

# "One region, two futures"

**Text of remarks by Brian Lee Crowley, President,  
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Ladies and Gentlemen,

Thank you for the kind invitation to be here with you today.

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 New England, Atlantic Canada and Quebec. And while I am going to take a moment and talk with you about the past and the border that have divided us, I will take 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 19<sup>th</sup> 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 19<sup>th</sup> C. New Englander named Sam Slick.

The Maritimes and Quebec maintained strong trading ties with New England. 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 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 remain 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, a billion dollars worth of trade every single day of the year. 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 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, 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.

So 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 New England, Quebec and Atlantic Canada has some very distinct advantages. 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.

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 the point of interchange 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.

## Energy

Then there is the region's future as an energy giant. The St. Lawrence basin is one of the continent's last great hydrocarbon basins, and both natural gas and petroleum are flowing in prodigious quantities today from the very few holes that have now been brought into production. Based on the boom in natural gas alone in the Nova Scotia offshore, we can safely assume that the population of metro Halifax will rise by between 100,000 and 300,000 in the next ten years. We've already got the fastest growing city and the 2<sup>nd</sup> hottest housing market in Canada, and full employment in the city core.

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 5 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. 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.

## Complementarity

The complementarity of the parts of our region reaches far beyond this. As the hot economies in the south of New England find their costs rising and labour in ever shorter supply, the relatively less developed and lower cost areas in Northern New England and Eastern Canada will be able to relieve much of the pressure. In many ways, the northern part of the region is the solution to the southern part of the region's problems and vice-versa. The north has surplus labour, the south a labour shortage, and this is only one example of many.

## Technology

I mentioned that technology is one of the forces pushing us toward a brighter regional future, and I've already mentioned post-Panamax shipping and offshore oil and gas technology as two examples of that, but let me stop and talk just briefly about technology more generally.

When people get all starry-eyed about technology in general, I get deeply suspicious, because there is no such thing as technology in the abstract. "Technology" is always the solution of specific problems through the application of scientific knowledge.

The problems that are to be solved in a high tech defence lab in Boston are not the problems that have to

be solved in places such as Northern Maine or Eastern Quebec or Western Newfoundland. But the problems to be solved there are just as challenging in their own way, and just as productive of powerful and profitable technological innovation. This brings us back to our theme of specialisation.

People who think that technology means that anybody can work at anything anywhere in the world and have the same chances of success are just dreaming. If that were the case, there would be no Silicon Valley, no City of London, no Wall Street, no Route 128 in Boston. In fact, geographic clusters of mutually reinforcing economic activity are the rule, not the exception.

That doesn't exclude our region from its place in the technological sun, it just means that we're most likely to make our mark in areas where we can marry our traditional expertise to the latest technologies. Just a few examples of how we are doing this all around the region:

The high-tech sawmill in Chipman NB

The luxury boat building industry in NS (including high tech masts based on carbon fibre cores)

the international engineering expertise Quebec has created based on the knowledge acquired in exploiting their province's massive hydroelectric resources.

## 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.

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.

Now 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 year 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.

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 outweighs the costs, then they will do so.

An example of some of the attitudes we must work to change is to be found in the Maine East-West Highway Study, published last year. Now please don't misunderstand me. I thought this study was a careful thoughtful piece of work, but I also thought that its strategic orientation was weak. Clearly the report saw the economy of this whole region, what my friend Michael MacDonald of the Greater Halifax Partnership calls the North East Atlantic Region, or NEAR, as essentially static. Growth will be small and incremental. The report looks west, to Ontario, as the central driver for the Canadian economy, and indirectly for Northern Maine. Finally, it sees trade across the border essentially in

outmoded mercantilist terms. Canada has a trade surplus with Maine, and it's clear that this is seen as a Bad Thing, as opposed to a normal and natural part of the interactions between different parts of our economy.

This notion that trade deficits are a bad thing is really quite outmoded. Take an example from everyday life. You run a trade deficit every week with your local grocer, because you go in and buy your groceries and leave him a pile of money, whereas he probably doesn't buy very much from you. But what people forget is that you don't leave that transaction empty handed – you get the groceries you wanted for the week. By definition both parties are made better off by that transaction. If you didn't prefer having the groceries to having the money, you wouldn't have bought them, and the grocer wouldn't have sold them to you if he didn't prefer the money to the food.

But to return to the main theme, I'm here to tell you that Northern New England's economic future does not lie chiefly in getting a share of Ontario's action, because this is not where the comparative advantage of this region lies. We don't want to be in the queue behind Michigan and Ohio and Indiana. And I can tell you after 125 years experience, that waiting for Godot is infinitely more satisfying than waiting for Ontario to rescue you from the economic doldrums.

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.

But sometimes, you know, this can seem lonely work, Can individual businesses actually make a difference in the face of myriad political barriers that still divide us? In this regard, let me tell you a story that may be known to some of you in this room, but that I only learned recently as a result of my research for this talk.

All of you know the story of Paul Revere, and how in just one night he was able to spread the word that the British were marching on Lexington in an effort to seize the colonists' arms that were stockpiled there. By rousing the populace north of Boston, Revere was instrumental in bringing about the armed confrontation the next day that precipitated the shot heard round the world and the creation, among other things, of that political line that still divides us.

What you may not know is that Paul Revere had a counterpart — a tanner named William Dawes — who rode to notify the communities to the west of Boston, taking a different route to Lexington.

According to one author,

"he was carrying the identical message, through just as many towns over just as many miles as Paul Revere. But Dawes ride didn't set the countryside afire. The local militia leaders weren't alerted. In fact, so few men from one of the main towns that he rode through — Waltham— fought the following day that some historians concluded that Waltham was strongly pro-British. It wasn't. They just didn't find out the British were coming until it was too late."

Two men, one message, one historical opportunity. We remember Paul Revere because he had the personal talents and drive and knowledge to make people pay attention to him and to make his message not merely heard but understood.

Had there been two William Dawes, the border we are struggling to make irrelevant might not even have been created in the first place. What we need now is for each of us to take the personal responsibility that Paul Revere accepted, the responsibility to spread the message that a different future awaits us, a future of greater prosperity, opportunity and freedom, but only if we are bold enough to seize it.

Thank you ladies and gentlemen