



**BILLIONS OF DOLLARS A DAY.** That's what changes hands in a 24-hour period along the Canada-U.S. border, making it the largest trading block in the world. But instead of trade getting smoother as time goes on, the last three years have seen the Americans take a step back. Not only is it now more difficult for people to get across the border, but stricter security measures slow the flow of goods and services as well.

If your closest neighbour suddenly put up a new fence and hid the welcome mat, you'd probably take the hint and stay home. But not the Atlantic Institute for Market Studies. The Halifax-based think tank believes there's no time like the present to increase Canuck presence in the great U.S. of A.

For several years now, AIMS representatives have been criss-crossing the Canada-U.S. border getting support for its regionalization project: Atlantica. Their vision is to create an economic cooperative between the Atlantic provinces and Quebec in Canada (not including Labrador or anything north of the St. Lawrence River in Quebec), and the northern New England states of America. This region is at the crossroads of the three major shipping routes in the world: the Canada-U.S. border; the NAFTA-EU exchange that equals about 40 per cent of global trade; and, the Asia-Suez Canal-Northeastern North America route, which handles seven per cent of all seaborne trade.

Atlantica should be booming. But because of federal policies in both Canada and the U.S. that favour central and western interests, Atlantica members share the burdens of sparse populations connected by inferior transportation links, high unemployment, struggling economies and dissatisfaction with their roles on the national scene.

Brian Lee Crowley, president of AIMS, says he's been taken aback by the enthusiastic response to the Atlantica project. "The Atlantic Provinces Chamber of Commerce has made Atlantica among its top three priorities." South of the border, the Governor of Maine, the

Transportation Minister of upstate New York, and senators of Maine, New York, New Hampshire and Vermont are among those who have come onside with AIMS, Crowley adds.

At least one person in Maine shared AIMS's vision of Atlantica even before he heard of it. In the late 1990s, Tim Woodcock, an international trade lawyer currently with the firm Eaton Peabody, was the mayor of Bangor. During that time, a newly built highway connecting central Maine to the Atlantic provinces and upstate New York made him and local business leaders see what a natural trading region they were in, comparable to but on a smaller scale to well-established border regions such as the Windsor-Detroit corridor.

What AIMS calls Atlantica, Woodcock called the International Northeast and his group started actively promoting it. "We had pretty wide support in Maine from business people and local media at the time," Woodcock recalls, adding that their concept was well received in New Brunswick and upstate New York, too. He says that the fundamental question smaller economies must ask themselves is: Are we competing with each other or with other regions of the country? That's when the need for regionalization becomes clear.

In our globalized society, communities with poor transportation links suffer higher costs of getting their goods to market. "One of the things that holds us back is that our local economies are so small," Crowley explains. What AIMS is proposing with Atlantica is a "hub-and-spoke" economy where Halifax would be the hub of northeastern North America

for all major shipments from around the world (Halifax being the only port east of Montreal able to handle the largest container ships). From Halifax, goods would be distributed to the lucrative U.S. markets over the highway or via 'short sea shipping,' which Crowley calls an innovation that utilizes smaller, faster boats that can enter smaller ports. Short sea shipping would also provide a cheaper way to transport goods to and from the outer regions of Atlantica.

Based on our unique geography and the need for economic efficiency, it seems to make sense for these provinces and states to hook up. "There is a growing sense in this region (of Canada) that we have to have a greater presence in the United States," Crowley says. Perhaps, but there are questions regarding the timing and even the validity of the Atlantica proposal that must be considered.

AIMS believes that Canada and the U.S. could compromise on such issues as border control, tariffs and environmental policies. We did, after all, sign a Free Trade Agreement nearly two decades ago.

NAFTA, however, hasn't been all it could be for Canadians. Albertans can make assurances until the cows come home but Congress still won't lift the U.S. ban on beef imports; BC loggers can scream in the redwoods but the U.S. will never hear them; and all the sexy sealskin coats in Natural Resources Minister John Efford's closet will not convince Americans to import seal products.

These trade disagreements, some of which have been to court, have been going on for a few years. Scott Sinclair, senior research fellow at the Canadian

Centre for Policy Alternatives (and a Prince Edward Island resident), predicts the situation will only get worse. "The U.S. is running a record and unsustainable deficit. (July 2004 figures show the deficit running at a \$600 billion annual rate, equal to 5.5 per cent of U.S. GDP.) Over the coming years, there will inevitably be strong pressure to reduce the U.S. trade deficit, likely through a combination of protectionist measures and a falling U.S. dollar," he says. "This is hardly an opportune moment to bet Atlantic Canada's future on increased access to U.S. markets, as the Atlantica vision implies."

Sinclair expands on his doubts, saying, "The notion of Atlantica as a natural, cohesive region is far-fetched. Taken literally, it could cloud Atlantic Canadians' awareness of the importance of strong ties with other regions and particularly with the rest of Canada."

A 2004 forecast developed by Export Development Canada for Newfoundland and Labrador seems to support Sinclair's statements. Even though the United States accounted for 67 per cent of the province's export revenue in 2003,

business with Americans was down in two of its biggest sectors. Oil exports dropped 21 per cent as supplies were rerouted to Canadian markets and iron ore is gaining popularity in China but not in the U.S.. "During the last three years,

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(industrial goods) exports that traditionally favoured the U.S. market have shifted toward Europe and more recently toward Taiwan and China," the report says.

This trend is echoed in a September 2004 release by Statistics Canada. "While the United States remains Canada's dominant trading partner, the share of goods destined for south of the border has declined from a high of 85 per cent just two years ago to 81 per cent in July," the agency reported. On the other hand,

"exports to China have expanded by 58 per cent in the first seven months of 2004 compared with 2003."

Another foundation of Atlantica is the need for companies to specialize, to find their niche in the market and focus on

perfecting it. The way to hedge your bets, AIMS says, is to do what you do better than anyone else. It sounds like great advice, but you have to wonder if it's the right way to go when the rest of the world is looking to diversification for survival. Sinclair says that, "Too much specialization on specific products or markets creates vulnerability and risk."

Even if it isn't such a great idea for the region to put all its eggs in the one basket, Atlantica's other core concept (of having weaker regions work together towards

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prosperity) still has merit. Or does it? The strength in numbers theory sounds plausible, but as with the amalgamation of towns (or countries in the case of the European Union), there are always points of opposition.

Robert Roach is director of Research with Canada West Foundation, another policy think tank. He authored "Common Ground: The Case for Interprovincial Cooperation in Western Canada." While his end goal was to prove that regionalization is good for the local economy, his research revealed several concerns being raised by skeptics.

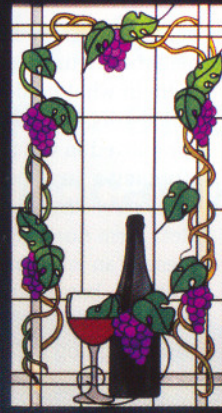
One criticism was that the business community should be focusing on nationalism before breaking off into regional blocks. Roach contends that regional cooperation can in fact strengthen national unity, an argument reinforced by the failures of the Agreement on Internal Trade signed by Canada and the provinces and territories in 1995. It was intended to tear down barriers to the flow of goods, services and people across interprovincial borders. Despite this accord for fairness, Newfoundland and Labrador, if it gets a new hydroelectricity development off the ground, can't export its power through Quebec (the most efficient route to hungry American markets) because of federal regulations against it. Following Roach's line of thinking, Canada would be a stronger country if the federal and provincial governments worked harder on internal free trade.

Another issue that surfaced in Roach's research was autonomy. While AIMS is talking about two countries adopting similar economic, environmental and security policies to blur the border, residents of Atlantica should be concerned about loss of control over their own territories. Roach describes this hypothetical scenario from his end of the country. "The idea here would be if Saskatchewan wants to put in place a subsidy for local manufacturers, it may not be free to do so if it goes against interprovincial trade agreements."

Which leads to this last point: It's fine for Atlantica partners to create mutually beneficial trade agreements, but what happens when they reach an impasse on an issue? Let's face it, Quebec aside, this region is not known for negotiating the best deals for itself. If we can't get Ottawa to give us a fair shake, what are our chances of getting the United States to compromise for us? •

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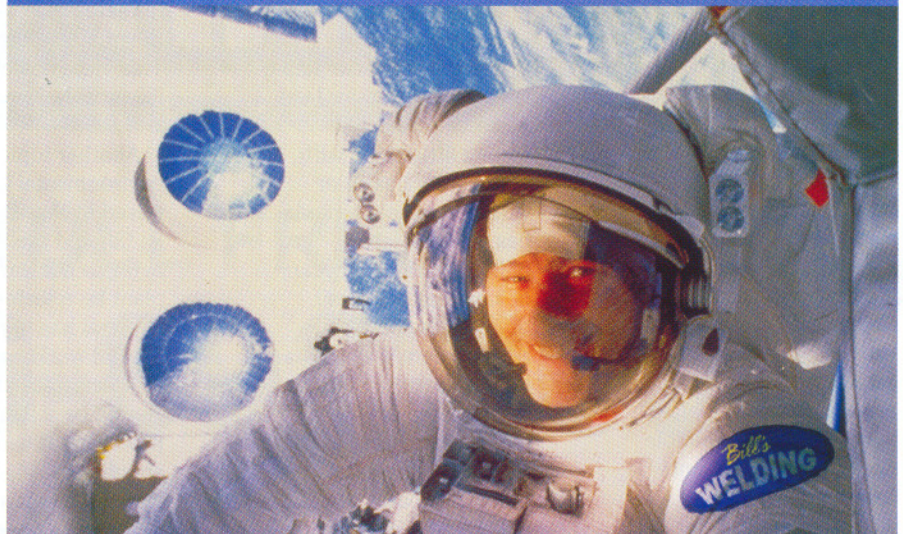
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