. So to do this, they need the cooperation of a small group of people called Transport Canada.

What they want is a partnership where we put a little bit of money into this, not a big amount, so we can sit at the table with our American allies and discuss the NAFTA transportation needs of Atlantica--of Quebec, the Maritimes, and eventually Newfoundland. So we need your help on that, to get our country at the table. We're not there yet.

The New England governors and eastern premiers have endorsed this, but they don't have the tools or the intellectual capital or the regional strategy to do this. We're going to develop this with Quebec, the Maritimes, Newfoundland and Labrador, and the northeastern states we've mentioned. We're going to develop an international team of leaders and the intellectual capital, the legs to carry this regional economy forward, and that's why we're taking this approach.

On the weakness of the Canadian dollar, “the dollaretté”, it's a mystery. I think it's like growing up. You eventually have to leave home.

Thank you.

Perry wanted to speak to the question of political leadership.

Mr. Perry Newman: Thank you.

I am sorry, but my French is somewhat weak. It is preferable that I speak in English.

Having participated when I was in state government with Governor King in the annual conference of the New England governors and eastern Canada premiers, we began to explore in greater detail and with a greater sense of mission the notion of regional cooperation. But I think it's fair to say that, quite naturally, those efforts reached a point at which they could not be taken any further because of the quite understandable political limitations placed upon elected officials.

In other words, it was very difficult for someone in one state or province to advocate an economic development initiative that might benefit more immediately another state or province at the expense of one's own; therefore, there was a sense that we know this is good for the region and overall regional economic health and will help all of us, but I'm concerned as to how it will affect me and my constituents in the short run.

So I think it's fair to say that there is overall support for regional initiatives. The New England governors and eastern Canada premiers have been meeting for more than a quarter century, and a number of excellent initiatives of a cooperative nature have emerged, but I think a greater vision supported by the intellectual capital and the foundation that Mr. MacDonald was referring to will be of immeasurable benefit in giving our elected officials the ammunition, if you will, they need to adopt a broader picture. In my opinion, we haven't had yet a binational vision that provides us with the basis for taking bolder steps.

Thank you.

The Chair: Thank you.

Mr. Stoffer.

Mr. Peter Stoffer (Sackville--Musquodoboit Valley--Eastern Shore, NDP): Thank you, Madam Chair, and I thank AIMS for their presentation. As always, they're very concise and to the point, and I've always appreciated that from them.

You mentioned concerns about the benevolent behaviour of... although you didn't say central Canada; I assume that's what you're looking at, towards Atlantica. I wonder if you could expound on that a bit, the reason being that yesterday in Newfoundland we heard that there's a perception that central Canada or the Government of Canada will give up economic activity or some economic opportunities in Atlantic Canada to support those of central Canada.

A good example of that is the recent EFTA talks with Norway, Liechtenstein, and Switzerland regarding shipbuilding and marine products. There's the perception that, because there's a trade imbalance right now with those countries, Canada doesn't like to be in that type of position, and that we would give up,

for example, aspects of shipbuilding to increase either telecommunications or pharmaceuticals, or other avenues that benefit, more or less, central Canada. So I'd like your opinion on that.

What do agencies like ACOA and the Quebec diversification fund do to benefit subjects such as we're talking about now?

As well, we have great difficulty, for example, in New Brunswick discussing whether a road should be a toll highway or should be private. I'm quite astonished that Bernard Lord would make a promise to get rid of the tolls, which he did, which saves \$15 million a year in terms of toll fees, but he put a 2¢-a-litre tax on all consumers. Now it's \$30 million a year they're taking in. So I'm wondering, in this sort of transportation route, would you be looking at a government-funded initiative between two levels of government, or would it be more a private sort of user-fee highway and railway construction model that you're thinking of?

Also, in terms of this map, which I find quite astonishing, recently we had discussions...and as you know, Madam Chair, we have a highway here, called Highway 7, that goes through the eastern shore. Last year a bus company wrote the Province of Nova Scotia a letter saying they are no longer coming up here because of the condition of that road. It's quite astonishing, when half of that road goes through my riding. We've been screaming about the condition of that road and saying, "If you build it, they will come"—that old baseball adage.

I'd just like your comments on what I've just stated.

Thanks for your presentation.

Mr. Brian Crowley: Thank you very much for those questions. You've raised a number of questions. I'll try to speak as briefly as I can to some of them. Then Michael might speak to the regional development agency point, in a moment.

On your general point about what you heard in Newfoundland yesterday, I understand that concern. I have to say that part of what has led us to think about Atlantica is a sense that Canada is undergoing some very major changes, and those changes are not going to be reversed or rolled back.

What I have in mind, in particular--and I touched on this in my opening remarks--is that of course in 1867 when we created Canada and put in place the national policy, the national policy was a tariff barrier at the border, a national east-west infrastructure, a freight rate structure that favoured central Canada, and a tariff barrier that forced the creation of a lot of jobs in central Canada. In the words of Ernie Forbes, the famous maritime historian, the effect of Confederation was to push the Maritimes a thousand miles farther out to sea. In terms of access to its markets, we were cut off from our traditional markets in New England.

In the 1980's, a conscious decision was made by Canada to dismantle the national policy. We got rid of the freight rate structure and the tariff barrier. We moved into an era of continental free trade.

Everybody will make their own assessment of the policies the federal and provincial governments put in place and the effect of those policies to try to build the economy of this part of the world, whether we're talking about the Maritimes or Newfoundland. In my assessment, those policies were not very successful. Certainly relative to the rest of the country, we have not enjoyed the prosperity others have.

On what underlies what we're trying to achieve here and the contribution we're trying to make to this idea of Atlantica, we think the removal of the national policy and the moving into an era of free trade creates

an opportunity for people in this part of the world to reconstruct some of the bases of prosperity we enjoyed before the national policy was put in place. Any economic historian will tell you this was a very prosperous region, but of course that was then and this is now.

We have to decide whether we're going to take advantage of the opportunities this changed policy offers to us. There are no guarantees we'll be able to do so successfully. But clearly, the old strategy of looking to Ottawa and a transfer system to underpin our prosperity is dead. I think it died with the dismantling of the national policy. I think it died with the dismantling of the tariff barrier. Many of those things underpin the transfer system on which we have come to depend so much.

I think we need new strategies. We're trying to fire the imagination of people in this part of the world to think about what the strategies might be: strategies of less dependence; strategies of more self-reliance; and strategies of building markets with our neighbours to the south, building on the common interests and economic potential we have.

Those would be my overview comments.

Michael, do you want to speak to it?

Mr. Michael MacDonald: In looking at this issue, you have to remember 1867, 1812, and 1776. They are the three dates that really determined our economic fate.

In terms of your question, Mr. Stoffer, about the tradeoffs you heard about in Newfoundland for a central Canadian policy, look at the auto pact that did so much for Ontario. If you want to see tradeoffs from the fifties, the history has not even been written yet.

The impact, Mr. Baker, on the fishery, for example, is yet to be told on how we relate to, let's say, New England.

Basically, the difference between the fifties, sixties, and now is we're awake and very carefully watching, with our colleagues in Quebec, the movements. It's why you've had the phenomenally negative reaction to the recent free trade balloon with the five states.

However, this is the problem. This is a country for which a major part of its GDP depends on trade. We have to be free traders, but we don't have to be stupid. I think it's the major difference today. We're watching, we're aware, and we're being very careful.

I think the most important thing is all the ideas and intellectual constructs are one thing, but the main issue goes back to access and therefore roads. You're absolutely right. If you don't have roads, even in this electronic age, you don't go anywhere.

It's why we want to burn this Canadian map into your imaginations. This is a Canadian map, although it's through the U.S. It connects Canada to Mexico and the NAFTA markets. Prima facie evidence of what we're talking about is in the map. It's not connected to southeastern Quebec. It's not connected to the Maritimes and therefore not connected to Newfoundland. This is a very important map. This was developed in cooperation with our senior bureaucracy in Transport Canada in Ottawa.

The final point in terms of the border—I know you're interested in the border—is that we already have pre-clearance at a number of our airports. The model is already there. But the recent statement by the FBI and the Americans about the port of Halifax is very important. Basically all those containers out of Halifax are going to New York. Unless we have security assurance in the port of Halifax, the Americans

have threatened to close down our port. Now that's the reality. If you close down the transshipment of containers from Halifax to New York, we're out of business. Basically, pre-clearance by Americans or pre-clearance by Canadians there is not really significant. It's already going on. So our border has taken on a whole new image.

The final thing is the Canadian government now is focusing very much on the issue of congestion. I would beg you... The border problems are more than congestion at Windsor-Detroit for trucks. The border is a whole economic imperative. We have to get Transport Canada and Foreign Affairs and International Trade thinking beyond congestion. Congestion is an important thing, but this border... And by the way, the fault, dear Brutus, is in us. You go through our airports. You'll see how the border functions and Immigration Canada. Go through our airports. We have to do something beyond congestion. The issue then is transportation in the whole spectrum.

Mr. Brian Crowley: If I could, just very briefly, because I don't want the honourable member to think I'm not answering his question about how we see the highway being paid for, it's a very important question.

I need to say that AIMS is a public policy institute. What we are proposing is to do a program of work on this idea and develop a number of policy proposals. Because of the timing of this committee, we wanted to come and talk to you about what we want to do but have not yet done. So it would be premature for me to answer that question, because we haven't done the work to answer it. However, it's very high on our list of priorities, and we hope to have some suggestions in due course on that point.

Mr. Michael MacDonald: If I might just add one thing, Mr. Stouffer, our American colleagues are very much thinking about a toll road, because it would be a mainly private-sector-funded highway. I don't think the Canadian government is going to invest in a highway in northern Maine. Because of the binational nature of this road... Perry, maybe you could comment on this better than I.

Mr. Perry Newman: We've done a number of off-the-cuff studies of how the road might be paid for. We're talking, I'm assuming, about the road that goes across Maine from Calais-St. Stephen to--

Mr. Michael MacDonald: Sherbrooke.

Mr. Perry Newman: Yes, and the estimates that have been bandied about are about \$1.2 billion U.S. for the cost of that road. That's a significant amount of money. A great senator, Everett Dirksen, many years ago said a billion here, a billion there, pretty soon you're talking about real money—although I think at the time he may actually have said million, which gives you an idea of how dated the remark is, and I shouldn't admit that I know when he said it.

The cost is about \$1.2 billion U.S. to build that road, which is a significant amount of money. Now the way roads of this nature are paid for in the U.S. typically is roughly 80% to 90% federal funding and the state comes up with the balance. For the state of Maine, which is a small economy, as I have belaboured the point in my remarks, that's a significant sum of money at a time when we have a newly discovered deficit in our budget and so on. However, with even modest tolls, and I'm talking about maybe \$5 to go the entire length of the state, a significant portion of the state's portion could be paid.

I don't believe it's a question of money that's keeping this road from being built. I think there has been an historical aversion to it, because no one has been able to say adequately what the real tangible economic benefit for the state of Maine and northern New England would be. They keep hearkening back to the fact that we are a small economy, our neighbours have small populations, and so forth. What's the economic development benefit? What's the bang for the buck and what's the value?

Now, by taking this regional approach and undertaking some more sophisticated economic analysis of the bigger picture, I think we have the opportunity to demonstrate what the real economic development benefit would be of this road that links heretofore separate economies together. In other words, we've never really looked at the big picture in the appropriate context.

If you were only connecting Maine as an island, from one side to the other, this road probably wouldn't be worth the investment. But connecting population centres, trade centres, ports, and so forth with this new vision in mind will have an explosive economic development effect, I think.

One final remark, if I may. The main turnpike, which is not indicated on the map, runs basically from New Hampshire up to Augusta, on Interstate 95. It has just celebrated its fiftieth anniversary since completion. People had said that it would never pay for itself, that there would never be adequate traffic on it, and that it was just an economic development boondoggle. In fact, it took about 30 or 40 years for it to reach its current level of traffic, but without that road right now, I would weep at the economic situation in Maine.

Similarly, I think it may take a while for the economic development benefit of the road we're talking about to be built to achieve its maximum impact, but there's no question in my mind that it would benefit all concerned. And it's not a question of money; it's a question of will.

...

Ms. Aileen Carroll: I always jump in early.

At any rate, just to be here and to listen to this is an excellent opportunity. Indeed, as you've pointed out, the history is there. Professor Forbes was so right; it moved us a thousand miles out when we signed up for Confederation. Always, though, even in an embryonic manner, in the era of ships, when we owned the transportation routes, being on the ocean, that sense of region existed between New England and the Atlantic provinces. What you're doing is building on it.

One could say that we should have moved faster, earlier, but sometimes the worst events, such as September 11, as God-awful as they are, can kick-start things like this. In many ways, I think what's happening now is that we are compelled to look, because of security, at an integration that maybe we had a discomfort level with before. In my view--and I'm just one member--that is a very positive outcome.

What you've touched on, and Peter has as well, is what the American government has asked for. And they're going to do more than ask for it; they're going to demand that piggyback shipping, to use an old

term, or containerized shipping, arrive security-cleared. It's not just the port of Halifax. It's not being aimed at us. Listen to me; I'm home for half a day and it's "us" again.

So it isn't aimed here. Knees are shaking all over the world as ports envisage what the costs will be for them. It is going to be a huge cost.

At any rate, so much of what you're saying I find very exciting.

My question is, why is it a dilemma...? If the U.S. hasn't done a northeast quadrant study, why do you need to come to the Standing Committee on Foreign Affairs and International Trade to ask whether you can sit down with Transport Canada? I mean, that seems to me to be a given for anybody who's developed it.

Perhaps we'll let them answer first, and then I'll listen to my NDP colleague.

Mr. Michael MacDonald: I think the issue, Madam Carroll, is that we just need some help. I'm not saying we're against this; it's just inertia. I mean, the map tells the story of the level of interest.

But to get back to your point in terms of the port, you must remember that Boston is a feeder service into Halifax. The whole northeast looks northeast. It doesn't look south to New York. And I would say that after the tragedy of September 11, access into the port of New York, in terms of security and congestion, is really working in the interests of Halifax and Montreal--very much so.

The other thing too is that you must remember that Nova Scotia gas, through that one pipeline, which runs through New England to Boston, and a proposed second pipeline, a submarine pipeline, which would, in effect, join together the gas fields of Newfoundland, the Cabot Strait, and Sable Island into New York, is re-translating the whole notion of economic union, of our unity.

Basically, Canadian oil and gas is now an issue of homeland security. It is not just an issue of natural resources. I think the challenge for us as Canadians is to change our heads and realize the new significance and importance of our resources, our ports, our roads, and our access to the sea.

I'll give you one little anecdote. About ten years ago the American military met in Chicago to discuss an important issue they had faced in the Gulf War, and that is, they could not disembark a division quickly enough on the Atlantic seaboard. They could from San Diego on the Pacific seaboard. And so they looked at all the ports in the U.S.A. and none of them was adequate. The only port that was adequate to disembark a division was the port of Halifax.

Ten years ago the politics were such that this would have almost been impossible to discuss, let alone do. It is not impossible today, so things have changed radically for us.

Ms. Aileen Carroll: Go ahead, Mr. Crowley. It's you we're here to listen to.

Mr. Brian Crowley: I'd like to speak a little about the port and then very briefly about this map again, if I may.

I think the port is an interesting example of part of what we hope to do in our work on the Atlantic at the institute. One of the things we're going to be doing is looking for imaginative projects that we can try out in this region that can be a test case for the country. I think the port of Halifax is a beautiful example.

As you may know, I believe several U.S. customs agents have just arrived in Halifax. They are going to be working with the Department of Citizenship and Immigration on inspecting containers as they arrive. For instance, we'd like to see the port of Halifax become a test case. When those U.S. customs agents agree with the Canadian customs agents that a container has been cleared, we suggest that this container can then move anywhere in North America without ever being inspected again. That's not going to be the case now. When that container leaves Halifax, even though U.S. customs agents will have signed it off, it can still be stopped at the U.S. border and inspected again. We want to suggest that this is not necessary.

Ms. Aileen Carroll: In discussions that surrounded Governor Ridge's visit to Ottawa, the sense I had from accompanying officials was that they indeed want to accomplish what you're suggesting. They don't want it to be stopped again. They're looking at a level of security clearance that will allow what you—

Mr. Brian Crowley: I don't think we're there yet.

Ms. Aileen Carroll: No, I'm not saying we're there yet, but I would think it's in the American perspective to get there. I think it's going to be a great segue into Dr. Stuart's presentation. We have to be careful not to get our knickers in a knot on definitions of “sovereignty” that don't apply, but then we could go way down a road on that.

Atlantica—that's a great name, but it makes me nervous. It reminds me of Atlantis. Was that not this mythical city that sunk? But it's Atlantica, not Atlantis, anyway.

Mr. Michael MacDonald: A Nova Scotia portfolio...

Mr. Brian Crowley: We're trying to refloat it.

Ms. Aileen Carroll: Absolutely. And it's a great point that you're talking about. Let us not recreate dependency down here; let us become a part of what you're describing so very well.

I think where you're going is excellent; I think it's so historically rooted. Sometimes you look at it and say this. Why did it take us so long to get here? I know for members of Parliament on all sides that when we see a focus it seems terribly Upper Canadian in scope. It's sometimes great. What happened right after September 11 on that Windsor-Detroit corridor...the facts are that 87% of our trade goes to the U.S., and a horrendous percentage of that 87% goes across that border. Time-sensitive...there had to be a tremendous full court press. So I would say do not be too concerned.

We got things running once we conveyed to our American neighbours that we were meeting the security bar. In fact, we're way above it and could send that perception.

Then I think a calm prevailed. Again, the wider focus is now back in place.

There was a need for an immediate response. It doesn't mean you should ever take our feet away from the fire.

...

Mr. Peter Stoffer: This is a map of roads and rails. If this was an air service map, you would see a very serious lack at the Halifax airport as well with the issue of pre-clearances.

A lot of my Liberal colleagues, Dominic LeBlanc and others, have raised concerns. When the United States doesn't like something, for example, with potatoes from P.E.I. and the recent mussels concern, they'll tie us up in court. Gerald Keddy has mentioned Christmas trees as well.

We do everything according to the book, as the Boy Scouts or Girl Guides we are. When the United States says they don't like this and are going to tie us up in court, as they're doing on softwood, we have to spend millions of dollars fighting it.

How do we get around it, Mr. MacDonald? That's the question.

Mr. Brian Crowley: I have two things, if I may. First of all, I'd like to draw the committee's attention to the importance of this map, not just the lines that are drawn on it but what it symbolizes. This map is extremely eloquent.

If you think about it, whether it's Canada or the United States, for well over a century we have spent all our energies building east west, building national infrastructure to link the parts of these countries. It would be the same if you looked at a map of Canada. Every one of these corridors touches either the U.S.-Canada border or the U.S.-Mexico border, with the exception of one that goes east west. This is the embodiment of a decision that's been made to create a continental infrastructure.

The main job now is to build a north-south infrastructure. The one thing I would draw to your attention is that the one piece of infrastructure to draw together that continental network we're talking about, that is not north south but east west is right here. In order to tie together the Canada-U.S. continental infrastructure in this part of the world, you have to think east west and not north south. It's the only part of North America where that is the case.

Ms. Aileen Carroll: Also, let's not forget Mexico. Canada is busy attempting to develop a Canada-Mexico line within the triangle, not just Mexico-U.S. and Canada-U.S. We are competitors for foreign investment. Indeed, this is not to leave the Americans out, but we need that third bilateral connection, because there's a lot we can build there if we're really going to be looking at a very well developed North American continent.

Mr. Brian Crowley: Michael said he didn't think it was very likely that the Government of Canada or taxpayers in Canada were going to spend money on a highway in Maine. I would point out that the U.S. government's legislation does allow it to spend money on infrastructure outside its own borders.

A voice: The Alaska Highway.

Ms. Aileen Carroll: Joint infrastructure is costly.

Mr. Brian Crowley: Let me now come to Mr. Stoffer's question about trade disputes. I think this is a vital question.

My view, for what it's worth, is that in a trading relationship in which 50% of the production of our private sector in Canada is exported to the United States, and only 25% of America's GDP is exported throughout the world, let alone to Canada, we are always going to be unequal with the United States in trade matters. It's always going to be the case.

As the junior, weaker partner that is more dependent on the U.S. than the U.S. is on us, we must always strive to move trade issues into a rules-based arena. That was one of the primary motivations behind the free trade agreement. If you don't have a treaty in which there are rules set down and in which you know

how you're going to resolve disputes, you are always at the mercy of the more powerful partner. That's why the free trade agreement was an important step. I'm not saying that therefore when there are disputes and we use that dispute settlement mechanism we always come out the winners, but we are in a far better position to manage our trade relationship with the United States as a result of the free trade agreement than we would be without it.

Can the dispute settlement mechanism be strengthened? Of course, but I must say I think Canada has done pretty well out of the dispute settlement mechanism. We win more than we lose. I think the fact that we have the Americans committed to a rules-based treatment of trade disputes is a huge advantage for Canada.

...

The Chair: The chair, at this point in time, rules that at the appropriate break, which would be the one after this, the cameras can continue to roll until another break. The press is also entitled to whatever interviews they want to do with witnesses outside of the room, at the back of the room, or wherever, on a one-to-one basis, or, in the case of Atlantica, all three might be interviewed. But this is outside of the ambit of the committee itself.

I have one question that I leave with you. For the benefit of the work we have to do in terms of documentation, I was going to ask, if time permitted, whether you see the existing NAFTA institutions being adequate to meet the transportation and infrastructure challenges you have identified, and whether we need to go beyond NAFTA, and what should be the respective roles of national governments, state governments, or provincial governments in that regard?

Maybe you can mull that around in a one-pager to us, and that would be most helpful.

Mr. Brian Crowley: By all means. We'd be delighted.

The Chair: Thank you very much. Thank you for being with us this morning.

Mr. Brian Crowley: Thank you very much. Thank you for listening so attentively and for the invitation to be here.