

“One region, two futures”

**Text of remarks by Brian Lee Crowley, President,
Atlantic Institute for Market Studies (AIMS)
to the Bangor Savings Bank dinner in Lewiston-Auburn
26 October 2003**

Ladies and Gentlemen,

Thank you for the kind invitation to be here with you today. I am particularly indebted to Jim Dowe, who was good enough to extend the invitation to me, and that made me doubly certain that I wanted to come and speak to you today. I know that you know how respected Jim is around this state – not everybody gets to MaineBiz’s Business Leader of the Year, for example, as Jim is this year. But I wonder if you know how known and respected Jim is across the border in Canada as well? He recently led a delegation of business people to Halifax and when people knew that Jim Dowe was heading the group, they all wanted to be part of the action.

I am here to tell you the story of a single region, divided only by history and a common border and united by one of two possible futures. That single region is northern New England, northern New York state, Atlantic Canada and Quebec, what my colleagues and I at my Institute call **Atlantica**, what former Bangor mayor Tim Woodcock calls **Our Shared Region**, and what some call the **International Northeast Trade Corridor**.

In the time I have with you this evening, I am going to take a moment and talk with you about the past and the border that have divided us, but I will devote the lion’s share of my time to talk about the two alternative futures that lie before us, and the choices we must make together if we are to take the road of prosperity, growth and progress.

How we became divided

Two and a quarter centuries after the American Revolution, it is sometimes difficult for us all to recall that the continent was not always divided into two halves as it is today. Indeed, after the end of the French colonial regime and Quebec’s integration in the British Empire — until 1776, our part of North America was united under British law and administration, although enjoying various degrees of local self-government, and having populations of varying composition.

In 1776, the two halves of the continent chose different experiments in self-government, requiring a political dividing line, but that political border remained quite open, except for occasional periods of belligerency, such as the War of 1812. Commerce, intermarriage and other forms of exchange between our two societies continued to grow, and we even had a 19th century Free Trade Agreement, known then as Reciprocity.

New England was one of the economic powerhouses of the United States, and the vigour of its trading energy was such that not only were New Englanders to be found throughout the expanding United States, but also in Canada and abroad. One of the most famous characters in Maritime fiction is a 19th C. New Englander named Sam Slick.

The Maritimes and Quebec maintained strong trading ties with New England and New York. In fact the Maritimes were, until the creation of Canada in 1867, the economic powerhouse of British North

America – we had a quarter of Canada’s manufacturing enterprises, including both its steel mills, six of 12 rolling mills, 8 of 23 cotton mills, 3 of 5 sugar refineries. Halifax was home to more than a dozen banks, two of which went on to become members of Canada’s Big Five banks. Much of that industrial might went to the United States in the form of exports. We were a trading region, and Central Canada was far away.

And yet, over a period of a century or more, these pieces of a natural trading region progressively turned their backs on each other. Instead of the border being the political dividing line it needs to be, it became much more. Canada made a conscious decision to change the orientation of its economy from a series of regions trading North-South, to a single national economy trading East-West and built around a new transcontinental railway. Tariff walls went up, and economic activity was sucked out of Atlantic Canada, which had been dependent on international trade with New England, the Caribbean and Europe. In the words of one famous Maritime historian, it was as if the Maritimes had been pushed a thousand miles further out to sea....

In Quebec, Montreal became the terminus for intra-imperial trade, the second greatest commercial city in the Empire after London, the funnel through which the wealth of Canada’s productivity passed on its way to Great Britain. But to the East of Montreal there was nothing but a sleepy hinterland. A border that had been almost exclusively a *political* dividing line became an *economic* one as well. Deprived of its natural partnerships, much of Eastern Canada withered, and so did the regions on its borders.

So **technology** (in the form of capital-intensive railways), **politics** (in the form of nation-building enterprises on both sides of the border) and **economics** (in the form of the growing cost of pursuing international opportunities), all conspired to drive us apart. Our region has slumbered as a result.

But no more, ladies and gentlemen. No more.

What is bringing us together

Two of the three forces that drove us apart – technology and economics – are now flowing strongly in our favour. People of vision and imagination will see this moment for what it can be: a decisive turning point in this region’s history, one that is generating huge opportunity for us, if only we can seize it.

But there are no guarantees. If we do not make the right decisions, we will surely relapse into our dogmatic slumbers, not to be heard from again for perhaps another hundred years. That is why I say that we are bound together in a common future, but that future will only be what we make it. For the third force that originally drove us apart, politics is not flowing so strongly in favour of reclaiming our regional heritage as an industrial powerhouse and the place where the Old and the New Worlds meet and mingle. If we can get our politics aligned with technology and economics, there will be no stopping us.

Economics

The economic forces driving our region’s potential renaissance are obvious. All of the world that has hitched on to the powerful trend toward trade liberalisation has enjoyed unparalleled growth, while those who have remained aloof have withered. Compare the Taiwans, the Hong Kongs, the South Koreas, the Singapores, with the Cubas, the Burmas and the North Koreas. Compare the Argentina or Brazil or India or Ireland of today with the same country a mere 10 or 15 years ago. Wherever trade has been allowed to work its magic, it has grown faster than national economies.

Trade between Canada and the US is the largest in the world, 2 billion dollars worth of trade every single day of the year. Thirty eight states have Canada as their largest trading partner. Ten million

Ontarians sell more to the US than 100+ million Japanese. Canada is the largest supplier of oil and gas to the United States. Over 300,000 trucks enter Maine alone from Canada every year, about a 50% increase in only 5 years. It was that reality that drove our two countries to conclude a new reciprocity agreement for a new century, the FTA, giving us **both** the tools to manage that huge trading relationship more intelligently and thoughtfully. But of course the benefits were so clear, that we immediately saw the advantage of extending that deal South, and bringing Mexico into our continental trade pact.

Around the world, such regional trade pacts are blossoming, whether it's Mercosur in South America, or the EU, or more embryonic groupings in Asia, Southern Africa and elsewhere.

And why is freer trade such a powerful force for growth? Of course it does help to keep inflation low and keep our industries under pressure to be competitive, but that's not its primary strength. That primary strength is that it forces everybody to specialise in what they do best.

Specialisation is the key.

That's why the United States is such a powerhouse in the entertainment industry, or in software, or in defence industries or bio-technology. That's why Montreal is doing so well in aerospace and biotechnology, New Brunswick is a world leader in the nexus between telephony and information technology, PEI's intellectual capital has contributed mightily to the growth of a huge international aquaculture industry and Nova Scotia is a world centre for ocean industries.

That's also why the textile and shoe and furniture and steel and shipbuilding industries that used to be such a feature of this region have long since fled to other places where people do them better than we do.

Free trade relentlessly presses us to discover what we're good at and to put all our productive efforts there because that's what most benefits us and our customers around the world. And what we're good at is a constantly moving target, as producers all over the world jockey to gain a competitive advantage in every field.

No one is more aware of this than the residents of Lewiston-Auburn. As you know better than I, Lewiston grew rapidly in the 1850's to 1890's with the introduction of textile manufacturing plants. The plants came, of course, because hydro power was still indispensable to factory work and the rivers in the large textile communities of Lawrence and Lowell had reached the maximum potential of their river power sources. The Great Falls in Lewiston made this a natural expansion point. You had comparative advantage then, conferred by nature, by technology, by transport infrastructure, and by your proximity to available labour. *Le travail dans le domaine du textile a attiré énormément de main-d'oeuvre de la province de Québec, et c'est ainsi qu'aujourd'hui dans votre ville le bottin téléphonique est bourré de noms francophones tels Lévesque, Gosselin, Bouchard et autres, et que le fait français se porte très bien merci à cause de l'effort invraisemblable consenti par les enfants et les petits enfants des Québécois qui sont venus s'établir ici au dernier siècle.*

But of course that original industrial vocation has been overtaken by events. Hardly anywhere in North America do we continue to enjoy a significant advantage in textiles and shoes compared to our competitors in Asia, South America, Eastern Europe and elsewhere. The same is true in my home province and region. We recently closed, after decades of struggle, the steel plant and the coal mines in Cape Breton, because in spite of our best efforts we simply couldn't make steel of a quality people wanted at a price people were willing to pay. We had to let it go. But what we have discovered is that letting go of the past is almost a condition of being able to see the future.

And my suspicion is that one of the things that explains our relative degree of underdevelopment in this region is that we have not yet brought ourselves to think in terms of a shared cross-border region where local success depends on working more effectively across boundaries, to achieve the kind of economics of scale, transport efficiencies and other regional coherences that more successful regions, such as the mid-west, Ontario, California and Texas, regions with which we are all in competition, take for granted.

Let me just take a moment and show you why I think the border and how we manage it is a crucial part of thinking intelligently about this region's future prosperity. I used to think, for example, that Atlantic Canada was a relatively poor region within a wealthy country, but it's not. It is one half of a relatively poor region within North America. Let me try and illustrate with some maps, maps that help to underline why "New England" is not an economic concept at all, but Atlantica is....

So to return to my main theme, the key to economic success lies in identifying your main strengths, and not holding on to the past. In such a world, the region that embraces northern New England and New York, southern Quebec and Atlantic Canada — in other words, the region that hugs the border — while it faces enormous challenges, as we've just seen, also has some very distinct advantages. That is where we need to concentrate our attention if we want to let go of the past, coal and steel in Nova Scotia, textile and shoes in Maine, for example. Let me mention just a few.

Trade and transport

This region is the meeting place of Europe and North America. Already some 40% of the world's trade takes place between these two trading blocs, and that trade is already slated to grow tremendously. Europeans want a foothold in NAFTA, just as all of us want to be poised to take advantage of the tremendous opportunities created by market-opening policies in the current EU, as well as the expansion of the Union to the East in the coming years.

Our region is the natural confluence of the New and Old Worlds. Quebec speaks one of Europe's great languages, the rest of us speak another. Montreal and Halifax are two of the great seaports on the Eastern Seaboard, and as shipping technology moves progressively to post-Panamax shipping, Halifax can grow enormously in importance as one of the very few ports able to accommodate these behemoths without dredging. Halifax is also a day's sailing time closer to Europe than New York, a port already choking under great traffic volumes and a congested rail network for distribution. The New York State Transportation Commissioner, Joe Boardman, is travelling his state showing a video touting the merits of Buffalo as the gateway to the North American heartland because of its close ties with the ports of Montreal and Halifax.

And piggybacking on that shipping advantage, it is not hard to see a flowering of this region's transport infrastructure, as Halifax struggles to improve its own rail links to Montreal, and South and West, through Maine and the rest of New England, as truck and air traffic increase, and as more and more of the region and the continent see Halifax not merely as a port of entry, but also as a port of exit toward Europe. Fast ship transshipment technology will allow ports such as Boston and Montreal to benefit from Halifax's natural strengths too.

I would ask you to consider that some of the world's greatest growth points are precisely in those locations that serve as a crossroads between a powerful economic region and the rest of the world. Singapore and Hong Kong both play that role in Asia. Switzerland lies at the crossroads of Europe. The mighty Port of Rotterdam disgorges the industrial might of Central Europe into the world. Liverpool, at its height, was the link between Britain and the New World. Long Beach in California, and Vancouver in Canada, have become wealthy by being the doors through which the wealth of Asia and North America pass.

Our region is ideally placed to become one of these crossroads of world commerce, with economy-stimulating effects that will reach throughout the region. And this is not idle talk. Your own Transportation Secretary, Norm Mineta, has pledged Washington will carry out a multi-modal transportation study of the corridor that reaches from Halifax, right across Maine, New Hampshire and Vermont and northern New York state to the Ontario border. My Institute is working to make sure that the Government of Canada participates actively in that study and acts on its recommendations.

And I want to remind you that this is not special pleading on my part for the Port of Halifax, a call for the creation of roads and rails to whisk goods from Halifax across Maine and to other jurisdictions. Here in your state, 65% of all jobs are located within 25 kilometres of your 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 Maine and indeed in northern New England, where good roads do not exist and people cannot get their goods or themselves to market. The study of the economic impact of the interstate highway system shows that the greatest development occurs around the intersections of interstates, something there will be a lot more of here if we can build the cross-state infrastructure I'm talking about.

And of course when you put this together with what I said earlier about having to let go of the past to see the future, you begin to see the far-sightedness of the strategy for economic development being pursued here in Lewiston-Auburn and the Androscoggin Valley region by some of your extremely capable economic and business leaders like Lucien Gosselin, Chip Morrison and Bob Thompson. That strategy looks at the region's current advantages and sees a natural transport hub.

Lewiston-Auburn is already a multi-modal centre for Maine. It has very good (*for Maine!*) rail links in addition to being next to Interstate 495. It has an airport, too. Recently, I understand that the U.S. Customs Service agreed to place agents in Lewiston-Auburn to facilitate the rail links, just as they put, by the way, inspectors in Halifax to inspect containers entering Canada but destined for the US market – these are great examples of how we are starting, slowly, haltingly, to make our regional transportation system more coherent and seamless.

But to come back for a moment to Lewiston-Auburn, just remember, that to be a transport hub, you have to be *between places that people want to move good, services and people between*. From a narrow American point of view, especially seen from Washington, it is too easy to think of Maine as the end of the line, and the back end of the transportation system. But in an era of continental free trade, you're not at the end of the line – you're a vital link to Canada, and the connections with the rest of the world that the ports of Halifax and Montreal represent.

This is but one example of the ways in which the American and Canadian halves of Atlantica can work together to establish closer connections of great mutual benefit.

I really don't think that we have a choice about doing this sort of development, by the way. Our competitor regions are not waiting for us to get our act together, and if we don't build the ability to move people and goods across this region properly and efficiently, we simply will not be able to compete to attract the investment, jobs and growth that we all want to see. Don't forget that at the moment it would be folly to think that you could move freight efficiently across Maine east-west, yet that is the infrastructure that we need in order to stitch this region into the integrated North American economy that policymakers on both sides of the border are starting to see, dimly, as where they must go. Look at the national high priority interstate corridors map for your country, for example. Note the emptiness in this corner of the map. Think about the fact that you cannot fly direct between Halifax and

any major city in Maine. That the Port of Halifax is competitive with New York in delivering cargo to Chicago and Memphis, but has difficulty getting containers south through Maine.

Compare that, BTW, with the plans for Texas....

Energy

Then there is the region's future as an energy giant. Canada's east coast has one of the continent's last great hydrocarbon basins, and both natural gas and petroleum are flowing in significant quantities today from the very few holes that have now been brought into production. Based on the development flowing from natural gas in the Nova Scotia offshore, we can safely assume that the population of metro Halifax will rise by more than 100,000 in the next ten years or so, soon hitting the half million mark.

Trends are similar in St. John's, Newfoundland, where business activity is higher than it's been in living memory, and welfare rolls are at their lowest level in years.

The pipeline that already links Nova Scotia to Boston through the heart of this region is the spine of a whole new economic entity. And you will note that it is no accident that it was built, not to take that gas into the industrial heartland of Canada, but to help us re-establish our vital links with our historic partners in New England, creating opportunities throughout the region.

Soon that pipeline will be joined by other energy conduits, over and above the electricity links that already exist. I have been led to believe that there will soon be announcements of the construction of significant new cross-border transmission capacity. Not only is there potential for more pipelines, but soon we will be supplying the energy in natural gas to New England in the form of electricity. If it is true that environmental opposition makes new future high tension transmission lines doubtful in New England, then we can be sending environmentally friendly natural-gas-generated electricity to your energy-hungry consumers by undersea cable, invisible to land huggers like ourselves. The market opening policies of your Federal Energy Regulatory Commission are also making it likely that more and cheaper electricity will be flowing across the border from hydro producers in Newfoundland and Quebec, while bringing the forces of competition and change to previously closed electricity markets in all the provinces. In fact my Institute is holding a conference in a couple of weeks on a new bi-national dialogue within Atlantica about developing regional energy markets, and Curt Hebert, former chairman of FERC in Washington will be the keynote speaker.

Politics

We come now to the last of the three great themes I promised you that I would treat today: politics. And I suggested that politics was the force that threatened the great regional progress that both economics and technology could deliver to us.

Free trade is about specialisation, but it's also about other things. In particular, trade is about greater competition, which weakens the power of vested interests. It is about greater opportunity for millions rather than privileges for the few. That is why the vested interests will always try to use politics to frustrate competition and free trade, because these two forces move power into the hands of those who are most adept at satisfying consumers. These are not at all the same people as those who wield significant political power.

It is often said that people who believe in markets are conservatives, but this is quite wrong. There is no

more potent force for social change and progress than markets, that reward what you do and the value you create rather than who you are. Politics, on the other hand, is a profoundly conservative force, because it gives tremendous blocking power to established interests, and little or no weight to opportunities that have yet to be actualised.

The greatest obstacles to realising the dream of a highly integrated regional economy at the confluence of Europe and North America are political. NAFTA made the line through the heart of our region again chiefly a political one, but it is a political one with still significant economic effects, effects that we must now work together to remove.

For we can only realise the benefits I've outlined if, for example, some of New England's excellent banks can extend their activities into Atlantic Canada and Quebec, breaking the stranglehold of Canada's too-centralised banking system on our region. I want to see Jim Dowe active not just in Bangor and Lewiston-Auburn, but in Moncton and Halifax too.

It can only come if authorities on both sides of the border are willing to look at transport infrastructure as an integrated regional whole, rather than as the two tail ends of our respective national transport systems.

It can only come if we move beyond the tariff free movement of goods to a truly open market, in which non-tariff barriers to trade are removed, including the barriers to free movement of workers and services as well as goods.

It can only come if we demand that our political leaders complete the market opening actions they've started but not finished. NAFTA remains incomplete. We are trading water on negotiations for a free trade zone linking the EU and NAFTA — a zone that would tear down the transatlantic barriers that stand between us and opportunity. And in this election season it is clear that political forces hostile to freer trade are more powerful in the Washington political establishment than they have been for decades.

These goals were already ambitious in themselves, given the forces arrayed against them. It is clear, to me at least, that the political balance in Washington is less decisively in favour of free trade than at any time I can recall since the 1980s, certainly since the days when then Vice-President Al Gore vigorously defended free trade in a TV debate with Ross Perot. Look at the US farm bill or steel protectionism or the US attitude at the Doha trade round which has brought broad-based trade liberalisation virtually to a standstill.

And we have to add to those forces the devastating effects of 11 Sept. America already has a powerful isolationist streak – to that has now been added the concrete proof, to their eyes, that the world is a dangerous and dark place, and one where friends are few and far between. Americans have developed an admirable sense of solidarity in the wake of the attacks, but that solidarity comes at the price of considering everyone else a potential threat. This changes fundamentally the atmosphere that prevailed before 11 September for Canada-US relations and particularly the deepening of our economic relations. Where before all thoughts were turned to how to make the barriers at the border disappear, suddenly Americans are thinking of reinforcing the wall that separates them from the dark world to which I have already alluded.

11 September has driven home to Washington how the institutions of a free society can be turned into weapons to be used against them. Relatively open borders are one of those institutions.

That point is that 11 September has driven home to Washington and to all of you, I am sure, how the

institutions of a free society can be turned into weapons to be used against them. Relatively open borders is one of those institutions. Whether terrorists came in from Canada last time or not, the border is an area of vulnerability that Americans will manage in order to maximize their own security.

But if that means hours of delay for goods, services and people moving across the border, it will hurt us badly in both halves of Atlantica. If 300,000 trucks enter Maine from Canada every year, and each one of them is delayed for just an extra 20 minutes – we'll you do the math about the cumulative loss of economic efficiency and vitality that results. We've already talked about the impact on the immediate movement of goods, a matter with which this group is far more intimately familiar than I am. But of course every delay and border hassle doesn't just raise costs for existing businesses. It makes potential new investors question investing in Canada when access to our chief market may be subject to unpredictable political risk in the form of strict border controls.

Nationalists always present free trade with the US as a loss of Canadian sovereignty. What they forget is that the Americans have sovereignty too and can use it in ways that are deeply damaging to us. Free trade is often a delicate balancing of a loss of our own freedom of action in exchange for the Americans accepting the same.

It is, of course, right to say that the US benefits from open borders with Canada too, but Canadians are far too optimistic about what that means. Canadians can never afford to forget that our relationship is fundamentally an asymmetrical one. Yes, we are the US's largest trading partner (and the largest trading partner for 38 states, as I've already noted), but China and Mexico are growing more rapidly. More importantly, while we export 40% of our GDP (and 50% of our private sector production), and virtually the totality of that goes to the US, the US only exports about 11% of its GDP, and does so to a more diversified range of countries. It is extremely hard to get the US government even to focus on problems in the US-Canada relationship.

In my view my country's top challenge is to make absolutely clear to the Americans that we are a trustworthy partner who is ready to work with them to create a well-policed continental perimeter within which we can all feel as safe as possible. Then we can get on with the business of dismantling the barriers to the movement of goods and services between our two nations on which our mutual prosperity depends. This wall doesn't have to be loveable, just liveable.

Now the post-September 11th world presents us with both opportunities and challenges in this context. America may be the great commercial republic, but there is no doubt in my mind that in America today, security trumps trade and prosperity every time. That, of course, is the message of the creation of the Department of Homeland Security, the single biggest shake-up of the structure of Washington in several generations. Emblematic of the change is the fact that Customs, which I believe used to be under the Treasury, and was therefore primarily an agency preoccupied by trade and economics, is now under Homeland Security, an agency obsessed by security.

Of course many of us in Canada hope and believe that this represents an opportunity for us to move to a new stage of deepening and broadening our relationship, and indeed many of us, including your chairman and Canada's former ambassador to the US, Allan Gottlieb, have spoken of the idea of a new Grand Bargain, a NAFTA plus, in which we would trade better and closer security ties for improved access to US markets, including even, perhaps, almost free movement of people.

But how do we make such a huge and abstract project concrete? By breaking it into smaller pieces,

because the huge and complex relationship we're building has many facets, hues and moods, depending on where and when you look at it.

That is the purpose of our Atlantica project at AIMS: to begin to build the intellectual capital in the form of an understanding of the shared region that straddles the border and the common interests its residents have in deepening that relationship. It is already happening, as in the examples of Joe Boardman, the NY Transportation Commissioner, the Mineta proposal and the natural gas pipeline that now ties our region together

But what does this mean in concrete terms? What models have we got to look at here in Atlantica in terms of deeper cross-border integration and co-operation, the continental perimeter and all the other issues we are hearing discussed all around us every day?

As cross-border contacts increase, local officials, in partnership with business interests, community-based and other relevant groups, play increasingly significant roles in the ongoing discussions about and the making and implementation of policies that affect their lives. While in most instances such participation is locally-generated and privately funded, in at least one instance, the EU, supranational institutions provide much of the funding. In another, very notable instance, the Pacific Northwest (Cascadia), a remarkably well-organized public-private effort has been able to count on funding from state, local, and U.S. federal funds to pursue its objective of adapting national policies to the region's unique requirements and opportunities. In all instances, however, two weaknesses have become obvious.

1. The lack of an effective means for border communities to build their capacity to strike local cross-border coalitions and articulate their interests; and
2. The lack of a formal mechanism for communities to convey their interests to the appropriate central government policy-making bodies in a manner that guarantees a fair hearing.

Central governments need to create — and regions like Atlantica need to demand — regular and systematic opportunities for local interests to be brought into the decision-making process about issues that affect them. The U.S.-Canada and most other borders we have studied are undergoing enormous—and extremely fast-paced—social and economic transformations. In light of such transformations, the public sector at the capital city may be the least well-equipped entity to shape and manage such changes effectively. Our capital cities in both Canada and the US are far away from the borders and think about issues, and set priorities, in ways that often militate against giving localities the space and flexibility they need to set and pursue their own priorities—even when this is done within the legal framework of national government policies.

Central governments typically view borders as "zones of conflict and exclusion" and use symbols and language that reinforce that imagery. Such views, however, often contrast sharply with the views of localities, which view the border as places of commercial, social and cultural interchange with a part of an often single community that just happens to be in a foreign political jurisdiction.

Central governments typically think of their responsibilities toward borders within the framework of "reasons of state." Such thinking, especially when "security" concerns enter the mix, reinforces the tendency of bureaucracies to make decisions unilaterally and thus ignore local dynamics and preferences.

Border controls should be seen as a means to an end, rather than as the ultimate policy goal portrayed in political rhetoric. Put differently, the end goal of inspection and enforcement efforts at the border should be the management of the border to a level of effectiveness that can prepare the ground for the serious

conversation about how best to accomplish each neighbour's principal public policy priorities.

So where is Atlantica, or Our Shared Region, or the International Northeast Trade Corridor in all this?

I don't want to minimize what has already been accomplished politically in this region. We have been by far the most aggressive border region in terms of cross-border regional organizations; the Pacific Northwest and other areas have modelled their arrangements after ours. The Council of New England Governors and Eastern Canadian Premiers goes back nearly 30 years and the Gulf of Maine Council on the Marine Environment goes back more than 10.

In general, regional co-operation in New England and Eastern Canada has been pretty high on issues like energy development, acid rain, the environment, and transport. These areas have been those where common interests were strongest. On other issues, like trade and fisheries, where there have been significant conflicts, there has been relatively little co-operation. But as I tried to show when we looked at the maps I put up, part of the problem with the co-operation that has taken place is that it is often based on the political fiction of "New England being a coherent region in any sense. I believe that it is not, and that when we strive for regional coherence and include Connecticut and Rhode Island and even the Boston area, they are not at all in the same circumstance, nor do they have the same goals. I believe that regional coherence and efficiency will only be achieved when we think coherently about what the relevant region is.

What I want to underline in closing, ladies and gentlemen, is that political co-operation and action largely follows the growth of economic activity. In other words, it is the people in this room, and the forces that you represent, that will lead the drive for tearing down the barriers that still divide us. If you wait until politicians want to take the initiative before trying to build cross-border relations, you'll be waiting a very long time indeed. I'm convinced that it is as cross-border links increase, as the ties that bind us get denser, then the need for dealing with common problems increases. But the politicians will only follow where you lead. When they sense that there is an understanding in the public's mind that the benefits of tearing down these familiar old barriers outweigh the costs, then they will do so.

But to return to my main theme this evening, we must *not* be satisfied with seeking a tiny share of what is already going on. We must not just see what *is*. We must see what can be, what *we* can create that adds value to our society and those we deal with around the world.

Our future and our comparative advantage lies in exploiting the geographic gifts that God has bestowed upon us unbidden, and the marriage of the new and traditional knowledge that we have accumulated through history and our own hard work. We have an historic opportunity as a region to make a quantum leap into a distinctive economic vocation that draws on all our natural strengths and talents, a vocation that puts us **near** the centre of not merely the greatest bilateral trading relationship in the world, but at the intersection of that and the 40% of all world trade that takes place between NAFTA and the EU. If we can derive from that only a fraction of what New York and its hinterland have done, we will have done something truly remarkable for ourselves and our children. And that doesn't even begin to touch on the opportunity created by oil and gas and electricity.

But we have to work to make it happen. It will not occur simply because it can. And the people in this room are vital to this effort, because it is, as I've already remarked, when the ties exist on the ground that we can get the attention of politicians to liberalise trade relations, open the border, remove non-tariff and other barriers to trade and generally get out of the way so that we can do what we do so well.

Thank you ladies and gentlemen

Appendix

How to create a "perimeter border" around North America:

Here are some preliminary steps we should consider as part of pursuing and deepening the project of keeping the border while reducing its impact on our lives, and especially its impact on our ever more intimate degree of economic integration. This is what a continental perimeter border might look like, according to Demetrios Papademetriou of the Carnegie Endowment for International Peace:

Each border inspection agency (the interests of between one and two dozen federal, state, and local agencies are represented in most major border crossings) should be required to analyze each one of the functions it performs at the border and asked to do three things. First, answer the question whether each of the functions can be done only at the border. Second, study and evaluate the costs and benefits to doing that function at the border versus doing it elsewhere. Third, answer the question whether any of its functions could be performed by the inspector of a sister agency. (An advisory citizens' panel could review each agency's report for responsiveness to the mandate.)

For instance, what if the Customs Service re-deployed its resources to doing many of its inspections and collecting all applicable duties at the point where the cargo is loaded in North America and employed available technology to seal the container(s) and transfer all the relevant information about the cargo electronically to any other inspection point?

What if Customs were then to employ a "risk management" methodology for performing its inspection functions and in return re-deployed some of its newly "released" personnel to joint investigative task-forces with agencies from either side of the border designed to uncover violations of various types?

What if all inspections and the collection of tariffs for all of the NAFTA partners were done either by one partner on behalf of the others or jointly—but always once—at the first point in which a cargo from a non-NAFTA country enters NAFTA space?

What if the remaining border customs inspections were done also once—by either national customs service—so as to accommodate staffing, physical infrastructure, and topographical idiosyncrasies? (Isolated instances of "sharing" are already in place but they have proven to be politically very difficult.)

What if the existing systems of customs brokers and private bondsmen were utilized to an even greater extent and were given even greater power and responsibility—and, by extension, penalized more severely for failures of either omission or commission? And what if it was thus the private sector that grew to accommodate the growth in demand, rather than the public sector agencies whose growth depends so

completely on the finances and priorities of the national governments?

What if the private sector were to be relied upon more consequentially in areas ranging from technology to the building of better infrastructure wherever it is needed (through liberalized public-private partnerships and pay-as-you-go projects).

What if the Immigration Service were to move in the same direction as Customs, that is, did all third country (non-NAFTA) immigration controls at an individual's first point of entry into NAFTA space? (Pre-clearance technology and intelligence cooperation in many instances is already significant enough to expect that this method can be accelerated without any significant loss of control.)

What if Canada and the United States, initially, were to agree to a common visa regime for the widest band of countries each country could accommodate and exercised much greater care in the issuance of visas for the citizens of countries about which visa free entry could not be agreed to by the other country?

What if Canada and the United States agreed to gradually liberalize the movement of each other's nationals? Considering the special treatment that each has offered to the other's professionals, businesspersons, investors, etc. under the NAFTA, and in view of the extraordinary—and increasing—degree to which the two economies and their associated labor markets are integrated, formalizing any remaining movement may be a relatively small step to take. It might be instructive to note in this regard, however, that despite having reached absolute freedom of movement, intra-EU migration by EU citizens is miniscule. It stands at about 7 million persons or about 20 percent of Europe's foreign-born population, most of whom emigrated prior to the EU freedom of movement provisions coming into effect. (Concerns about the potential exploitation by the nationals of one country of another country's more generous social support systems can be addressed in a variety of ways, including the EU's method of a foreigner continuing to be protected by the social protection mechanisms of the country of origin for the first three months after "relocation." One might also be required to leave the country to which he or she has moved to unless (s)he has found a job within a specified period of time or has his or her own means of support.)