Restoration, Transformation and Growth

A New Economic Agenda for the Great Lakes-St. Lawrence Region
## CONTENTS

Message from Mark Fisher, President CEO of CGLR ................................. 3
About CGLR and the Great Lakes Economic Forum (GLEF) .......................... 4
2015 Regional Economic Outlook .................................................................. 6
Key Discussion Topics .................................................................................. 7

1. Advanced Manufacturing  
2. Infrastructure Modernization  
3. Workforce Development  
4. Energy  
5. Multi-Modal Logistics  
6. Regulatory Cooperation  
7. Border Management  
8. Blue Economy  
9. Economic Clusters

Conclusion ...................................................................................................... 34
Message from Mark Fisher, President and CEO

From April 26-28, 2015, the Council of the Great Lakes Region (CGLR) hosted its first Great Lakes Economic Forum in Chicago, Illinois. The idea behind the event was simple: create a space where business, government, legislative, academic and non-governmental leaders from around the Great Lakes-St. Lawrence Region could come together each year to share ideas in shaping regional economic policy, boosting the region’s competitive edge, and securing its long-term success.

Collectively, the presentations and cross-cutting panel discussions, which were punctuated by keynote addresses by the Governor General of Canada, the Governor of Illinois, the Mayor of Chicago, the United States and Canadian Ambassadors, and the Administrator of the Saint Lawrence Seaway Development Corporation, served to remind us that our success as a bi-national economic region is built on a long tradition of hard work, discovery, ingenuity, perseverance, and renewal.

While there will always be a healthy level of competition between the eight American states and the two Canadian provinces that form this region, we were also reminded that in today’s borderless, knowledge-based, global economy, we will never be as strong apart as when we are working together in pursuing common economic goals.

In this regard, the discussions at the Forum, combined with the Vital Commons agenda prepared by the Mowat Centre for Public Policy Innovation at the University of Toronto and the Brookings Institute, begin to set the foundation of an ambitious but practical work plan for the region.

I welcome your feedback. More important, as CGLR begins to mobilize leaders on both sides of the border and across key sectors, we need your involvement in the insightful research projects, thought-provoking events, and targeted advocacy that will be carried out to drive this agenda forward.
COUNCIL OF THE GREAT LAKES REGION (CGLR)

Established in 2013, CGLR is an independent non-profit corporation that was created to think strategically about the Great Lakes-St. Lawrence Region as a bi-national economic region. It mobilizes business leaders, lawmakers, government executives and policy specialists, academia and advocates from NGOs in accelerating regional economic growth safely and sustainably. The Council achieves this mandate by building innovative partnerships, convening thought-provoking events that stimulate conversations and ideas, conducting insightful research and generating sensible policy solutions, and by providing impartial advice to governments and legislatures.

FROM PARTNERSHIP FLOWS PROSPERITY

The region’s prosperity is built on the strong, mutually beneficial partnership between the eight U.S. states and two Canadian provinces that compose it, and with the countries’ federal governments. And in today’s aggressively borderless climate of global business and trade, the two countries must seek ways to work together more effectively than ever—not only to maintain the strategic advantage of this shared economic powerhouse, but to capitalize on new and emerging opportunities. The Great Lakes Economic Forum, launched by CGLR in Chicago, Illinois, in 2015, was created to give influential decision makers and leaders from the public and private sector an opportunity to discuss the issues that are shaping the regional economy today and the challenges that must be overcome to ensure a bright outlook for tomorrow.
“This kind of vision and collaboration is exactly what we need in the Great Lakes region and in the overall relationship between our two countries. This council is a model and an inspiration…”

His Excellency The Right Honourable David Johnston
Governor General of Canada

“It is imperative that leaders from all sectors of the workforce around the Great Lakes Region continue to gather to exchange innovative opportunities and breakthrough research in order to keep us competitive and help ensure our economic vitality.”

The Honorable Bruce Rauner
Governor of Illinois

“The Council’s involved efforts in strengthening policies, promoting trade, and preserving our ecosystem across regional, state, and country lines stand as a model to the world.”

Rahm Emanuel
Mayor of Chicago
2015 Regional Economic Outlook

Great Lakes-St. Lawrence Region
NORTH AMERICA’S ECONOMIC ENGINE

The Great Lakes-St. Lawrence region is a vital driver of North American economic output, employment and trade, accounting for nearly a third of combined Canadian and U.S. output, jobs and exports. The region’s expansion is expected to accelerate in 2015 as manufacturing and exports in Ontario and Quebec get a boost from a weaker currency and firm U.S. demand, while U.S. states in the region see an ongoing housing recovery offset somewhat by the strong U.S. dollar. Additionally, the region will benefit from the steep slide in oil prices, as consumers receive an effective tax cut at the pump, and costs are reduced through the manufacturing supply chain. Still, some longer-term issues remain for the region’s economy. Labour costs are in focus as the factory sector seeks to remain competitive on the global stage, while policymakers are encouragingly working to keep finances in order, as well as facilitating cross-border trade flows.
Advanced Manufacturing

The Great Lakes-St. Lawrence Region is a highly integrated economy with immense human capital, world-class colleges and universities, and centers of research and innovation. These assets are supporting a shift in manufacturing, from traditional, low-tech businesses to advanced industries, such as aerospace, robotics, food processing, life sciences, plastics and composites, and fabricated metals.
President Obama’s Council of Advisors on Science and Technology defines advanced manufacturing as “a family of activities that (a) depend on the use of coordination of information, automation, computation, software, sensing and networking and/or (b) make use of cutting edge materials and emerging capabilities enabled by the physical and biological sciences, for example nanotechnology, chemistry, and biology.”

In short, advanced manufacturing entails a shift from production driven by labour to technology-intensive production, which requires fewer factory workers to produce the same output. Interestingly, however, while fewer plant workers are needed to complete certain tasks, clusters of advanced industries have generated more enterprise activity overall in sectors that are directly or indirectly dependent on manufacturing.

Advanced manufacturing jobs in a 21st century economy, therefore, will have fundamentally different characteristics than the jobs we have created in the post-war industrial economy. These new jobs will also be located in different places, as companies learn to make more things together as part of value chains while taking advantage of integrated supply chains.

What We Heard?

- We need to ask ourselves: “What will it take for this region to be the world center for advanced manufacturing?”
- Demographic changes are impacting firms’ ability to attract talent to manufacturing positions.
- We need to engage younger generations in manufacturing through creative initiatives to build interest in manufacturing.
- More education is needed about what opportunities are out there for young people entering the manufacturing sector. In other countries, companies seek talent directly out of high school the way a sports team drafts a new player.
- A key challenge is the perception that university training is superior to skilled trades.
- Strengths in manufacturing – information and communications technologies (ICT) and agriculture – will drive the region’s advanced manufacturing future.
- A core challenge facing the current supply chain is the fact that suppliers aren’t at the same level of technology/innovation/efficiency as manufacturers.
**RECOMMENDATIONS**

**Engage youth**

Organizations in the region, such as CGLR and the Great Lakes Manufacturing Council, working in partnership with other groups like the Ohio Jobs Council or the Ontario Council of Manufacturing Executives, should develop a regional youth engagement strategy focused on communicating to students the wide range of high-value work opportunities in the region’s manufacturing sector and the pathways to these jobs.

**Promote skills development**

While the onus is on workers to focus on lifelong learning, for the region to become a global leader in advanced manufacturing, government, industry, academic institutions and non-governmental organizations need to work more closely in the design and implementation of programs that seek to enhance worker skills in key industries.

**Encourage modernization in manufacturing**

One of the central challenges holding firms back from increased productivity and innovation in manufacturing, particularly in advanced manufacturing, has been the lack of knowledge surrounding investments in new machinery, equipment and technology, and limited application of advanced information technologies. Therefore, manufacturers in the region, under CGLR and/or the Great Lakes Manufacturing Council, should meet regularly - virtually or in person - to share best practices and discuss challenges and opportunities arising from new technologies.
Infrastructure Modernization

The McKinsey Global Institute estimated in its report, *Infrastructure Productivity: How to Save $1 Trillion a Year*, that keeping pace with projected global GDP growth will require an estimated $57 trillion in infrastructure investment before 2030 (or nearly 60% more than the $36 trillion spent over the past 18 years).
The GLSLR economy of today and the future requires significant investment in public and private infrastructure. The need for renewal applies to the wide range of physical assets in the region, from our waterways, roads, bridges, rail lines, airports and energy systems to our drinking water and wastewater facilities.

Steps are being taken in the region to invest in the critical corridors that support the movement of goods and people throughout the region. For example, a January 2015 survey by Martin Associates finds that a total of $7.1 billion is being invested in asset renewal and modernization of vessels, ports and terminals, and waterway infrastructure in the Great Lakes-St. Lawrence seaway navigation system.

Yet, like many parts of the United States and Canada, the GLSLR continues to face challenges with respect to building and renewing public infrastructure, particularly as governments at all levels struggle to keep pace with growing demands for improved infrastructure and better services at a time of increasing government debt and tighter controls on operating budgets. Compounding these challenges is the reality that traditional approaches to financing simply won’t cut it.

By giving the private sector a role alongside government in designing, building, financing, operating and maintaining public infrastructure through alternative financing and procurement (AFP) delivery models - or public-private partnerships (P3s) - we can harness private sector know-how, ingenuity and capital in eliminating the region’s infrastructure deficit and investment gap, providing we have the right rules and administrative structures in place to manage contracts between government and business.

What We Heard?

- The quality of information sharing pertaining to regional growth and infrastructure planning is uneven and mostly uncoordinated.
- The best candidates for P3s are large projects that require the diffusion of risk and on which cost reductions can be achieved.
- Governments need to be open to international competitors to get the best value for money.
- Education is key when it comes to showcasing best practices and projects, as well as dispelling myths associated with P3s.
**RECOMMENDATIONS**

**Improve growth planning and project prioritization**

Infrastructure serves the region in so many important ways, from moving people and goods and supplying our homes and business with power, to our hospitals and schools. In many cases, however, these vital public assets are in desperate need of repair. We also need new to build new assets as part of the region’s growth and revitalization and to fortify our competitive economic advantages. CGLR should establish and lead a working group to identify strategic infrastructure assets and needs in the region and develop project recommendations for policy-makers based on gaps in existing or planned infrastructure.

**Communicate best practices and lessons learned**

While the eight US states and the provinces of Ontario and Quebec share similar pressures with respect to infrastructure renewal, each jurisdiction has experienced different challenges and opportunities in using alternative financing and procurement models. Therefore, CGLR should study the use of public-private partnerships (P3s) in order identify best practices and lessons learned regarding the ‘How Tos’ of P3s. *(started)*
Workforce Development and Mobility

The quality of post-secondary education is one of our competitive strengths in the region, and yet many parts of the region suffer from skills shortages. Cross-border skills shortages and labor mobility issues, however, tend to be dismissed as immigration reform issues that are too large to tackle, but in reality a number of recognition and mobility barriers are not related to issues of immigration or citizenship.
There is immense human capital in the region ready to take advantage of opportunities in advanced manufacturing, other knowledge-based sectors of our economy, and skilled trades.

However, one of the major impediments to business growth is the shortage of skilled trades workers available for deployment when and where they are required, especially in sectors characterized by short-term deployments, such as construction, engineering, after-sales service, and information technology. In fact, employers report that shortages in skilled trades are the number one barrier to competitiveness today.

Other factors that are exacerbating the shortage in skilled trades in parts of the economy include the changing nature of work to shorter-term, project-oriented employment, an aging workforce, and the shift from traditional to advanced manufacturing.

Additionally, in order to build the advanced workforce of the future, it will be critical to support and invest in science, engineering, technology, and math, together with creative thinking and hands-on skills development, at all levels of learning.

What we heard?

- Canada will be looking to fill hundreds of thousands of skilled working positions in the next 10 to 15 years, and in the United States that number is in the millions.
- One challenge is that interest in dealing with skilled labour shortages at the firm level can wax and wane with economic cycles, but in order for the region to prosper, we need a sustained effort to address these challenges.
- The burden of training has shifted from industries to individuals and educational facilities, which has caused the cost of training to rise.
- Workers need to be better informed about job opportunities and vacancy rates both before and after training is completed.
- Temporary immigration systems have become a work around for moving people across the border.
- Our immigration systems do not support the needs of global businesses trying to capitalize on the global talent pool.
RECOMMENDATIONS

**Identify region-wide workforce mobility solutions**

Skilled workers and those in certified professions face a quagmire of different certification requirements to do the same job in the eight states and two provinces of the region. Further, crossing the border for work, whether for an hour or a year, is often avoided whenever possible because of entry challenges at the border; creating supply chain inefficiencies and diminishing regional competitiveness. Therefore, CGLR should work with partners in the region to analyze workforce needs in key industries and develop and launch a pilot program aimed at facilitating movement in high demand sectors. *(started)*
Energy

Canada and the United States enjoy the largest energy trade relationship in the world and Canada is the single largest foreign supplier of energy to the United States. Within this relationship, the Great Lakes – St. Lawrence Region is a strategic energy market and transit corridor for the North American economy in terms of production, distribution, and exploration of fossil fuels, nuclear power, and renewable energy.
The North American energy landscape has been transformed since 2008 with the development of vast shale oil and gas reserves in the United States and the continued expansion of oil sands production in Canada. These energy inputs are having a profound effect on industries from petrochemicals to steel manufacturing in both countries.

For example, in the United States, shale gas and shale oil development are boosting U.S. manufacturing through significant cost savings and job creation. Lower natural gas prices benefit manufacturing in two ways: both in direct use and indirectly when electricity generators pass on savings to industrial customers.

North America’s dependence on energy imports is also dwindling. As a result, the continent may one day be a net energy exporter.

Regional business and policy leaders will have to think seriously about how the region fits into this new continental energy market.

**What we heard**

- A lack of coherence in energy policies in the region will hold it back. There is a need for a regionally focused energy strategy.
- Abundant energy supply supports advanced manufacturing and other important sectors in the region.
- The region has clean energy assets but they are not being fully leveraged and there is room for increasing efficiency in cross-jurisdictional electricity trade.
- More education is needed as people are disconnected from how energy is produced and transported and how it is used in everyday life.
RECOMMENDATIONS

Profile Great Lakes Energy Markets
To fully capitalize on the North American energy renaissance and lead a continental shift to a low-carbon future, the Region needs a better baseline of information for governments and businesses in the region with respect to regional trade in fuel and electricity, infrastructure, planning, policies and regulation, which drive better performance, harmonization and integration in the Region. Therefore, CGLR should convene and lead an energy working group that would: share energy information and identify best practices between jurisdictions, map variations in state and provincial energy policies, promote integration across the region, discuss how best to manage existing infrastructure, encourage harmonization of clean energy policies and manage increased costs, and help position the region as a clean energy hub in North America.
Multi-Modal Logistics

The GLSLR is home to one of the world’s most inter-connected and integrated multi-modal systems, from the United States’ largest rail hub in Chicago to the vast network of airports, roads, pipelines, ports, and waterways that move not only people, but major commodities, such as coal, iron ore, agricultural and food products, and petroleum products.
The GLSLR transportation system ties every aspect of commerce together and connects the region not only to the North American marketplace, but to the rest of the world.

Serious constraints in the regional multi-modal system exist in the form of hard infrastructure constraints (e.g. congestion and age), as well as regulatory and operational issues that hinder the free movement of goods. In addition, the system is overtaxed by 'just in time' logistics.

While bottlenecks due to a lack of sufficient freight and passenger rail networks, airports, and seaport exist, there is untapped potential that could be optimizing the use of all-modes in the region and pursuing greater utilization of the region's air and water modes, both of which have excess capacity.

Jurisdictions with access to competitive transportation infrastructure and services, and who are able to fully optimize all modes, have a distinct strategic advantage in attracting investment, creating jobs and realizing economic growth.

**What we heard**

- People don’t understand the role logistics and multimodal supply chains play in their everyday lives.
- While new infrastructure is needed, also need to prioritize completing existing projects.
- A shift in mindset is needed to understand infrastructure challenges are not about cities competing with each other, but rather the region competing with the world.
RECOMMENDATIONS

Fully utilize the region’s transportation system

The Great Lakes-St. Lawrence Region is a vital continental and global gateway for the United States and Canada, and is the busiest trade corridor between both countries. In such a highly integrated economy, a transportation network should not be managed as if it were a set of individual components or parts. Making this mistake creates unnecessary competition between modes and supply chain inefficiencies.

CGLR, working with public and private sector partners in the region, should develop a regional transportation strategy. In addition, with the assistance of regional partners, CGLR should promote the critical role multimodal logistics play in our everyday lives.
Regulatory Cooperation

The United States and Canada have world-class regulatory systems, but differences between regulations have emerged as our integrated economies evolved independently. These differences increase costs in an integrated supply chain, raise the administrative burden on business, and hinder cross-border trade.
The bi-national Regulatory Cooperation Council (RCC) was introduced in tandem with the Beyond the Border initiative. It brought together federal regulators and businesses from both countries to make inspection and certification practices more efficient in 29 areas with a focus on four sectors: agriculture, transportation, health and personal care products, and the environment. The ultimate goal of this process is to reduce and eliminate duplicative and unnecessary regulatory requirements.

The experiment has yielded some successes in harmonizing regulations in areas such as dangerous goods, motor vehicle safety, and energy efficiency, but in other areas (e.g. preclearance, marine safety and environmental standards), progress has been slow. Stakeholders that are outside of the priority areas of the RCC are virtually unaware of its existence. This has caused groups like the Canadian Chamber of Commerce to call for a broader and more institutionalized approach to regulatory harmonization that would go beyond the RCC.

In August 2014, the Canadian and U.S. governments announced the next phase of the RCC, entailing a shift away from 29 specific initiative areas to department-level regulatory partnerships, solidified through a series of Regulatory Partnership Statements (effectively Memorandum of Understandings).

The RPSs that emerged as part of the Joint Forward Plan mandate that federal regulators meet regularly and agree to align standards and practices wherever possible. This should help to more deeply embed the practice of cooperation and increase access and awareness of stakeholders.

What we heard

- Regulatory alignment and harmonization is really about economic competitiveness.
- Regulatory cooperation is not a “sexy” issue and faces the challenge of maintaining sustained attention from policymakers.
- Canada and U.S. often have duplicative, not necessarily different, requirements that apply to products and cross-border supply chains.
Align Regulations
The Great Lakes-St. Lawrence Region is home to 50% of Canadian and 20% of American manufacturing. As a result, the region's businesses are subjected to a substantial amount of federal and state-provincial regulation. Differing standards at either level impact the ease of doing business in the region, and impacts the region’s ability to attract foreign companies and investment.

CGLR should create and lead a public-private sector working group to identify regulatory differences at the state-provincial, national and international level. The aim would be to make recommendations to governments and legislatures with respect to areas of potential alignment or harmonization.
Today, 38.1 million jobs in the U.S. depend on trade while one in five Canadian jobs is linked to exports. We are each other’s largest trading partners, with over $600 billion worth of two-way trade in goods and services in 2013. The Great Lakes-St. Lawrence Region’s contribution is staggering, representing over 50% of the total value of commercial exports and imports crossing the border between the two countries.
Aside from the significance of the GLSLR with respect to the volume and value of trade passing through this continental gateway, four out of the five busiest land crossings between the U.S. and Canada are located in Ontario, with more trade flowing between Windsor and Detroit than through any other border crossing in the world.

It is difficult to overstate the importance of free flowing goods and efficient border management for the GLSLR. The Government of Canada estimates “conservatively” that border management policies that thicken the border cost the Canadian economy $16 billion a year. A Fraser Institute report (2012) also makes a clear link between additional administration costs resulting from border security and crossing wait times and negative affects on bilateral trade.

The reduction of tariffs through the trade agreements of the 1980s and 1990s made a significant contribution to North American competitiveness.

Today, while big data analytics have helped to create risk assessment models to help customs officials target likely offenders and make most crossings faster and more routine, we need to find ways to eliminate, as far as possible, border-related transaction costs so that we can function as a truly integrated market in a borderless global economy.

**What we heard**

- We need to get out of the mindset that security and facilitating the movement of goods and people are at odds with each other.

- Discussions about mobility often get lost in broader immigration debates, making it difficult to make meaningful progress on moving employees across the border.

- The GLSLR can be used as a laboratory to test pilot programs than can then be scaled to the national level.
RECOMMENDATIONS

**Promote Next Generation Border Policies**

Over $2 billion worth of goods and services cross the United States-Canada border daily, but the border still creates a barrier that cuts through the regional economy. The GLSLR can act as an incubator to test solutions that can be applied at the national level. For example, the Government of Canada and the United States should consider implementing a NEXUS plus program for priority corridors in the region (e.g., Ontario/Michigan) to further simplify the moment of trusted traders and travellers.

**Expand Information Sharing**

Important progress has been made concerning the sharing of information between federal entities that have a border mandate. However, in order to achieve a seamless border, the governments of Canada and the United States must continue to identify the legal frameworks that will permit, with proper privacy controls, even more information sharing using modern technology and state-of-the-art methods for securing data.

**Streamline Border Enforcement and Facilitation**

Between the United States and Canada there are a growing number of federal entities that have some kind of enforcement or trade facilitation role at the border, which unnecessarily thickens the border. Single window initiatives would help alleviate some of the problems created by having to interact with multiple departments and/or agencies. This said, the United States Government and Canada should consider ways of reducing or consolidating the number of entities responsible for the export/import of goods or the entry/exit of people at the border, as well as the rules that govern their activities, in order to simplify and speed up enforcement and trade facilitation.
Blue Economy

Water, water, everywhere! The Great Lakes, which contain about 21 percent of the world’s and 84 percent of North America’s surface fresh water, form the largest group of freshwater lakes on earth. But, as large as they are, it is estimated that only one percent of the waters of the Great Lakes are renewed annually by precipitation, run-off and groundwater. A delicate balance must be struck between the protection of this vital resource and the need to keep growing the economy.
The development of a “blue economy” epitomizes the triple bottom line for the GLSLR: people, profit, and planet. Effective stewardship of the lakes is critical to protect not only the region’s natural spaces and the outdoor lifestyles of its citizens, but also our future prosperity. The lakes have always been the foundation of the region’s industrial economy and will be at the center of global trade for decades to come. In fact, every industry in the region today is part of the blue economy as water is required in one way or another for every economic activity.

The blue economy focuses on sustainable usage of shared resources. This principle is key to the larger restoration economy that we envision for the GLSLR — one in which our physical, social and cultural assets are preserved and where the legacies of past success become the seeds for future prosperity through the development of new green technologies and the export of services in areas like remediation, environmental engineering, and sustainable land use planning.

As illustrated at the Great Lakes-St. Lawrence Region Summit in 2011, nascent blue economy initiatives exist throughout the region, such as in Milwaukee, Cleveland, southwestern Ontario and many parts of Michigan, but they are not well networked with each other. As indicated in 2011, this sector needs to reach its full potential to attract investors, showcase its products, and tap into global networks.

What we heard

• The economic vitality of the region is inextricably linked to the quality of our water. Water quality legislation, and water pricing to address scarcity, will help push continued improvement in water quality.

• Water needs to be priced effectively and in the region, the current price does not reflect the value of water, only delivery and treatment, etc.

• Existing utilities are maxed out and new utilities are needed to ease the pressure.

• Innovative technologies, such as pipe leakage sensors that allow for pinpoint accuracy, have tremendous cost-savings potential for municipalities.

• Being a leader in the blue economy requires keeping the talent and youth in the region to advance the work.

• There is a massive global market for water technologies and GLSLR companies need to plug into those markets.
RECOMMENDATIONS

Promote cluster collaboration

Water technology clusters, like those in Milwaukee, Cleveland and southwestern Ontario, are only just beginning to understand each other’s work. As a result, CGLR should establish a public-private sector working group on the blue economy to push for increased cooperation between the Region’s water clusters and harmonization, such as with respect to water quality testing procedures amongst the states and provinces.

Become a world leader in the Blue Economy

Building on the Milwaukee’s successful annual Water Summit and Ontario’s Global Water Leadership Summit in 2011, CGLR should work with partners in the region to launch a biannual Blue Economy Expo and Summit to bring together world innovators, entrepreneurs, funders, researchers, urban planners, policy-makers, etc. to exchange ideas and research, foster collaboration and accelerate projects and investments.

Promote the restoration economy

As in many sectors, there is a shortage of skilled workers in environmental services in the Region’s restoration economy, or more specifically, those with knowledge of cutting-edge water technologies. Therefore, CGLR, working with partners throughout the Region, should promote the restoration economy and training programs that exist to develop skilled workers in this area.

Enhance awareness of water issues

Even though the Region has a large number of lakes and rivers, people’s understanding of the importance of water and water infrastructure is still very low. As a result, CGLR could play a useful role, working with other partners in the region, in increasing public awareness.
Economic Clusters and Corridors

Over the last decade, we have witnessed the development of unique innovation clusters within the region’s metropolitan areas, from life sciences and aerospace to robotics and food. A number of distinct trade corridors and crossings also exist, such as Detroit-Windsor, Buffalo-Niagara, and Port Huron-Sarnia. There are many advantages to doing business within these corridors and clusters.
The GLSLR gateway, which is defined by well-established trade corridors, provides a critical link to continental and global markets. Over the last decade, we have witnessed the development of clusters of innovation within the region’s metropolitan areas, from life sciences and aerospace to ICT and automotive.

An industry cluster is “a group of firms and related economic actors and institutions that are located near one another and that draw productive advantage from their mutual proximity and connections.” Clusters are a key organizational unit for understanding and improving the performance of regional economies.

Clusters break the rules of vertical integration where a firm performs all necessary functions in-house, and as Michael Porter argues, the existence of a cluster may go unrecognized.

Clusters are important for regions because they generate wealth, exports, jobs, and information. Firms gravitate towards clusters because they provide economies of scale, productivity advantages, marketing, and other competitive advantages. The economies of scale that come from clusters reduce costs, expand pools of shared labour and expertise, and create positive synergies that spill over from one successful enterprise to the next.

The value of clusters lies in the potential for entire value chains to be situated within clusters which are increasingly extending across the border: manufacturing, research, suppliers, distributors, academic institutions, support services, and so forth. This creates efficiency and spillover benefits and has the greatest potential for sustainability.

What we heard

- The border creates barriers to the formation of clusters in the region.
- We are missing a mental connection with the region: a boundary exists at the border on either side that does not correspond with our economic activity, movement of goods and people, or shared cultural ties.
- The Region should sell itself to the world as a bi-national region with many assets rather than as separate entities that divide the assets.
- The best, most efficient clusters are the ones that grow organically and reflect industry needs.
- In clusters it is no longer a matter of companies competing with other companies, rather, companies now compete with entire economic ecosystems.
- We need livable cities to support clusters: places that are affordable, livable, and make bright graduates want to stay in the region.
**RECOMMENDATIONS**

**Showcase regional economic clusters**

While most economic clusters grow organically, industries can be unaware of the existence and benefits of clusters. Improving collaboration within and between clusters as well as branding the Region demands a knowledge of the shifting landscape of clusters within the Region. Earlier research on clusters in the region has been conducted by the Brookings Institute, the Institute for Competitiveness and Prosperity at the University of Toronto and the Institute for Strategy and Competitiveness at the Harvard Business School. Building on this work, CGLR should lead a project to update the map of key regional clusters as part of developing a strategy to market the region abroad. The identification of the clusters will provide a basis for working groups in key areas to advance cluster development and initiatives to forge linkages and enhance supply chain relationships within the region.
CONCLUSION

The Great Lakes - St. Lawrence Region has a wealth of assets including integrated transportation infrastructure, diverse ecosystems, innovative capacity and pools of talented workers. The region has taken a monumental step into the future as a distinct, unified sub-region, but much more work needs to be done in order to build the region together, move goods together, and innovate together.

The first annual Great Lakes Economic Forum was an opportunity for regional stakeholders to come together, discuss cross-cutting issues, and propose ideas for practical solutions. CGLR listened and the ideas generated at the Forum help inform a practical and feasible work plan.

Previous research by the Brookings Institution and the Mowat Centre also provide the building blocks of CGLR’s vision and work. Combining this foundational work with the ideas generated at the Forum, CGLR has an ambitious forward economic agenda for the region.

The barriers to our future prosperity are real, and growing policy fragmentation hinders the region’s ability to capitalize on new and emerging opportunities.

CGLR seeks to facilitate communication and consensus on economic and environmental issues facing the region so that we can can restore, transform and grow the region’s bi-national economy sustainably.

We welcome your input and advice on any of the action items outlined in this report.
ENDNOTES


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The Economist, “Clustering - The phenomenon whereby firms from the same industry gather together in close proximity,” (August 2009).  


THREE SIMPLE WAYS TO REMAIN ENGAGED

>> Become a member
In addition to having a say in the direction of the Council at each Annual General Meeting, membership is an easy way for you or your organization to participate in member-driven, issue focused working groups, research projects and advocacy campaigns that shape economic and environmental public policy, boost the region’s competitive edge, and secure its long-term success in a borderless climate of global trade, investment and mobility.

>> Sponsor an event
Throughout the year the Council hosts a number of distinct events in the region – from the Great Lakes Economic Forum to more intimate policy roundtables and other speaking engagements such as luncheons – to raise awareness, share knowledge and facilitate new relationships. We have sponsorship opportunities designed to meet every budget and marketing objective.

>> Fund public policy research
Through its applied research, CGLR engages in research projects with other organizations and commissions collaborative research from leading institutions on both sides of the border, with a focus on stimulating regional economic growth and protecting our environment. The aim of this work is to inform public conversations and debate. More importantly, our goal is to develop relevant and timely policy solutions and region-wide strategies for critical issues facing the region.
THANK YOU TO OUR SPONSORS!