

# Building a strong, sustainable economy in the Great Lakes and St. Lawrence Region



In spite of the image of the region as a declining rustbelt, the Great Lakes-St. Lawrence Region remains a dynamic economic region with an abundance of opportunity. The region accounts for roughly **50 percent of total Canada-U.S. cross-border trade** and approximately one third of total Canada-U.S. two-way trade with the world. With a population of 107 million and a **GDP of USD \$5.8 trillion**, if taken as a separate economic unit, the region would be the third largest economy in the world after the United States and China, supporting some **50 million jobs**, or roughly a third of the combined American and Canadian workforce.

The region is home to leading research universities, colleges, and educational institutes that are critical for talent development and retention. **19 of the top 100 universities** in the world are Great Lakes institutions. Combined, the region produced **47% of university graduates** in both countries (2010). Academic institutions in the GLSLR collaborate with a large-scale private sector research sector. In 2011, the region accounted for nearly **24.1% and 72.1% of R&D funding** in the U.S. and Canada respectively. The region also generated **26.2% and 68% of patents** in the U.S. and Canada (2012).

However, with the ebb and flow of globalization, the region's relative strength with respect to labour-intensive **manufacturing has been softening** at every level as output shifts to developing and emerging economies and

technology enables even greater participation in these markets. The regional has also been challenged by productivity shortfalls and demographic headwinds. On the other hand, the **services industry is growing**, from financial services and health care, to education and professional services.

The economy of this vital trade corridor and global gateway to world markets, as a result, appears to be undergoing a **slow but substantial economic reconfiguration**. With the global marketplace becoming even more connected, more competitive and more complex, the force of **hyper-globalization is redefining the region's contours even further - and faster**.

## The Challenge

Boosting the competitive edge of the Great Lakes and St. Lawrence Region and ensuring its long-term success in a world of **rapid global change** presents numerous challenges for business leaders and policy-makers, which are being amplified by technological innovations that are **revolutionizing every sector**.

For example, with the global flow of goods, services, people and capital increasing to record levels and the exchange of information and knowledge becoming virtually instantaneous, to compete in the next economy, we **require new ways of unleashing our potential** by:



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- Freeing up the border while identifying potential threats;
- Advancing the deployment of big data, analytics and cognitive computing to accelerate our ability to understand wicked problems like climate change.
- Leveraging commercial supply networks and value chains within and across traded industries;
- Harnessing our energy resources and systems as we shift to a low carbon economy;
- Developing, attracting and retaining talent; and,
- Optimizing the performance of our transportation network so that we can move more people and trade.

## Proposal

To respond, the region, representing the largest and most dynamic of the cross-border economic regions between Canada-United States, must develop a **stronger and more dynamic culture of collaboration** in harnessing the region's comparative economic advantages and projecting its strengths in an open economy.

Specifically, the region, comprised of two provinces (Ontario and Quebec), eight states (Illinois, Indiana, Minnesota, Michigan, New York, Ohio, Pennsylvania, and Wisconsin), needs a **shared economic vision and strategy** that will catapult it ahead in the global economy; a strategy that will act as a unifying force between government, business and academia in **positioning the region to compete and win** in the digital economy, or fourth industrial revolution.

The Council strongly recommends that the federal government continue to implement and renew the **Beyond the Border and Regulatory Cooperation Action Plans**. Both initiatives, devised in partnership with major sectors and stakeholder groups in the region, are important mechanisms for identifying new ways of speeding up the movement of people and goods across the border and reducing the cost and operational burden associated with complying with modest differences in regulatory practices within a number of sectors on either side of the border.

The Council stands ready to assist the government in refocusing the moribund Ontario-Quebec Gateway Initiative in partnership with other public-private sector stakeholders. As part of this effort, critical **trade enabling investments** should also be considered to expand Great Lakes ice-breaking capacity, dredge harbours, and renew transportation infrastructure, such as new land ports of entry, bridges, roads, and locks along the Seaway.

The Council believes there are important opportunities **to modernize Via Rail Canada's passenger rail service** in the Quebec-Windsor corridor that would have a material impact on not only the speed and quality of service in this corridor and the reduction of greenhouse gas emissions from the transportation sector, but also potential linkages to Amtrak's service corridors in the United States.



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As part of its push to develop policies and programs that support and enable **smart, scalable industries**, the government of Canada should continue making sizeable investments in innovation and science with other partners to support the development of groundbreaking disruptive technologies in the life science, energy, transportation, water and financial services sector, as well as their commercialization and deployment globally. This will help position the Great Lakes-St. Lawrence Region as world leader in the R&D and attract foreign direct investment. At the same time, we need to fully explore the application of big data, analytics and cognitive computing through efforts like the Council's Great Lakes 4.0 that is underdevelopment. This multistakeholder initiative aims to accelerate insights into how we optimize the performance of sectors in the region while generating new knowledge in tackling a number of global problems – climate change, food security, logistics, etc.

Over 70% percent of Canada's manufacturing base is located in the Great Lakes-St. Lawrence Region. This sector is undergoing an important transition from labour-intensive manufacturing to technology-intensive production, which requires fewer workers to produce the same output. Therefore, to aid this transition, the federal government should support skills development and lifelong learning while employers seek to adopt of value-creating technologies. In an open, digital economy, the government should also consider providing **relief for small, medium and large-scale manufacturers** who buy

inputs online for their operations by significantly increasing the *de minimus* threshold above which customs and duties are applied to these purchases. Currently the threshold is set at \$20. This change would not impact on the Canadian retail sector.

The Great Lakes could become a more popular **overnight passenger cruising** ground for small to medium-sized vessels if current restrictions were eased on the operation of foreign flagged cruise ships in this region. Restrictions imposed under the *Coasting Trade Act* on this category of vessel were no doubt designed to protect Canadian built and Canadian flagged overnight passenger cruise ships, but no such ship has sailed on the lakes since 1965. Therefore, the Council would like to propose the following amendments to the Act with respect to the treatment of foreign flag overnight passenger cruise ships on inland waters, which would modernize the act and generate greater economic benefits for Great Lakes ports of call:

- Removing customs duties of 25% for vessels less than 129 metres.
- Easing cabotage regulations for overnight passenger cruise ships on inland waters to better rationalize itineraries and site seeing opportunities.
- Reducing exceedingly high pilotage expenses for small to mid-sized cruise ship vessels.



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- Treating the operations of overnight passenger cruise ship on inland waters of Canada in the same fashion as coastal waters of Canada.
- Creating one site for customs and security inspection in Canada and the United States at the point of embarkation with data sharing capabilities between government border agencies.

Finally, there is **growing enthusiasm and support for the Council** from the public and private sectors and the conversations, analysis and insights, and awareness it is trying to seed, including from Canada's Consulates in the Great Lakes-St. Lawrence Region. To this end, in light of the significance of this region to Canada's current and future competitiveness, similar to the government's support for the Asia-Pacific Foundation based in Vancouver ([www.asiapacific.ca/about-us/overview](http://www.asiapacific.ca/about-us/overview)), the Council is keen to establish a formal working partnership with the federal government through Global Affairs Canada and would like to negotiate a five-year, \$750,000 per year contribution agreement to support the Council's public policy research and other efforts in developing a **stronger culture and more dynamic culture of collaboration** in harnessing the region's economic strengths of this vital trade corridor and continental gateway to global markets.



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