

# regional economic union

procurement policy (that is, policy with respect to government purchases of goods and services), liquor control boards (the Moosehead beer being unavailable in other provinces immediately comes to mind) and provincial regulations. Barriers to the mobility of labour at the national level (for example, portability of the unemployment insurance benefits) and high provincial rules such as the licensing of professions. Capital mobility can be impeded through restrictions on in-province investment (a recent example is the Crown Life to Saskatchewan) and restrictions on Crown corporations who may receive tax breaks. It is obvious that we are all affected by the existence of these interprovincial barriers to trade. The question remains: what are the advantages of removing these barriers? The most obvious way that removing barriers in the economy are that prices will be lower for goods and services where barriers are removed. It is clearly a benefit to consumers and producers of these goods and services in their production. Second, because barriers to trade typically result in a mis-allocation of resources, they cause inefficiency in the economy. Therefore, their elimination will result in a higher regional output and employment in the region. Finally, the Maritime provinces in an economic consort will have more power than they do individually (although this power is still

limited).

On a theoretical level, then, there can be little doubt that the elimination of interprovincial barriers to trade can reduce costs to firms and prices to consumers. But, how much of the economy and, in particular the Maritime economy, is influenced by these barriers in practice. The Government of Canada (1991) in its recent constitutional proposals suggest that for all of Canada, the costs are in the neighbourhood of 1.5 percent of GNP (from the Macdonald Commission) or \$6 billion (from the Canadian Manufacturers' Association). These numbers are relatively small and, for the Maritime provinces, would be even smaller. However, there are sectors that can be particularly affected. Above, mention was made of Moosehead beer but other important sectors to be affected include transportation, energy and the public sector.

The Maritime provinces have attempted economic co-operation in the past. Two examples will highlight the problems associated with the goal of coordination of policies. The Maritime Energy Corporation (MEC) was intended to provide common policy with respect to the supply of energy. While initially this attempt looked promising, it was not long before provincial economic goals over-rode regional ones. For example, Nova Scotia wanted employment opportunities for coal-miners in Cape Breton. Another continuing effort at co-operation is the Maritime Provinces' Higher Education Commission (MPHEC) which was established in 1974 to coordinate higher education development. However, Nova Scotia

has set up its own council to assess and rationalize its higher education system separately. This leads to duplication of efforts and the obvious problem of the potential lack of policy coordination. These two examples highlight the problems of provincial co-operation. Provincial governments argue that they have a mandate to serve their own citizens. Provinces pursue economic policies that they perceive to be in their best interests - for example, gains in terms of more employment or broadening their industrial base. Even with a stated goal of economic union, province-building may still occur due to political imperatives and this will guarantee the failure of regional economic union.

Difficulties in co-operation often are caused by employment loss. Economic union among the Maritime provinces may result in a loss in public sector jobs. That is, the rationalization of services may lead to the elimination of duplicate jobs in some provinces. This makes for a difficult political problem. It is also often argued that small businesses will be hurt by economic union. However, adequate competition laws and enforcement can avoid this problem. The provinces must look beyond the short term issue of which province in the region wins or loses, to the broader issue of providing an enabling environment for business expansion with the consequent payoff in the medium term.

It is important to recognize that the elimination of non-tariff barriers to trade is not a recommendation for the

elimination of all sorts of government intervention. As is well known, in response to market failure or externalities, government intervention is often required. Examples of this include laws to protect the environment, regulation of public utility monopolies, public provision of education and health, etc. These type of policies have an important role in economic development but they should be regional or national in nature. There need be no reason for policies to protect the environment, for example, to be different across the maritime provinces (or, indeed, across any of the provinces in Canada).

Finally, economic union in the Maritime needs to be coordinated with policies put in place by the federal government. Too often in this country, provincial policies have been at cross purposes with federal or other provincial government policies. For example, expansionary provincial fiscal policies at a time of restrictive national monetary policy is counter-productive to the province. Yet we have often seen exactly such policies. In the area of barriers to trade, it is important that government procurement policies, tax incentives for business, etc. be coordinated. In this regard, it is critical that economic union in the Maritimes move in conjunction with any attempt to reduce interprovincial barriers (or other federal policies that affect the Maritime provinces)

## Transition: the role of the business in the Atlantic Region

Chamber of Commerce.

It is not be any house to worry about! We must be able to compete unless we reduce our dependence on federal aid for debt and its onerous by-products.

As we become more competitive, a number of shifts are starting to occur. Most will be to the benefit of Canadians negatively, at least in the short term. The business community wants:

• Federal deficit reduction

• Government efficiency

• A strong economic base is not self-supporting (i.e. transportation, education, health care, etc. are original at best in some parts of the region - fishing, agriculture, forestry).

• A financial "drain" in both the public and private sectors of Canada.

It is clear that if it were not for our founding fathers and our exceptionally strong natural resources, Atlantic Canada would be an economic wasteland beyond the horizon. As Dr. McMillan, in his report to the Council of Ministers, titled, "Standing up to the fumes in the 1990's", stated that "the Atlantic is in a vicious circle of dependence and attitudes."

To be bluntly, Atlantic Canada is nice to live in, but when push comes to shove, then our slice of the pie is going to be cut. By example, the reduction of Federal transfer payments as a percentage of total revenues dropped from 46% to 35%.

It is not a question of whether it's going to happen, but how much and how fast.

It has been more painfully clear than ever in Summerside, P.E.I. The Federal government single handedly sponsored a rate of interest that is too fast for any community to absorb. It is clear in that it represents virtually no future.

This "Summerside Syndrome", with the withdrawal of Federal Government sponsorship of the times for Atlantic Canada. The bottom line is this: Taken in reasonable

dosages, the warning of Federal Government dependency is a healthy direction. The key issue, however, is, what dosage is fair vis-a-vis other regions where the "subsidies" are larger and usually masked in other terminology. Like it or not, the Federal Government is cutting the subsidy cord and the national business community is supporting the action in the name of national competitiveness.

The lack of strong political representation from this region is only making it easier for the Federal Government to proceed. It will happen over time regardless of full representation from Atlantic Canada. As Dr. McMillan further stated, "the Maritime Provinces will face a decade of severe pressures on the Federal Treasury to restrict spending at existing or reduced levels for most of the 1990's."

Now let me make it perfectly clear - change is one thing . . . getting bludgeoned to death is another. In the case of Summerside, the Ottawa "mandarins" don't understand the difference between pain and death, they don't understand the situation of many of Canada's small towns, they are truly ignorant of how these communities exist.

So, for Atlantic Canada's business community, it is time to adjust to this new reality and plan our future accordingly. A basic adjustment has to occur in our region, and it must be Atlantic Canadians who determine how this is to occur.

Obviously, we have diverging opinions as to how this should unfold.

Premier McKenna initially endorsed Maritime Economic Union excluding Newfoundland.

The Atlantic Conservative Caucus supports the notion of Atlantic Economic Union.

Then we have Doug Young, Clyde Wells and 50% of those Atlantic Canadians who were surveyed, who favour political union.

We are admirable and with potential, but as Donald Savoie of the Canadian Institute for Research on Regional Development at the Université de Moncton stated, "they (politicians) should learn to walk before they attempt to run."

We, at the Atlantic Provinces Chamber of Commerce, endorse that comment. The Chamber, at its Annual Meeting in May, issued a resolution advocating the concept of Maritime Economic Cooperation. Further, it encouraged the inclusion of New-

foundland and Labrador as full partners to create full-scale Atlantic Economic Cooperation.

With 28,000 civil servants and 200 MLA's as compared to a mere 12,000 civil servants in comparably populated Alberta, or 89 MLA's in B.C. with a population of 3 million, it is obvious that the respective governments in Atlantic Canada must re-examine their levels of effectiveness, and that we have a long road ahead of us.

It probably comes as no surprise that the Atlantic Provinces Chamber of Commerce embraces the Atlantic concept. As our name would imply, we are the voice of business in Atlantic Canada. The thought of ignoring Newfoundland in this all important exercise would be unconscionable.

For the sake of a vision, let's call this new economic region "Atlantica". It should embrace the concepts of:

Free Trade within its boundaries  
Resource sharing (both private and public sectors)

Environmental excellence.  
Atlantica should position its economy in order to harness the economic activity associated with its most marketable resource. Its "quality-of-life".

A quality-of-life based economy will focus on activities such as

3-season outdoor recreation/tourism  
Retirement services/accommodations  
Renewable natural resources:  
Agriculture, Aquaculture, Silviculture  
Human resource services:  
Education/training  
Health  
Information technology:  
Computing  
Telecommunications

We have a reasonable supply of natural resources many of which are renewable. We have a tolerant and hospitable society with a high regard for human dignity. We have a trading heritage, and we are most definitely resilient. I believe that we must also learn to make better use of our collective resources, both human and capital. Regional resource sharing would embrace private and public sector initiatives, for example:

**PUBLIC**  
Transportation System

Health Care Systems  
Education Systems  
Electrical Generation

**PRIVATE**

Tourism  
Telecommunications  
Professional, T.E. Legal

We must create partnerships in these areas which:  
are truly dependent;  
have real and substantial assets on the line;  
eliminate political boundaries;  
accept that there are winners and losers in the short-term, for long-run success.

Perhaps most importantly, regional resource sharing will usually mean fewer jobs per unit of activity or output, but that each job is more economically viable and therefore less tax dependent.

This stronger infrastructure could, therefore, better assist a developing economy.

In my own industry, the telecommunication sector, we are undergoing rapid technological and regulatory change. In Atlantic Canada we have established the Atlantic Provinces Telecommunications Council to encourage the respective planning departments to work together. The bottom line has been an enhancement of the economies of scale. Examples include:

Cellular Service  
Fax Director  
Mechanized Directory Assistance

Quoting one of my colleagues, Terry Conrod, NB Tel's Manager of Engineering Design, "The APTC has eliminated many barriers among the member companies. An added benefit is that our suppliers are now doing business with us on a regional basis."

In a nutshell, we have to strengthen our economic fabric from within. The food folks in Summerside learned this skill that we all could use, but we should never apologize for needing some help in achieving our goals during a transition period.

As it is business which creates the wealth of our Country, it becomes the responsibility of the business community to recognize the immediacy and the urgency of the situation. I can assure you that the Atlantic Provinces Chamber of Commerce and the businesses of Atlantic Canada will rise up to the challenges which lie ahead. Our future depends on it.