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## **Québec-New York Trade Corridors Initiatives**

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## Québec-New York Trade Corridors Initiatives

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### Background

The concept of a binational Quebec-New York area is a natural development of the rapid increase in Canada-US exchange, especially since the drafting of NAFTA. Several joint Canadian-American trade corridor organizations have sprung up along the border in the last decade. One of the major concerns of these corridors is to ensure their position within the larger NAFTA market. It was for similar reasons that, just over three years ago, businesses and governments got involved in the creation of a Quebec-New York economic corridor.

### Creation of the Quebec-New York Corridor

In the fall of 2001, business people from Quebec and New York State agreed to pursue closer cooperation in order to increase the economic development of the region. This cooperation took the form of an agreement between the Federation of Quebec Chambers of Commerce and the Plattsburgh-North Country Chamber of Commerce. At the same time, the Quebec and New York governments agreed to establish regular relations in areas of common interest.

*According to the agreement signed by the two chambers, «The Quebec-New York Corridor is a framework within which a proactive leadership consortium shall commit to the development of the full potential of our common economic region. The Corridor and its partners will maximize environmental, human and geographic resources, and promote commerce and industry throughout the corridor to serve a global marketplace. We will work together through collaboration, cooperation, mutual support and commitment to enable the Quebec-New York Corridor to operate as a true regional economy.»<sup>1</sup>*

At the beginning, the Champlain/Lacolle border station and the transportation infrastructure were the main focus of Corridor activities. But even at that time it was clear for both the business partners and the governments that eventually the relationship would expand to include a number of other matters. They

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<sup>1</sup> Agreement between the Fédération of the Québec Chambers of Commerce and the Plattsburgh-North Country Chamber of Commerce, December 2001.

identified no less than eight priority sectors: in addition to the border (the highest priority) and transportation, it includes tourism, sports, energy, telecommunications, the economy (promotion, technology) and labor. Both chambers had the chance to get support from the Quebec and NY Governments who chaired the first economic summit in May 2002. A Memorandum of Understanding has been signed by governments on the economy, transportation, science and technology, and tourism. Following this event, the Chambers of Commerce agreed to further pursue cross-border cooperation by creating five committees on transportation, technology, economic development (specifically to promote the Quebec-New York Corridor), tourism and sports and energy. The second economic summit should take place on May 13 in Montreal.

Besides this major event, the chambers took the leadership of two Border Summits, the first in October 2002 and the second in June 2003. The third one is planned for September 2004 in NY State.

We are particularly proud of the success we achieved in technology. Cooperation in technology is obviously an issue where the stakes are very high, and both sides share the objective of making the Quebec-NY Corridor a world-class cross-border gateway region for advanced technologies. Our Technology Committee has identified 7 priority sectors: nanotechnology, information highway, venture capital, optics/photonics, cyber-security, genomics and biotechnology. Two major agreements have been signed at the Technology Rendez-vous we held last Fall in Montreal. The first one involved NanoQuebec and AlbanyNanotech which are now involved in a cooperative agreement intended to promote exchanges that will link the two sides of the border. One main activity planned for in the agreement consists of joint workshops to be held alternately in Quebec and NY State.

Both partners are also supporting universities and research centres to set up collaborative research projects. The agreement contains provisions for other areas of cooperation designed to make the Quebec-NY Corridor a world leader in nanotechnology.

The second agreement deals with the information highway. On the Quebec side, the province's scientific information network (RISQ) is a powerful, solidly structured system that connects major teaching and research institutions. On the NY side, NYSERNET has developed a similar network, but currently covering only the southern reaches of its territory. The Adirondack-Champlain community Network (ACCN), a group in Northeastern NY State, is now looking for a way to be served by an ultra-high-speed network. In this

context, RISQ and ACCN have come to an agreement that would guarantee interconnectivity between Quebec and Northeastern NY State. RISQ and NYSERNET also agreed to cooperate on linking the two networks.

The Technology Rendez-vous has been an occasion for launching the Institute on Quebec Studies by the Plattsburgh State University of NY. The Institute will promote Quebec in the US by creating through its academic faculty and business-oriented programs a comprehensive understanding of Quebec's historical north-south dynamic with the economic, cultural and political spheres. The Institute was launched in March 2004. The Quebec business community is very proud to be associated with this initiative.

We are working to achieve more agreements in technology. The next one will concern venture capital. The agreement should help make the Quebec-NY Corridor a major financial and commercial hub for advanced technology.

Both chambers are also very active regarding tourism and international sports events. One of the major priorities is to highlight Quebec and New York's convergence and complementarity in terms of sport tourism, sporting excellence development and sporting event organization. Our goal is to find out how Quebec and New York sporting organizations can cooperate in order to develop and bring to the forefront a multi-year activity plan that would benefit the sport in these two regions and that would lead to the binational organization of major international sporting events.

The development of the Lake-Champlain-Richelieu River and Montreal Corridor is another priority. A working group has been assembled including numerous partners on both sides of the border. The aim is to propose cross border activities and events to be realised in short and long term. More and more partners are joining this cross border working group.

The progress made by both chambers in only two years in technology, tourism and international sports events, reflects the potential of cooperation within the Quebec-NY economic Corridor. Energy will be our next target.

As you see, this region is an impressive economic power, and it's up to us to strengthen our position in a changing economic context. In fact, Quebec-New York Corridor has everything it takes to continue as a major North American center for investment and innovation. But growth will not come of its own accord. One of the primary conditions is to ensure that the border is not an obstacle to growing trade. Our border and transportation committee worked very hard not only to improve the facilities at the Champlain/Lacolle border but also to accelerate the implementation of programs (like FAST and NEXUS) aiming at making the border crossing easier and safer.

### **New Challenges for the Quebec-NY Corridor**

The Quebec-New York Corridor is a very old one. In fact, it is the older in the Canadian-US history. It is hardly surprising that the New York State is still today Quebec's first trade partner in the United States. The success of NAFTA shown us how vital is the North-South trade for the border regions. For example, in 2002, exports to the NY State totalled \$8.6 billion, 15.1 % of all Quebec exports to the US, and 30 % of all Canadian exports to NY State. Imports from the NY State were \$2.2 billion, 8.4 % of all Quebec imports originating from the US, and 15.2 % of Canadian imports coming from the NY State.

But the context is changing: the rapid development of the southern and western areas of NAFTA increase competitions, and obliges the Quebec-NY Corridor to redouble its efforts to remain a highly competitive area for North American and foreign investors.

The events of 9/11 have increased the need to strengthen the position of the Quebec-NY Corridor. Security has become a central issue that must be harmonized with efficient transportation of both goods and passengers. The Quebec-NY Corridor is part of the larger area of Northeastern North America that played an important role in the development of the continental economy. First as a port of entry for business with Europe and then as a major manufacturing, service and innovation powerhouse, the Northeast long held the position of trade leader for the entire continent.

We are in a paradoxical situation. On one hand, Canada and the United States have one of the largest bilateral trading relationships in the world. On the other hand, the security constraints at the border are incompatible with such levels of trade. Could this lead to a situation in which Quebec's trade outside of its

NAFTA partners is larger than that within NAFTA? That would be unproductive for our whole common economic area.

This challenge is facing the entire Canada-US border region. All these regions are reviewing their strategies to reinforce their positioning in a market whose center of gravity is moving inexorably south and west. The North American Free Trade Agreement has transformed the North American market, particularly through the rapid growth of major hubs in the South and West. This trend raises the urgent question: how can our Northeastern cross-border region continue to expand in a market that is involved in a change of such magnitude?

There are over 15 trade corridor organisations along the Canadian-American border. By and large these have been formed by business communities to encourage the rapid expansion of trade between our two countries. Their emergence is just a reflection of the growing predominance of North-South alignments in the greater NAFTA market. All these groups are seeking the same goal: to improve their position in the new North-South geography of North America.

Five conclusions may be drawn from the short history of the Quebec-New York Corridor:

- 1) The business community may be more effective than governments because of their proactiveness and initiative. However, business needs governments since they make it easier to conclude agreements.
- 2) Security is definitely a constraint but should be integrated in the border management. However, security should absolutely be compatible with efficiency.
- 3) Local and sectoral actions have a large role to play in cross-border cooperation, especially when the times come to harmonise certain policy aspects. There is also a better reaction in times of crisis.
- 4) The current border management doesn't reflect the high level of trade and cooperation between the two countries.
- 5) On long term, smart border initiatives like NEXUS and FAST programs can improve the border management and make it more compatible with the level of trade.