

4. Region in Transition

The essential premise for the development of the Mid-Continent International Trade Corridor and other similar corridors has been the extension of trade patterns from east- west directions across Canada to increasingly important north-south business and transportation movements from the Canadian prairies to the central United States and Mexico.

This trend has gradually grown over the past two decades and has been reinforced by the conditions created by the North American Free Trade Agreement (NAFTA) with the United States and Mexico.

Driving Forces

There have been three fundamental drivers in the transition of Manitoba's trade patterns and the changes in the underlying elements of its economic development directions.

The first of these are macroeconomic, including the effects of the change in transportation payments under the Western Grain Transportation Act. The expansions of the hog and other value-added agricultural product industries are directly attributed to this change, which has led to greater export activity from the Canadian prairie region. The several phases of deregulation of transportation during the past two decades have brought a more competitive cost and pricing structure, while public sector restraint and megamergers in the country's industrial sectors have had a substantial effect on the underlying economic conditions.

The second driver is technology, including innovations such as double-stacked containers that reduce transportation costs significantly. The changing relative costs of transportation modes have been dramatically affected by technology, and enabled multimodal capabilities, in particular, to be developed and become cost-effective. The positive international perception of the quality of Canadian products, combined with the decreasing value of the Canadian dollar, has created an opportunity for exporters to begin entering new markets in key segments of the corridor region. The use of telecommunications and information technology in the financial and transportation sectors, in particular, have enabled trade to flow at a more rapid rate, unencumbered by much of the paperwork burden of the past.

The third driver of the transition is geopolitical, such as the NAFTA and other international agreements. The bilateral air agreements among countries have become increasingly important for the air cargo movement of goods that had, until recently, been largely oriented to passenger movements rather than all-cargo traffic. At the same time, the attitudes of Canadians have shifted to a recognition of the importance and value of North American continental trade and the opening of markets in the United States and Mexico to overcome the limitations of the relatively small-scale consumer market in Canada.

At the same time, a change has occurred in the forms and types of products and services that are moving from Western Canada into the corridor and back. Increasingly, those