



Policy Research  
Initiative

Projet de recherche  
sur les politiques

**North American Linkages**

# **North American Integration The Emergence of Cross-Border Regions**

## **Roundtable Report**

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PRI-SSHRC Policy Research  
Roundtable

June 21-22, 2004

**Canada**

**Highlights from the Roundtable**  
**“North American Integration: The Emergence  
of Cross-Border Regions”**

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## Highlights from the Roundtable

### “North American Integration: The Emergence of Cross-Border Regions”

#### Key Messages

Some of the key messages from this event include:

- 1) Against a background of long-term international trends in the localization of economic activity, North American integration is having a significant and lasting impact on the organization of economic activity with regions, cross-border or otherwise, becoming central economic players and key engines of growth. This may suggest a new approach for regional development and industrial policies.
- 2) The emergence of cross-border regions is particularly perceptible in the institutional sphere, with the intensification of organizations, linkages, and cooperation mechanisms between Canadian and US regions adjacent to the border. This is altering significantly the policy environment of governments.
- 3) Cross-border regionalism in socio-cultural values is noticeable both at the adjacent and non-adjacent level, but national patterns suggest that Canada has maintained its socio-cultural sovereignty even after years of growing integration with the United States.
- 4) The Government of Canada must recognize the increasing role of sub-national governments in managing Canada-US relations. Experts and officials recommend conducting additional research to better understand the changing role of sub-national governments, and the emergence of economic and institutional linkages that straddle the Canada-US border.

#### The Context

On June 21 and 22, 2004, over 50 participants mostly from academia, think-tanks, and the Government of Canada met in Ottawa to discuss different aspects of the emergence of cross-border regions in Canada and the United States. This Roundtable was a joint initiative of the Social Sciences and Humanities Research Council (SSHRC) and the Policy Research Initiative (PRI). These roundtables encourage the sharing and exchange of information between experts from academia and those responsible for the development and design of federal policies and programs.

The Roundtable examined the economic (session 1), institutional (session 2), and socio-cultural (session 3) dimensions of deepening integration between Canada and the United States. The last session focused on the policy implications for the Government of Canada. Each session included multiple presentations and comments followed by a general

discussion with other experts. Several interesting points of convergence emerged across the three areas, and some issues were suggested as practical focal points to deepen the understanding of cross-border regionalism.

While we cannot do justice to the diversity of views and comments heard, the following summary presents the major issues covered by the presentations and discussions.

Jonathan Fried (Senior Foreign Policy Advisor to the Prime Minister and Head of the Canada-United States Secretariat at the Privy Council Office) was the keynote speaker at the dinner on June 21. He highlighted the extent of the broad and deepening interdependence (economic, infrastructure, energy, environment, and communication networks) between Canada and the United States, and discussed Canada's evolving role in North America. He emphasized that there are numerous issues that can be addressed incrementally in a relatively non-formal framework.

## **Prelude to a Roundtable Discussion – PRI North American Linkages Projects**

*André Downs* (Policy Research Initiative) highlighted the broad considerations that give life to this project (e.g., enhance access to the US market and maximize opportunities). He introduced the other two PRI projects on North American Linkages - Moving Toward a Customs Union and International Regulatory Co-operation. He stressed the multidisciplinary nature of the Cross-Border Regions project and highlighted three of its objectives: identify emerging economic trends, examine potential approaches that central governments should pursue to address sub-national dynamics, and delineate policy options that would ensure that Canada benefits from North American integration while preserving key Canadian socio-cultural values. He concluded by offering mid-course remarks on the effects of North American integration as well as policy initiatives that could be addressed to alleviate bottlenecks between both countries.

## **Session 1: Territorial Recomposition of Economic Activities and Cross-Border Regions**

*Luc-Normand Tellier* (Université du Québec à Montréal) presented projections of population, production, and per capita income for the 1998-2060 period at both the continental (12 regions in North America) and international levels. His projections suggest that Canada and the United States would see their world share of gross domestic product (GDP) and, to a lesser extent, population decline by 2060, while the Far East would emerge as the most dynamic region of the world. For example, he projects that by 2060, the GDP of the North American Free Trade Agreement (NAFTA) countries would be 50 percent of the Far East's GDP as compared to 114 percent in 2000. He found that the concentration of population and the localization of GDP production are increasingly dissociated, a result which Chris Berry and Pierre-Paul Proulx also find at the metropolitan level in North America, where the relationship between population growth and income growth is weakening.

He concluded that inside NAFTA, Mexico could gain what Canada loses. Relative per capita income is likely to rise compared with the rest of NAFTA in the West Central, Northwest Coast, Northeast Coast, and Southeast coast regions. Relative per capita income is likely to fall compared to the rest of the NAFTA regions in the St. Lawrence and Great Lakes regions, the Maritimes, the Prairies and the East Central regions. Pierre-Paul Proulx's analysis revealed similar findings.

*Chris Berry* (Harvard University) presented a model identifying key characteristics and drivers of urban growth in the United States during the 1990s. He found that population and income growth no longer go together, implying that cities do not need to grow big to grow wealthy. This suggests that policy-makers should focus less on size, aiming more for prosperity rather than population growth. He also concluded that there is no single path or formula for success as urban economies are highly differentiated. The factors that matter change and vary by city. He reported that the principal drivers of city income growth during the 1990-2000 period, in decreasing order of importance, were education (college degree), age (35-44), type of employment (professional jobs), sector (business services), education (high school degree), and exports. He observed, as did Pierre-Paul Proulx, that selective specialization is good for income growth. He concluded that an important focus for regional economic development should be to understand and build on the linkages between cities and their suburbs.

*Pierre-Paul Proulx* (Policy Research Initiative) looked at the process of territorial recomposition in North America with the primary objective of improving the competitive positioning of Canadian metro regions in North America and the western hemisphere. His analysis focused on growth in population, employment, real GDP, personal income, and average wage per job, at the state, provincial, and metropolitan levels.

His analysis revealed that Canadian provinces and regions as well as the Northeast, Mideast, Great Lakes, and Plains regions of the United States are characterized by slow population growth. American metro areas near the Canadian border are characterized by lower average wage per job growth, an indication that the movement to the South and West, and to non-urban areas of the manufacturing belt has had economic effects. Ontario is doing better than the Great Lakes region in terms of population growth, real GDP growth, and real GDP per capita growth, but less well in terms of employment growth, personal income growth, and personal income per capita growth. Dynamic metro areas are scattered throughout the continent. The performance of Seattle, Boston, Calgary, and New York in terms of growth in average wages per job, and of Madison, Calgary, Boston, and Omaha in terms of personal income per capita reveals that describing territorial changes as a movement to the South and West regions is not adequate.

The econometric analysis indicates that the West region of the United States outperformed, with few exceptions, Canadian as well as other US regions during the 1990s in terms of growth in population, employment, and average wages per job. However, the Canadian and other US regions outperformed the West in terms of growth in personal income per capita. Educational performance contributes positively to growth. Specialization in certain clusters (i.e., business service, financial services, and autos) had positive effects on metro performance, while specialization in others (i.e., chemical products) had negative effects.



*Mario Polèse* (INRS) discussed the long-term projections presented by Luc-Normand Tellier. He remained generally pessimistic for Canada noting that economic integration has created spatial polarization. He suggested that a regional strategy focusing exclusively on growth is counterproductive, as not all regions can have the level of growth experienced in the Southern United States. He stressed the importance of exploiting regional strengths by going beyond the growth paradigm.

*Richard Roy's* (Industry Canada) remarks focused both on wealth generation and economic growth. He stressed that the declining border effect, which remains an impediment to Canada-US economic relations, highlights the importance of public policies to trade integration. He indicated that a community-based approach is necessary but not sufficient to sustain growth. The development of macro-economic policies or framework conditions is also important to favor prosperity. He highlighted the importance of transborder clusters by discussing outsourcing as a key factor of economic integration and the performance levels of Canadian regions.

The discussion was then turned over to the other experts and government officials. The first set of questions discussed methods to benchmark cities, including which indicators should be used. An approach that combines social and economic indicators was suggested.

The discussion then moved on to the relationship between education and income growth. Some participants questioned the impact of graduate studies and specialization on the latter. Experts recognized that the rate of return on graduate studies was generally lower than that on bachelor or professional degrees, and added that no formal tests were conducted as part of the analysis presented.

One individual queried where federal equalization payments should be reinvested in light of long-term income and population projections.

## **Session 2: Cross-Border Regionalism and Province-State Partnerships**

*Jeff Heynen* (Canada School of Public Service) indicated that political attention has been diverted from the new bilateral Canada-US vision. He outlined the extraordinary range of linkages between both countries at multiple levels. It is important to deepen the understanding of the networks of public service co-operation between Canada and the United States to provide the best advice to the actors involved in these relationships. He stressed that many of the relationships take place “beneath the surface,” particularly among states and provinces. Every province is involved, and they all use numerous channels and instruments to form linkages with states. Heynen concluded that it is essential to share information between the provinces and the Government of Canada and that Canada speak with one voice.

*Brian Lee Crowley* (Atlantic Institute for Market Studies) noted that in the past, the Atlantic provinces were more closely associated with the northeastern states than they are today.

However, he emphasized that the border has prevented the development of the most natural and efficient links between those provinces and many of the states. Today, several regions on both sides of the border are economically distressed. Yet, another perspective on the region could place it at the heart of major world trade corridors between North America and the rest of the world. He stressed, nonetheless, that there is no political will to link the region properly with the continent through adequate transportation networks, such as by road, rail, air, and sea. It is urgent to adopt another approach that views “Atlantica” as an integrated region, a central player in the world economy, and a hub of international trade routes.

*Susan E. Clarke* (University of Colorado at Boulder) argued that spatial transformations, shifts to the new economy, and transformations to the state are some of the trends and conditions shaping cross-border co-operation. She concluded that layering is more likely than dramatic institutional changes. Coalition/network and rule-setting governance strategies must be taken into account to understand North American initiatives. Compared to European initiatives, the North American experience is characterized by the absence of overarching policy and by asymmetry, as US initiative is often key in forming cross-border linkages. In addition, the tendency to co-operate to compete, as well as the important role played by non-state actors and alliances, also sets North America apart. The institutionalization is uneven along the border, and there are multiple and diverse cross-border co-ordinators or intermediaries. In the future, instead of coherent broad-based trans-border regimes, sector-specific regional regimes, as have developed for transportation and environment issues in Cascadia (Pacific Northwest), are likely. She stressed that new forms of transnational governance arrangements across the border do not imply that formal political structures and relations are irrelevant. The role of the state may be changed at its margin but not at its core. She suggested that governments clarify values to be promoted in cross-border linkages, steer and encourage development, and manage and integrate networks.

*Jean-François Abgrall* (Consultant for Policy Research Initiative) noted that numerous organizations have been created between provinces and states for cross-border co-operation. The organizations form a layer of networks involving multiple actors that deal with a variety of issues. Most of them are in areas under partial or full jurisdiction of the provinces; however, there are signs that they could eventually wander into domains like international affairs. He indicated that the web of cross-border organizations presents both opportunities and challenges for the Government of Canada. The sharing of information at the regional level will reduce the cost of doing business. It also offers the possibility for Canada to better inform the decentralized US political system. Tackling technical issues at the regional level is usually less costly and leads to better solutions. He also stressed the need to harmonize the responses from different regions. The development of synergies will benefit the regional economies, but a complex system of regional relations may also complicate the tasks of central management. Listing more advantages than problems, he recommended that cross-border co-operation be monitored closely and encouraged by the Government of Canada.

*George Haynal* (Bombardier) emphasized that cross-border co-operation exists where there is complicity and compatibility. When there is no compatibility, as in health care, there is no co-operation. But co-operation between Canada and the United States is normal, because both nations share common roots. He indicated that the institutions are not driven by the

United States, and Canadian provinces joined them to influence their positions. He highlighted a number of questions that warrant further attention, such as better understanding of cross-border co-operation and its underlying dynamism.

*Daniel Schwanen* (Institute for Research on Public Policy) indicated that cross-border regions can influence the process of integration. However, Canadian regions have different interests, and their associations with US states do not change the nature of the issues. The role of the national government should be to identify areas where there could be some synergies. In fact, he recommended that all agencies/departments contribute to the development of synergies.

*Gerard Boychuk* (University of Waterloo) noted that the emergence of cross-border organizations raises a number of questions. For example, what problems are being solved by these organizations, or more generally, should experts from academia and the Government of Canada be concerned by these organizations? Problems may arise given that these political organizations may have a life of their own and could go beyond national agendas.

*John McDougall* (University of Western Ontario) emphasized that the asymmetry is mainly due to the greater capacity (financial and otherwise) of the United States. The management of provincial-federal relations could become more difficult for Canada, as cross-border co-operation is a very complex phenomenon. Inter-corporate linkages are an important factor that should be integrated in the analysis. These linkages help to reinforce the stability of the Canadian business community, which essentially wants smooth operations at the border.

The first part of the discussion focused on both the opportunities and limits of cross-border organizations and regions. Those who saw opportunities highlighted the strategic use of alliances. Canadian elected officials and US governors will have more influence vis-à-vis Congress if they form alliances on common issues. Others emphasized the importance of regional knowledge and the capacity to act and to provide better information at the cross-border level. Those who refer to limits or challenges indicated that these organizations would eventually compete with each other and with their national government, thereby establishing the rules for a more complicated world of negotiations between jurisdictions.

The second part of the discussion further elaborated on the role and nature of these organizations. One participant indicated the necessity of defining current and possible achievements of these organizations as well as their operating rules. Another predicted that these organizations would “emerge from below” making the control of and, to a lesser extent, involvement of national governments challenging.

### **Session 3: Cross-Border Regions and the Reconfiguration of Values and Cultural Space**

*Frank Graves* (EKOS) presented his public opinion research on North American integration. He demonstrated that North Americans see each other in positive terms, although Mexico remains burdened by certain images of poverty. Canadians and Mexicans based their perception of each other on low-knowledge bases. He presented results showing that the general sense of “Americanization” has historically been high in Canada, but started to

decline in 2004. He links the decline to key national divergence over both the Kyoto protocol and the war in Iraq. He detected no backlash in US public opinion over the Canadian position in Iraq, despite Canadian impressions that the relationship with their southern neighbour would be damaged. He showed that there is a strong and growing consensus in favour of free trade in the three countries, despite other data indicating that the general public increasingly define themselves in national terms, support strong borders, and are more reluctant to favour labour mobility. He presented data indicating that the public perception of economic outlook is more optimistic in Canada than in the United States or Mexico.

*Jennifer Welsh* (Oxford University) discussed the limits and opportunities of a North American citizenship, and highlighted the importance of envisioning the North American relationship in trilateral terms. She argued that the absence of a North American community through the establishment of common goods and a common set of expectations would create a “legitimacy gap.” She identified two lessons from the European Union: the role of common identity in fostering citizenship (arguing that national identities did not melt into a more homogenized form of identification) and the problem of the so-called “democratic deficit.” She stressed that citizenship in Europe heavily depends on the welfare state. She highlighted two important considerations for public policy-makers. First, neither the “values convergence test” nor a continental sense of identity is the only route into a citizenship regime for North America. Second, integration cannot be neatly divided into economic and political terms, as market pressure can contribute to political convergence. She argued that interdependence and interconnection are necessary, but not sufficient conditions for the establishment of community. Shared norms and common goals are required. She concluded that the security and post-911 environment may offer an impetus to think about citizenship in North America, although, in general, she remains skeptical.

*Laura Macdonald* (Carleton University) indicated that recent proposals put forward to deepen North American integration ignore civil society, which may in part explain the failure of the recent talks of the Free Trade Area of the Americas and the World Trade Organization. She highlighted the linkages between cross-border regions and civil society by indicating that the interrelation among labour, women, farmers, and others has become an important driver of “globalization from below.” Civil society groups are increasingly included in decision making by international organizations to legitimate the process and because of their lobbying power and expertise. She highlighted particular factors of change favouring a more constructive dialogue between civil society and proponents of deeper integration. These include the democratization of Mexico and President Fox’s proposals to deepen integration; the increasing number of cross-border ties among civil organizations from below; and the new proposals – not just by the Mexican government, but also by corporate organizations and conservative think-tanks – for deepening integration. This latter strategy may create an opening for discussion of social citizenship rights at the regional level.

*Christian Boucher* (Policy Research Initiative) presented his research conducted through the World Value Surveys on Canada-US values. He concluded that Canadian and American values did not converge between 1981 and 2000, even after a period of growing interdependence in numerous areas, such as trade, foreign direct investment, transport, energy, and the environment. He reminded the audience that ascertaining whether Canadian and American values converge or diverge is a complex exercise. For instance, divergence

patterns at the national level may hide convergence patterns at the sub-national level. He explored a few hypotheses as to why socio-cultural values did not converge. These included the “myth” that economic forces would lead to convergence of values; that there are higher similarities among trans-border business elite than the general public; that Canadian citizens and public elite apply a protective shield over “Americanization”; that there is a so-called border effect protecting citizens within national boundaries; and, finally, that there is “value stickiness,” or the socialization hypothesis, suggesting that once values are formed they are durable. He concluded that, in general, free trade was not as detrimental to socio-cultural sovereignty in Canada as critics had feared in 1988. He ended by raising the question of whether Canada-US value differences can be taken for granted. To answer this question, he offered the example of Canadian or US regions that are almost perfectly integrated with little or no barriers to the movement of people, goods, services, capital, and investment, yet did not become facsimiles, even after years of integration.

*Neil Nevitte* (University of Toronto) recommended more work on why Canadian and American values are not converging given that theories suggest otherwise (e.g., Karl Deutsch). He suggested the development of a theory explaining this puzzling trend and highlighted the complexity of asking the seemingly simple question of whether value convergence or divergence exists. Does aggregate stability mean no change? More disaggregated results can reveal important movement at the individual level. How similar or different are Canada-US values in a global context? Which country is converging toward the other, and which country represents an outlier? He stressed the complexity of interpreting data that produce conflicting tests depending on the level of aggregation retained.

*Bill Watson* (McGill University) questioned whether Canadian feelings toward integration with the United States are cyclical, noting that Canada may have been more integrated in the past (i.e., more so in the 1850s and much less so in the 1950s). He questioned the dynamics that shape values and acknowledged the difficulty in isolating individual effects on broad notions, such as economic integration. He discussed a quiz he conducted in Canada, the United States, France, and Germany on national icons. The results indicated that a group of US personalities were well-known in the four tested countries, but most non-US personalities were known only in their domestic context. He concluded that while there is a common US experience, the local experience has nevertheless survived globalization. He ended by adding that Canadians should go beyond a debate that narcissistically focuses on small differences.

*Hubert Lussier* (Canadian Heritage) noted that for a public servant in the cultural field the conclusions on Canada-US value differences can be seen as reassuring. He stressed the fact that there are probably more similarities than differences between the two nations. He argued that there is a poor connection between protecting cultural products through institutions, and protecting socio-cultural value differences between Canada and the United States. Cultural programs may play a role in national identity, but are probably not a key determinant.

The discussion focused on the finding that continental economic integration did not lead to values convergence. This finding did not surprise some participants, who argued that these two notions are unconnected. Others suggested conducting further analysis with the

objective of developing a better theoretical and operational understanding of why values did not converge given that most theories predicted they would.

Specific recommendations were made to the authors on the papers presented. Among others, suggestions were made to study both the effects of economic integration on values and the effects of values on economics, as well as to develop a better understanding of the regional dimension of value convergence and economic integration.

The discussion closed on the issue of public support for trilateralism. Public opinion data suggested that a strong majority of Canadians, Americans, and Mexicans support trade liberalization among their countries.

## **Session 4: Cross-Border Regionalism and Challenges for the Government of Canada**

*John Hellinwell* (University of British Columbia/Bank of Canada), presenting on cross-border regionalism, was not surprised that increased trade linkages following NAFTA have not led to Canada-US value convergence. He argued that the effects of national borders and the distance between the two countries worked against that convergence. He concluded with policy recommendations for the Government of Canada, stressing the importance for all three countries of North America to emphasize a global rather than a bilateral or regional relationship. A bilateral vision means losing on a trading level. He stated that data on well-being show convincingly that the policy agenda should focus on well-being indicators and not on narrow measures of income and productivity.

*Christopher Sands* (Center for Strategic and International Studies) discussed the recent changes in the Canada-US relationship. He explored the asymmetrical nature of the Canada-US agenda, referring to softwood lumber as the major issue for Canada while the war in Iraq was the major issue for the United States. He discussed the historical change in US perspectives. After WWII, the United States took for granted Canada's support for its foreign policy. In the aftermath of 9/11, however, Canada has come to represent fewer economic opportunities for the United States; it can be put on the same level as Denmark or the Netherlands, or compared to a state governor when the prime minister visits the US president. He concluded by enumerating the three Ds (decentralization, diffusion, and domestication) to highlight the desire of Washington to decentralize the decision-making process at the regional level for issues that conflict for both countries.

*William Robson* (C.D. Howe Institute) indicated that Canada should approach the United States with a security package. He emphasized the importance for Canada of having public goods on a North American scale. He highlighted the benefits of a multilateral approach, and indicated that Canada and the United States have to co-ordinate their investments. He discussed the "incremental" and "big bang" strategies, outlining the inherent challenges of both approaches. Maintaining internal unity when the stakes are high and favouring substantial initial investment are some of the challenges to be faced.

*Louis Balthazar* (Université Laval) indicated that the special relationship between Canada and the United States has always remained. No other country in the world is as integrated with another country as are these two nations. He supported cross-border initiatives developed at the provincial level, such as the linkages that Premier Charest developed with the northern states. He stressed the importance for the premiers to maintain good relations with state governors and of better co-ordination at federal and provincial levels on Canada-US relations and foreign affairs. He was puzzled that speakers at the Roundtable emphasized value differences between Canada and the United States when a sizeable group of the Canadian electorate shows conservative values.

*Keith Christie* (Privy Council Office) indicated that federal-provincial-municipal relations on Canada-US issues require more collaborative linkages. He mentioned information sharing, consultation, co-ordination with the United States, joint strategies, and co-ordinated advocacy as the main areas requiring progress. He acknowledged the significance of the challenge by stating that the jurisdictional culture is the main barrier to success.

The first part of the discussion focused on the perception that the United States has of Canada, which sparked some vigorous debates. This was followed by a discussion of the importance of cross-border regions and the necessity for studying them further. Experts on cross-border regions stressed the broad dimensions of these regions, which go beyond borders, and reminded the audience that more research is required to assess whether they can play a significant role in Canada-US relations.

Papers and presentations are available upon request.