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From Fur Trade to Free Trade: Rethinking the Inland Empire

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From Fur Trade to Free Trade: Rethinking the Inland Empire

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"On Brotherly Terms"
Canadian-American Relations West of the Rockies

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One cannot understand the implications of free trade without understanding the geography of free trade.

Christopher D. Merrett, 1996

The settlement of the Oregon Boundary Dispute between Great Britain and the United States in 1846--an event whose 150th anniversary is commemorated by this conference--was a definitive moment in the social, economic and political evolution of the interior Pacific Northwest (Hutchison, 1955; Merk, 1967; Thompson and Randall, 1994). But, as has been noted in several other presentations here, the creation of the new international boundary and the consequent evolution of a distinct northern borderland region has been little appreciated, especially by historians and sociologists. From Frederick Jackson Turner's classic writings on frontiers and sections (1961), to the most recent work of the so-called "New Western Historians," the central role of the 49th parallel west of the Great Lakes has been either neglected or ignored. In the latter case, for instance, the most distressing cases are Patricia Nelson Limerick's 1987 <u>The Legacy of Conquest: The Unbroken Past of the American West,</u> and Richard White's 1991 <u>It's Your Misfortune and None of My Own</u>, two recent and popular works, neither of which even acknowledge Canada's existence, much less the border.

It is our contention that if the issue of the northern borderland is approached via the discipline of geography a much clearer image emerges, and some significant details stand out in stark relief. The term "borderlands" has been developed and utilized by geographers to refer to distinctive regions which have formed along the political boundaries of nation-states. While the border divides nations, it in turn joins both sides together through interaction and trade, and common characteristics of the landscape and people. As a result, residents of the borderland region tend to be more closely linked to each other than to other citizens of their respective countries. In this way there is a blending which takes place along the border which creates a distinctive cultural landscape known as the borderlands. By utilizing this approach, we are following a trail not so much completed but as suggested by such fellow geographers as Donald W. Meinig (1968, 1993), Julian Minghi (1991) and Victor Konrad (1991, 1995), to name but a few. Among Pacific Northwest historians, the work of Carlos Schwantes (1979, 1996) and John Fahey (1965, 1986, 1994) has been essential. Our primary theme--geographical implications of the economic transition from fur trade to free trade--derives from observations, impressions, and the occasional lively argument arising from a three-year research project involving cross-border shopping, travel and trade in the greater Spokane-Coeur d'Alene region, and the Canadian economic "footprint" on the traditional "Inland Empire" hinterland of Spokane.

Integration and Fragmentation: Impact of the Border

This hinterland, consisting of eastern Washington, the Idaho Panhandle, and parts of Montana, Alberta and southeastern British Columbia, is postulated to have been, prior to 1846, a geographically distinct region both defined and dominated by the Columbia River, its tributaries, and the encompassing mountain ranges (Meinig, 1968). From the pre-contact period of the First Nations to the end of the great commercial monopoly of the Hudsons Bay Company, a regional economy based on natural resources and a north-south water-based transportation system existed and thrived before being artificially truncated by the new border. This is clearly illustrated by the following sequence of pre- and post-1846 maps. On Map 1, the north-south trend of traditional tribal boundaries is apparent, owing to the natural drainage pattern. Map 2 depicts the jointly-occupied Oregon Country in 1830: note the north-south orientation of the Columbia Department's district boundaries along interfluvial mountain barriers (Innis, 1970).

Even after the imposition of the boundary, a map of the late fur trade and mission era (Map 3) clearly depicts the continued importance of the Flathead, Kootenai, Pend d'Oreille, Okanogan and Columbia rivers as transportation arteries. This pattern persisted into the mining booms subsequent to the 1850's (Map 4) when ores from the Cariboo and Kootenai districts sought the path of least resistance to markets via the American side of the line (Fahey, 1965; Easterbrook and Aitken, 1970).

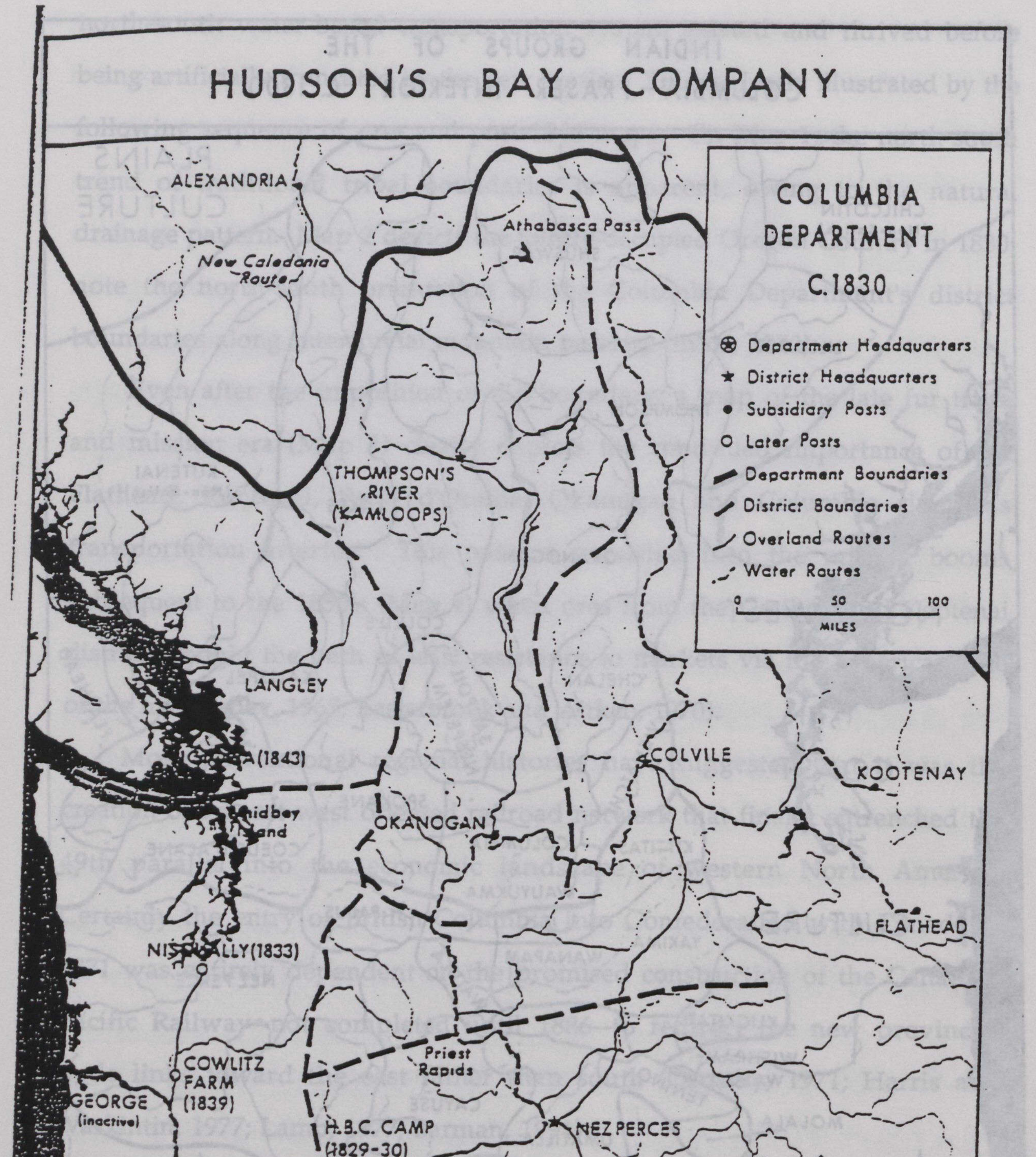
Most conventional regional histories have suggested that it was the creation of an east-west oriented railroad network that finally entrenched the 49th parallel into the economic landscape of western North America. Certainly the entry of British Columbia into Confederation with Canada in 1871 was entirely dependent on the promised construction of the Canadian Pacific Railway--not completed until 1886--to redirect the new province's trade links toward the east rather than south (Ormsby, 1971; Harris and Warkintin, 1977; Lamb, 1977; Barman, 1991).

The completion of the first northern transcontinental on the American side of the border, the Northern Pacific Railroad in 1883, similarly refocused traffic flows south of the border, and not coincidentally, made Spokane the hub of the interior rail network (Lewty, 1987, 1995). This was reinforced a decade later when Canadian-born entrepreneur James J. Hill's Great

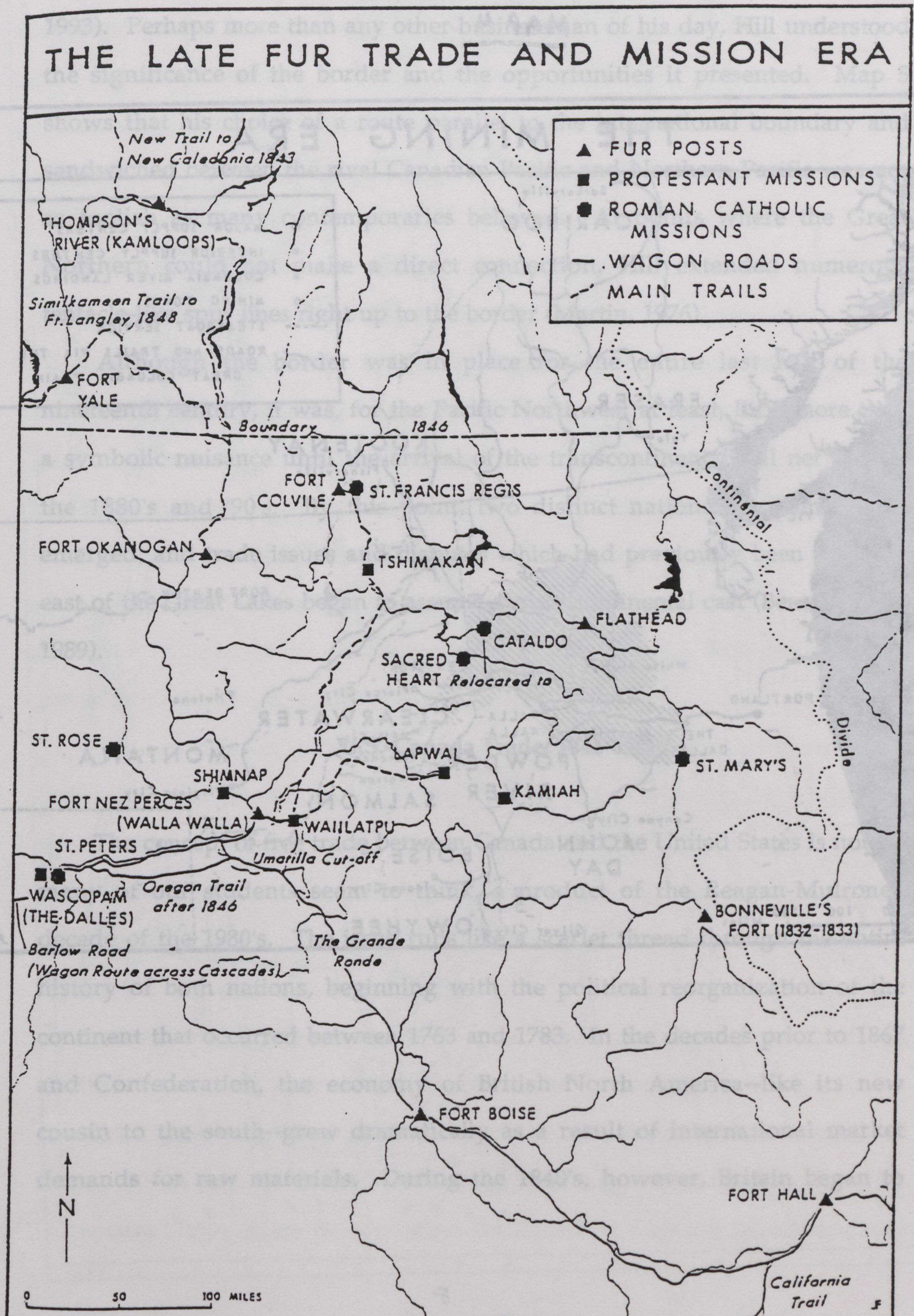
MAP 1


INDIAN GROUPS OF THE
COLUMBIA – FRASER INTERIOR C. 1800
PLAINS
CULTURE
CHILCOTIN
(Non-Salish)
SHUSWAP
LILLOOET
THOMPSON
KUTENAI
(Non-Salish)
LAKES
OKANOGAN
NORTHWEST
COAST
CULTURE
COLVILE
CHELAN
SANPOIL-
NESPELEM
KALISPEL
FLATHEAD
WENATCHI
SPOKANE
KITTITAS
COLUMBIA
COEUR D'ALANE
WAUYUKMA
PALUS
YAKIMA
WANAPAM
WALULA
NEZ PERCE'
KLICKITAT
WISHRAM-
WASCO
TENINO
CAYUSE
MOLALA
UMATILLA
N
SHOSHONEAN
DESERT
CULTURE
Major Cultural Boundaries
Salish-Sahaptin Boundary
Minor Cultural Boundaries
0
50
100
MILES

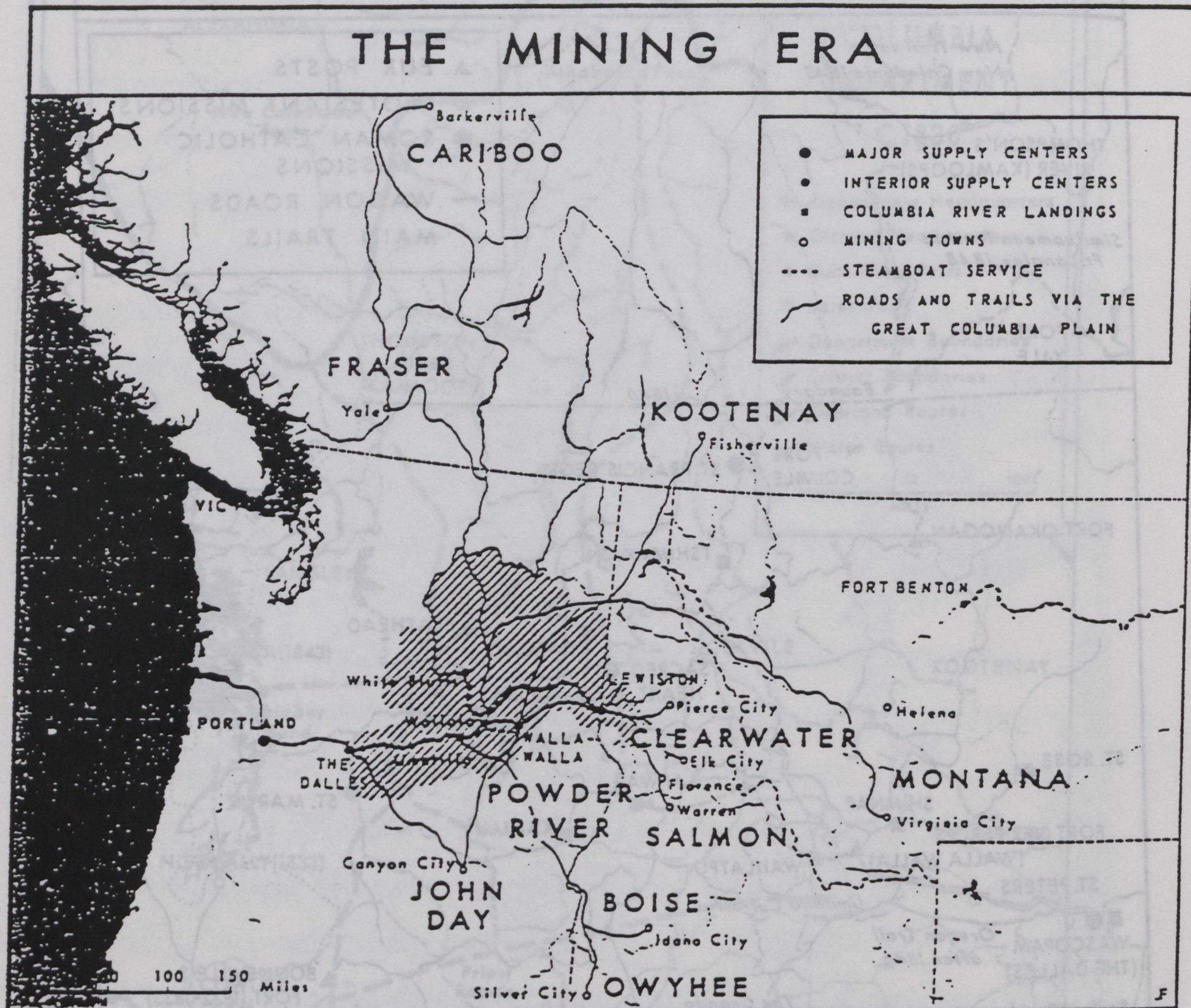
MAP 2


HUDSON'S BAY COMPANY
COLUMBIA DEPARTMENT
C.1830
Department Headquarters
District Headquarters
Subsidiary Posts
Later Posts
Department Boundaries
District Boundaries
Overland Routes
Water Routes
0
50
100
MILES
ALEXANDRIA
Athabasca Pass
New Caledonia Route
THOMPSON'S RIVER (KAMLOOPS)
LANGLEY
COLVILE
KOOTENAY
Whidbey Island
OKANOGAN
FLATHEAD
NISQUALLY (1833)
Priest Rapids
COWLITZ FARM (1839)
GEORGE (inactive)
H.B.C. CAMP (1829-30)
NEZ PERCES
VANCOUVER
The Dalles
AMERICAN CAMP (1829-30)
Willamette Falls
N
South Party Route
Snake Party Route
UMPQUA (1832)
BOISE (1834)

MAP 3


THE LATE FUR TRADE AND MISSION ERA
FUR POSTS
PROTESTANT MISSIONS
ROMAN CATHOLIC MISSIONS
WAGON ROADS
MAIN TRAILS
New Trail to New Caledonia 1843
THOMPSON'S RIVER (KAMLOOPS)
Similkameen Trail to Ft. Langley 1848
FORT YALE
Boundary 1846
FORT COLVILE
ST. FRANCIS REGIS
Continental Divide
FORT OKANOGAN
TSHIMAKAIN
FLATHEAD
CATALDO
SACRED HEART Relocated to
ST. ROSE
LAPWAI
ST. MARY'S
SHIMNAP
KAMIAH
FORT NEZ PERCES (WALLA WALLA)
WAIILATPU
ST. PETERS
Umatilla Cut-off
WASCOPAM (THE DALLES)
Oregon Trail after 1846
BONNEVILLE'S FORT (1832-1833)
Barlow Road (Wagon Route across Cascades)
The Grande Ronde
FORT BOISE
N
FORT HALL
0 50 100 MILES
California Trail

MAP 4


THE MINING ERA
MAJOR SUPPLY CENTERS
INTERIOR SUPPLY CENTERS
COLUMBIA RIVER LANDINGS
MINING TOWNS
STEAMBOAT SERVICE
ROADS AND TRAILS VIA THE GREAT COLUMBIA PLAIN
Barkerville
CARIBOO
FRASER
Yale
KOOTENAY
Fisherville
VIC
FORT BENTON
LEWISTON
Pierce City
Helena
PORTLAND
Wallula
WALLA-WALLA
CLEARWATER
THE DALLES
Umatilla
Elk City
MONTANA
POWDER RIVER
Florence
Warren
Virginia City
SALMON
Canyon City
JOHN DAY
BOISE
Idaho City
100 150 Miles
Silver City
OWYHEE

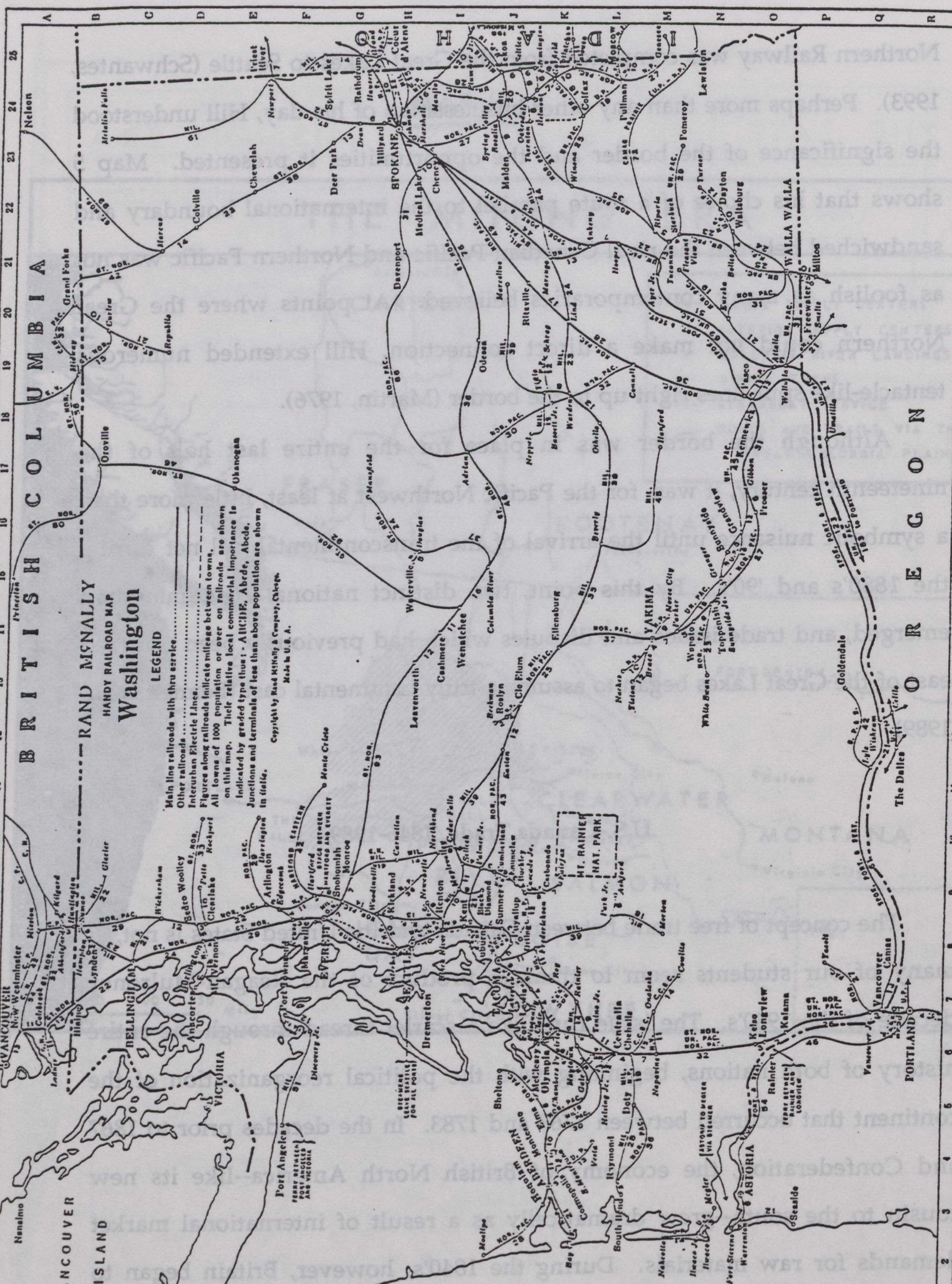
Northern Railway was completed from the Great Lakes to Seattle (Schwantes, 1993). Perhaps more than any other businessman of his day, Hill understood the significance of the border and the opportunities it presented. Map 5 shows that his choice of a route parallel to the international boundary and sandwiched between the rival Canadian Pacific and Northern Pacific was not as foolish as many contemporaries believed. At points where the Great Northern could not make a direct connection, Hill extended numerous tentacle-like spur lines right up to the border (Martin, 1976).

Although the border was in place for the entire last half of the nineteenth century, it was, for the Pacific Northwest at least, little more than a symbolic nuisance until the arrival of the transcontinental rail net during the 1880's and '90's. By this point, two distinct national economies had emerged, and trade issues and disputes which had previously been centered east of the Great Lakes began to assume a truly continental cast (Bennett *et al.*, 1989).

U.S.-Canada Trade, 1846-1989

The concept of free trade between Canada and the United States is not, as many of our students seem to think, a product of the Reagan-Mulroney decade of the 1980's. The issue runs like a scarlet thread through the entire history of both nations, beginning with the political reorganization of the continent that occurred between 1763 and 1783. In the decades prior to 1867 and Confederation, the economy of British North America--like its new cousin to the south--grew dramatically as a result of international market demands for raw materials. During the 1840's, however, Britain began to

MAP 5



RAND McNALLY
HANDY RAILROAD MAP
Washington
LEGEND
BRITISH COLUMBIA
OREGON
PACIFIC OCEAN
VANCOUVER ISLAND
SPOKANE
TACOMA
SEATTLE
WALLA WALLA
YAKIMA
PORTLAND

dismantle its system of imperial preferential tariffs on timber and grain, leaving Canada in a somewhat awkward position (Bennett *et al.*, 1989).

To offset the loss of British markets, Canada in 1854 entered into a Reciprocity Treaty with the United States. This treaty was very favorable to Canada in that it provided reciprocity for natural resources in return for American fishing rights in inshore waters. By 1855, imports from the U.S. exceeded those of Britain for the first time, a pattern which increased as world grain prices rose astronomically during the Crimean War (1856-1859) and the U. S. Civil War (1861-1865). In 1866, the United States abruptly terminated the treaty, primarily because of the postwar collapse of demand for Canadian resources, but also in retaliation for perceived British and Canadian support for the Confederacy. There is also speculation that this was a way of seriously weakening Canada for an eventual political takeover. In a panic, the Canadian colonies pursued Confederation with one another as their only salvation from economic abandonment by Britain and the "Manifest Destiny" threat from the United States (Taussig, 1920; White, 1989).

After decades of pursuing a new reciprocity treaty with an increasingly indifferent and preoccupied U.S., the issue appeared again in 1911 when an agreement was hammered out between the Taft and Laurier administrations. This would have allowed free trade in natural resources and agricultural commodities, with concurrent tariff reductions on manufactured goods. Again, this treaty would have been generally beneficial to Canadian farmers and consumers. But the treaty met with enraged opposition from Canadian manufacturers and some dissident Liberals, who saw it as a wedge for an American takeover. The Speaker-Elect of the U.S. House of Representatives merely added fuel to the fire by declaring, with regard to the treaty, "I am for it, because I hope to see the day when the American flag will float over every square foot of the British North American possessions clear to the North Pole." Accusing the Liberals of being soft on the "imperial connection," and using "No truck nor trade with the Yankees" as a campaign slogan, the Conservatives won the election, toppling the Laurier government and sending reciprocity into dormancy again (Ellis, 1939; Naylor, 1975; Diebold, 1991).

Finally, in the depths of the Great Depression of the 1930's, the Roosevelt administration, at the instigation of Secretary of State Cordell Hull, proposed a new trade treaty that would provide major tariff reductions (but not full reciprocity) and, most important, exclude Canada from the notorious Hawley-Smoot Tariff of 1932. This agreement, sought by Canada since 1866, was quietly signed in 1935. Again, it was a belated acknowledgement that as in the previous century, the north-south trade flows always exceeded the east-west, and American goods and capital surged into Canada while Canadian resources expanded into new U.S. markets.

During the years of the Second World War, the benefits of reduced tariffs and increased trade were apparent to both countries, but an attempt to expand the 1935 agreement into a full reciprocity treaty in 1947 proved politically difficult to sell in Canada. In a major radio address from London, Prime Minister McKenzie King explained to Canadians that he was cancelling scheduled meetings in Washington DC on this treaty at the last minute in order to seek, at a later date, "real reciprocity" with the U.S. (Granatstein, 1987; Bennett et al., 1989). It would not be until the 1989 Free Trade Agreement that the elusive dream of "real reciprocity" would become reality, to be followed in 1993 by the North America Free Trade Act.

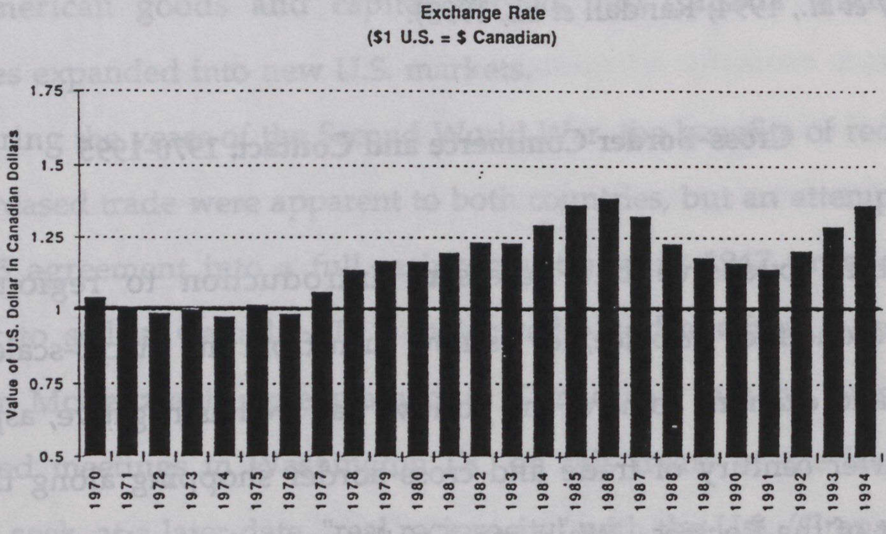
During the decades following World War II, trade between Canada and the United States grew into what is today the largest bilateral trade relationship in the world. The 1989 Free Trade Agreement has taken this relationship to an even higher level. The FTA, which became effective January 1, 1989, was intended to remove over a ten-year period all tariffs on goods moving between the two countries. As was the case in 1854, 1911, and 1947, the free trade issue had its opponents, and in fact the Canadian federal elections of 1988 were seen by many as a referendum on the FTA.

Largely as a result of the early success of the FTA, on 1 January 1994 the much-expanded North American Free Trade Agreement (NAFTA) came into existence, bringing Mexico into the free trade equation. NAFTA was built directly on the existing foundation of the FTA, and incorporated many of its tariff reduction provisions, while further liberalizing trade in services, providing protection for investors and intellectual property, and establishing institutional means of resolving trade and investment disputes (Greyson, 1993; Lipsey *et al.*, 1994; Randall *et al.*, 1995).

Cross-Border Commerce and Contact: 1970-1995

With this extensive but necessary introduction to regional and continental economics in place, let us now turn from the macro-scale to the micro-scale and examine some of the positive , as well as negative, aspects of the last quarter century of trade and cross-border shopping along the 49th parallel west of the Rockies. While most of the quantitative data comes from U. S. and Canadian government sources, most of the accompanying opinions and observations are based on eight years of first-hand experience with the U.S. Customs Service at Blaine, Washington , three years of field work examining the Canadian economic presence in the Spokane-Coeur d'Alene hinterland, and two lifetimes--one Canadian, one American--of crossing, living near and thinking about the border.

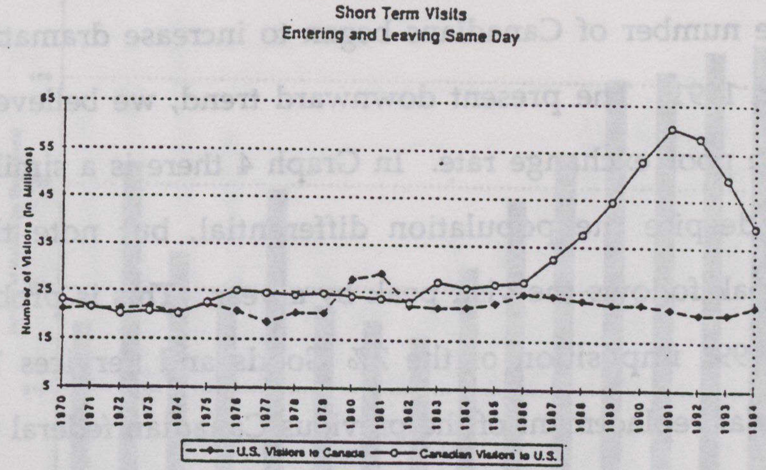
The following graphs depict the economic relationship between Canada and the U. S. as it has developed both nationally and regionally. Although our focus here is primarily on tourism, the interplay between such factors as FTA/NAFTA, currency exchange rates, tax structure and the border-oriented retail sector development can clearly be discerned. Perhaps the most significant of all is Graph 1, which depicts the fluctuating currency exchange rate since 1970. The two highest points, representing a weak Canadian dollar, are 1986 and 1994. (Although the annual averages for 1995 and 1996 are not yet available, we can safely predict 1996 as the weakest year since 1970). While a weak dollar can prove beneficial to Canada by making exports more affordable abroad, it has had a major impact on cross-border retail activity.



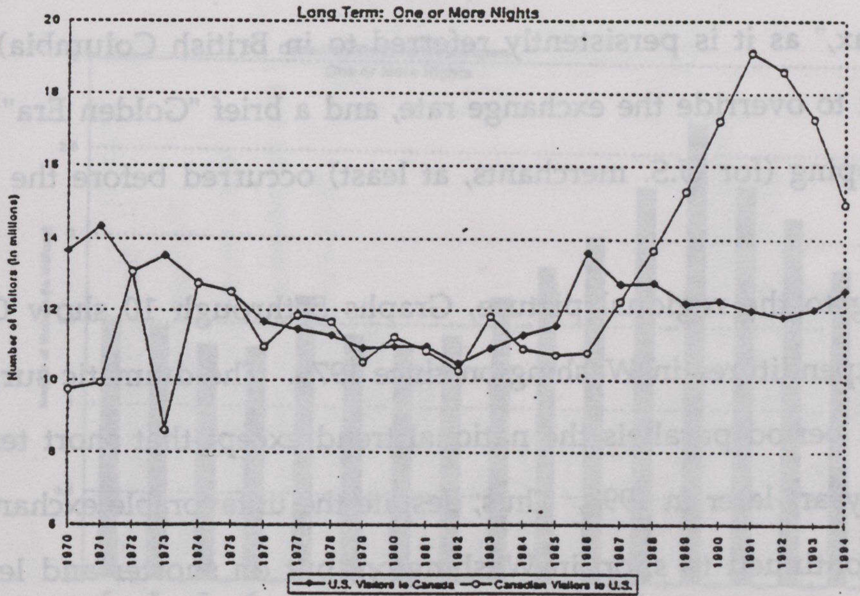
GRAPH 1

Graphs 2 and 3 show, at the national level, the number of short-term (entering and leaving on the same day) and long term visits by Canadian and U. S. residents. Note that on both graphs, the relative number of visits is fairly equal, although Canada's population is only a tenth of the U. S.'s. In

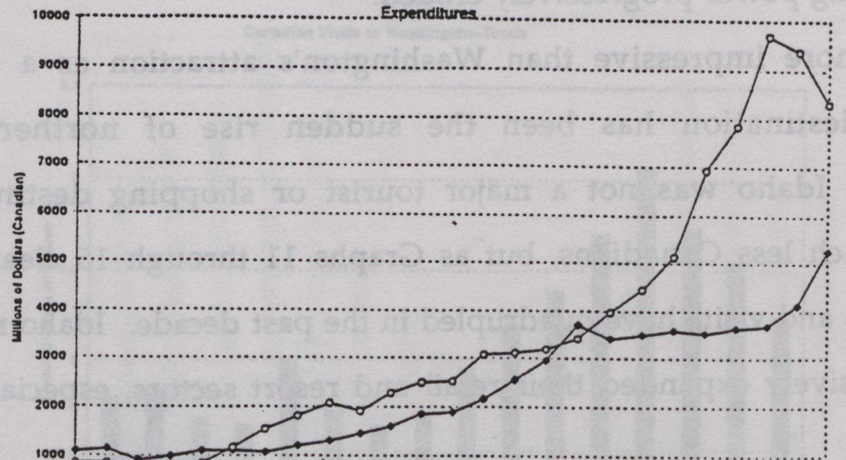
GRAPH 2



GRAPH 3



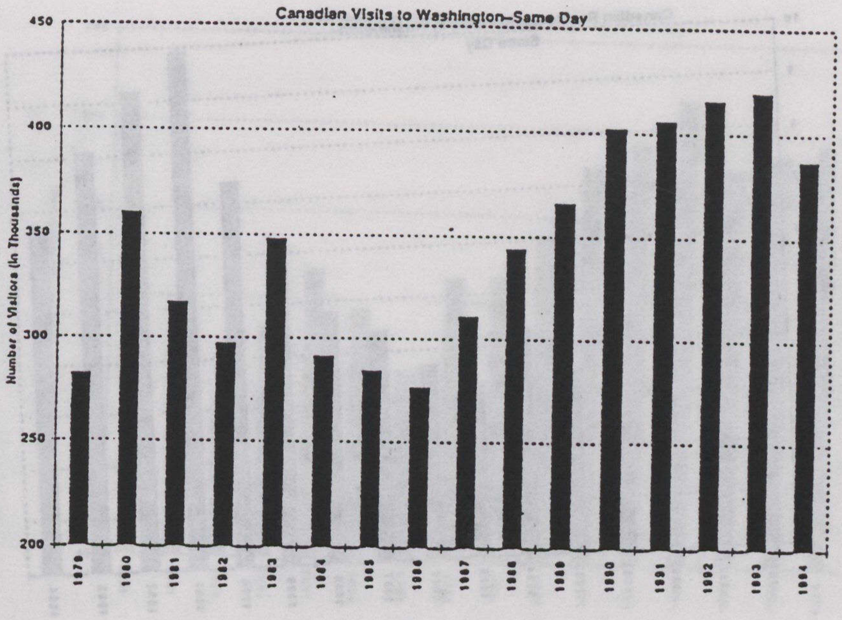
GRAPH 4



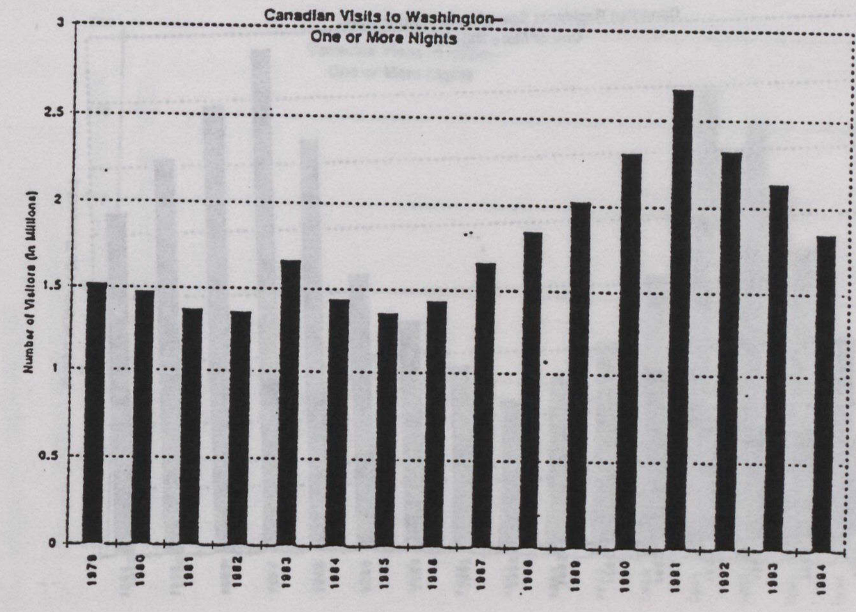
both cases the number of Canadians began to increase dramatically in 1987 and peaked in 1991. The present downward trend, we believe, is largely a function of the poor exchange rate. In Graph 4 there is a similar pattern in expenditures despite the population differential, but note the Canadian expenditure peak follows the visit peak by a year. This is probably a direct result of the 1991 imposition of the 7% Goods and Services Tax (GST), a highly unpopular replacement of the previous Canadian federal sales tax, but expanded to cover the consumption of services as well as goods. When combined with existing provincial sales taxes, the GST (or "Gouging and Screwing Tax," as it is persistently referred to in British Columbia) allowed the tax level to override the exchange rate, and a brief "Golden Era" of cross-border shopping (for U.S. merchants, at least) occurred before the currency plunge.

Turning to the regional picture, Graphs 5 through 10 show Canadian visits and expenditures in Washington since 1979. The dramatic surge of the 1985 to 1991 period parallels the national trend except that short term visits peaked two years later in 1993. Thus, despite the unfavorable exchange rates, Canadians continued to shop in Washington, but on shorter and less costly trips. The expenditure pattern closely follows the same trends as the Canadian dollar's buying power progressively eroded.

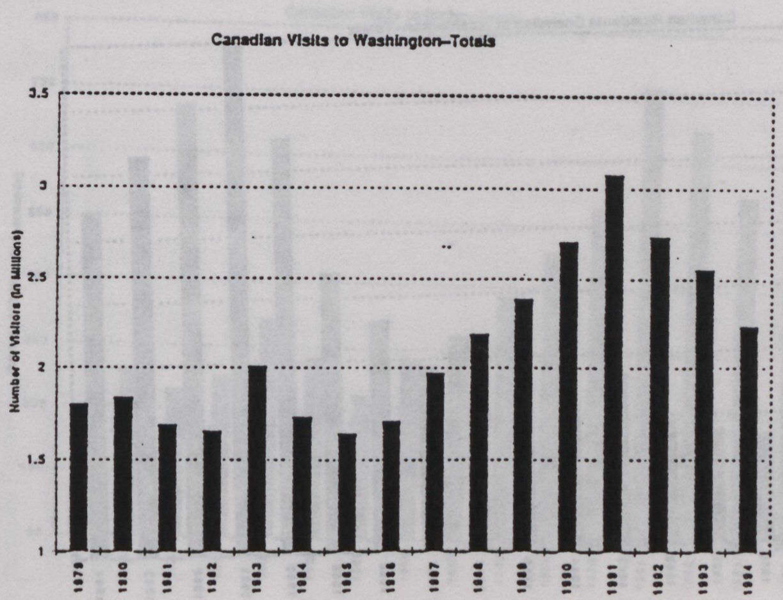
Even more impressive than Washington's attraction as a Canadian shopping destination has been the sudden rise of northern Idaho. Historically, Idaho was not a major tourist or shopping destination for anyone, much less Canadians, but as Graphs 11 through 16 clearly show, expenditures and visits have quadrupled in the past decade. Idaho merchants have aggressively expanded their retail and resort sectors, especially in the



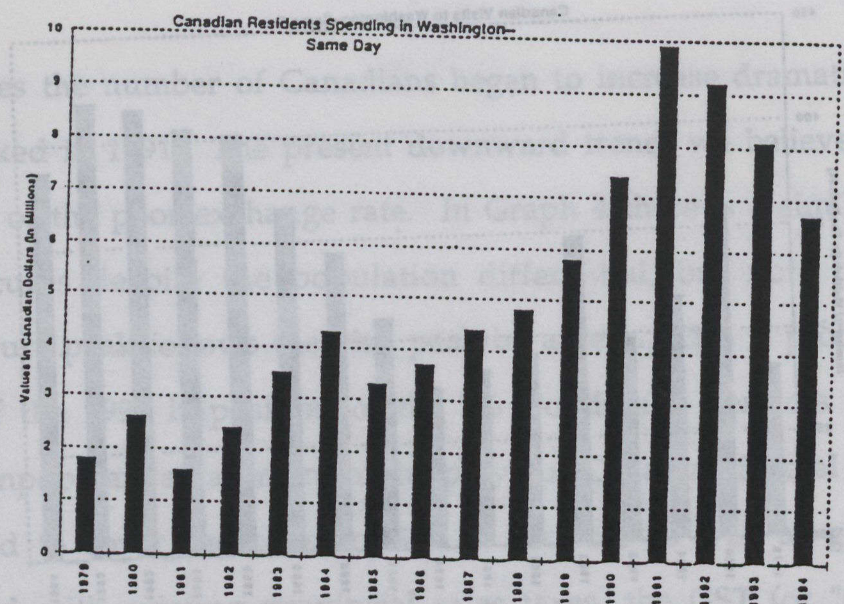
Canadian Visits to Washington–Same Day
Number of Visitors (In Thousands)
450
400
350
300
250
200
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

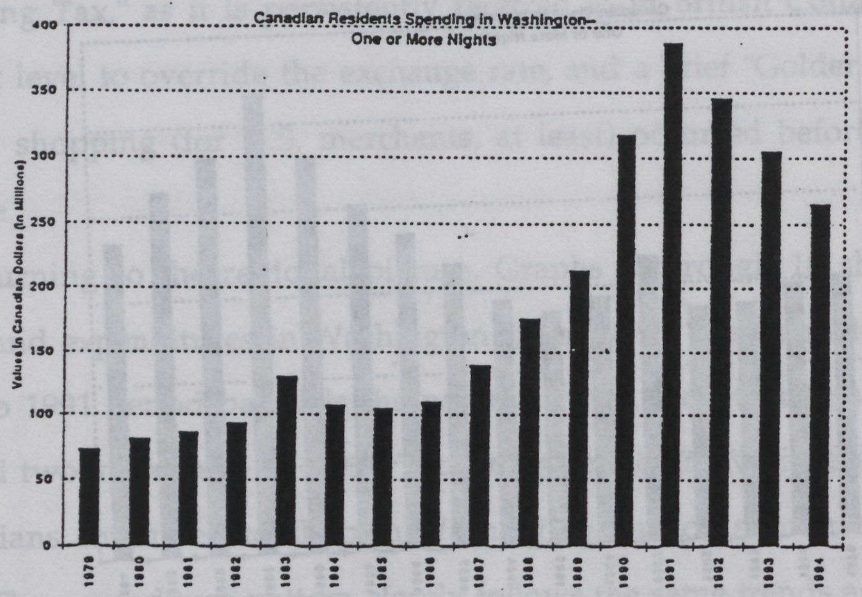


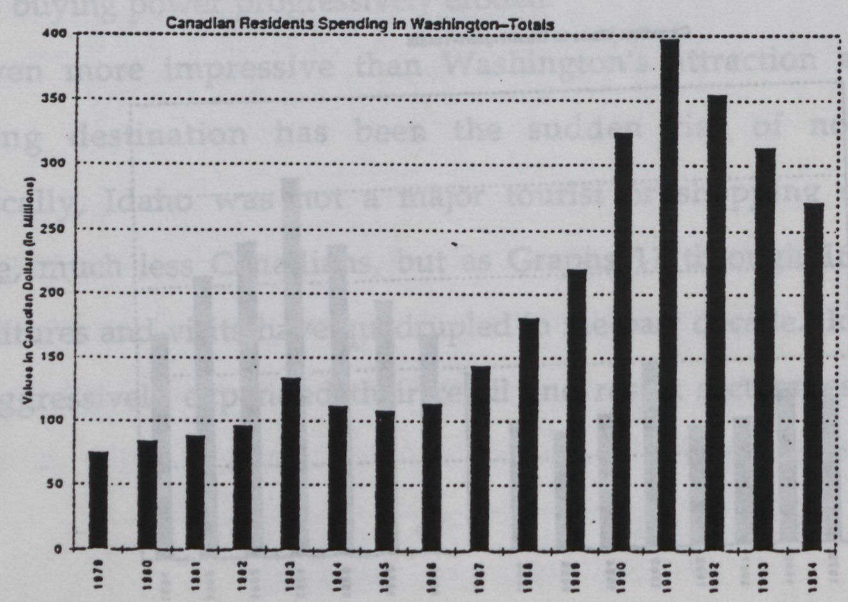
Canadian Visits to Washington–
One or More Nights
Number of Visitors (In Millions)
3
2.5
2
1.5
1
0.5
0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

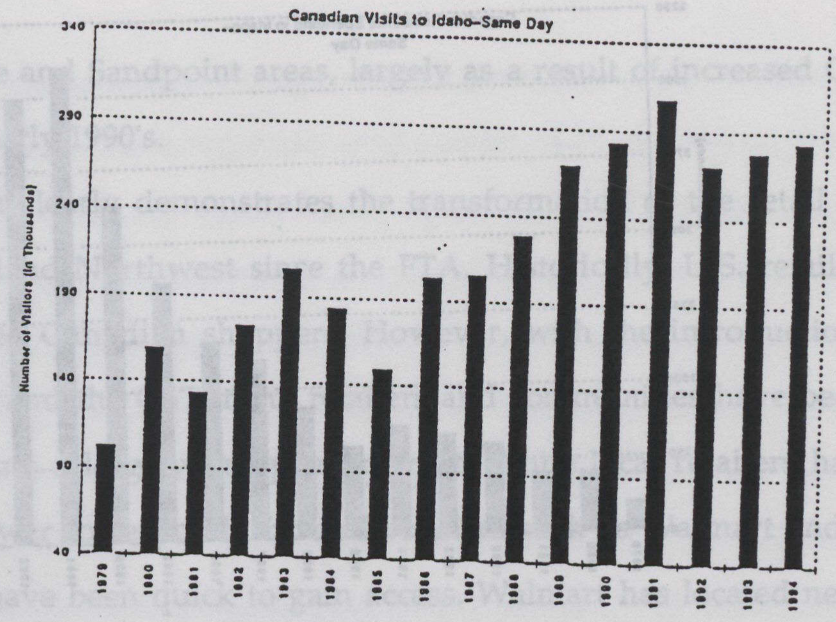


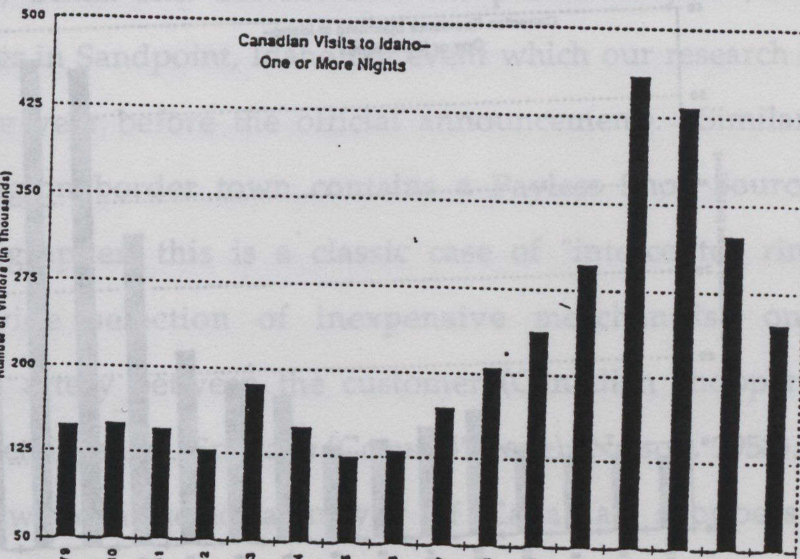
Canadian Visits to Washington–Totals
Number of Visitors (In Millions)
3.5
3
2.5
2
1.5
1
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

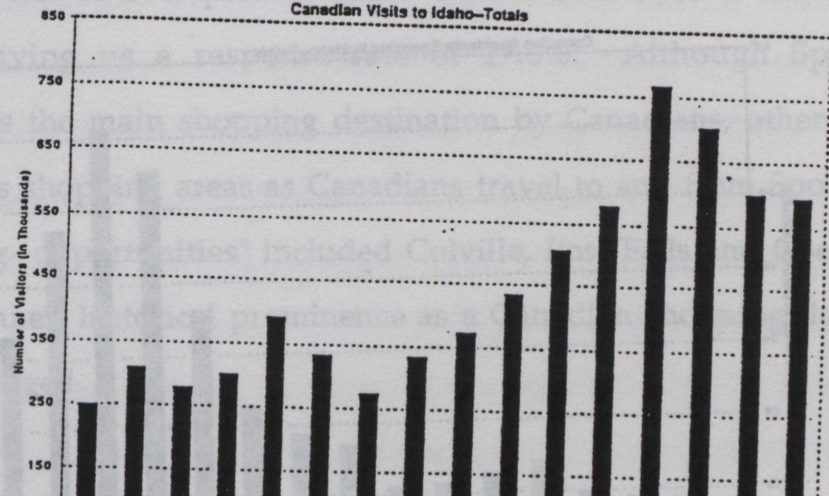

Canadian Residents Spending in Washington–
Same Day
Values in Canadian Dollars (In Millions)
0
1
2
3
4
5
6
7
8
9
10
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

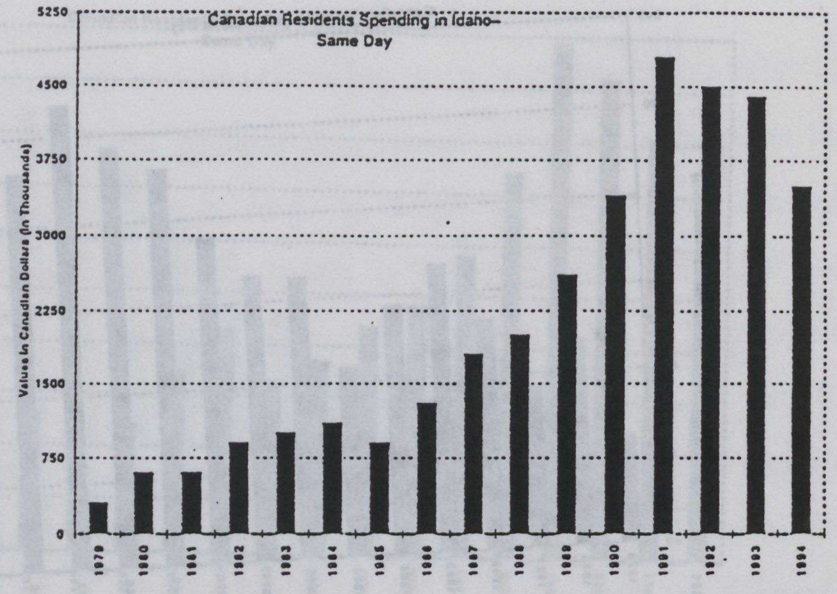

Canadian Residents Spending in Washington–
One or More Nights
Values in Canadian Dollars (In Millions)
0
50
100
150
200
250
300
350
400
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

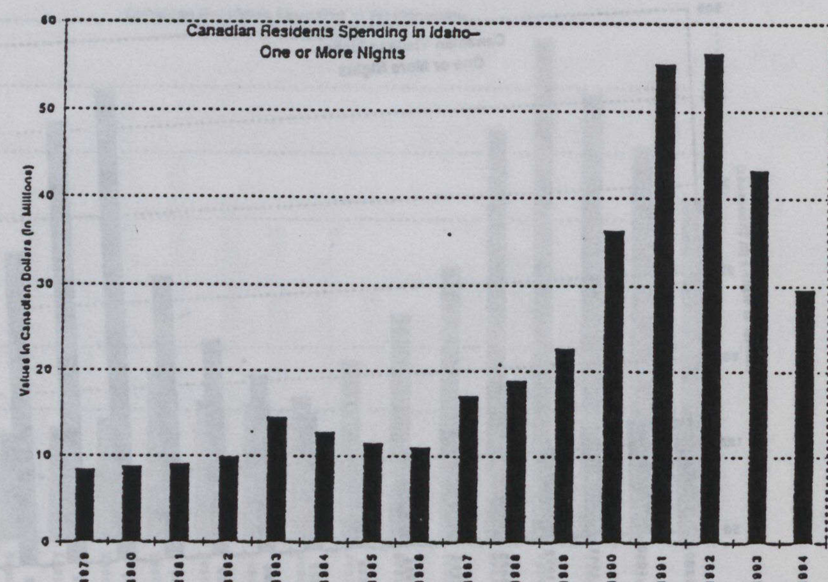

Canadian Residents Spending in Washington–Totals
Values in Canadian Dollars (In Millions)
0
50
100
150
200
250
300
350
400
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

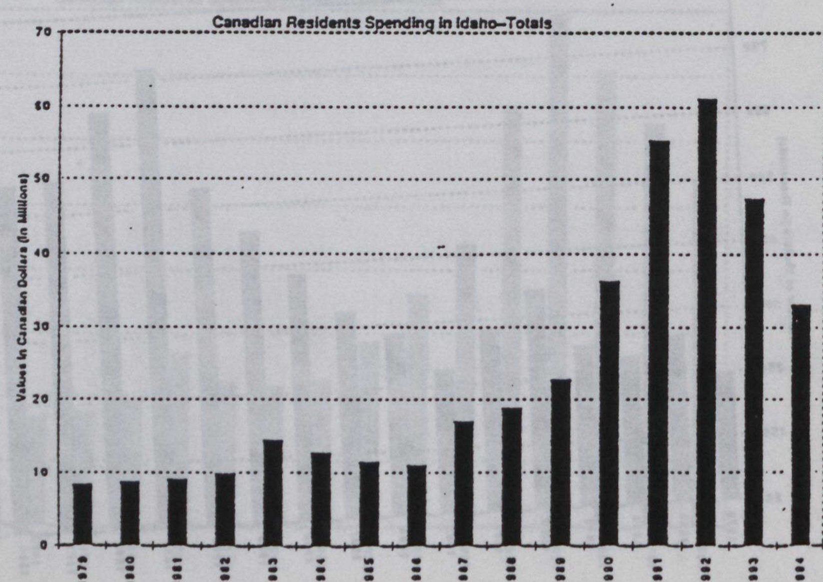

Canadian Visits to Idaho–Same Day
Number of Visitors (In Thousands)
340
290
240
190
140
90
40
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994


Canadian Visits to Idaho–
One or More Nights
Number of Visitors (In Thousands)
500
425
350
275
200
125
50
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994


Canadian Visits to Idaho–Totals
Number of Visitors (In Thousands)
850
750
650
550
450
350
250
150
50
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994


Canadian Residents Spending in Idaho--
Same Day
Values in Canadian Dollars (in Thousands)
5250
4500
3750
3000
2250
1500
750
0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994


Canadian Residents Spending in Idaho--
One or More Nights
Values in Canadian Dollars (in Millions)
60
50
40
30
20
10
0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994


Canadian Residents Spending in Idaho--Totals
Values in Canadian Dollars (in Millions)
70
60
50
40
30
20
10
0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994

Coeur d'Alene and Sandpoint areas, largely as a result of increased Canadian traffic in the early 1990's.

This data clearly demonstrates the transformation of the retail industry within the Inland Northwest since the FTA. Historically, U.S. retailers have largely ignored Canadian shoppers. However, with the introduction of the FTA, NAFTA and the GST many retailers and communities have been jolted into recognizing a largely untapped market. While local retailers have been somewhat slower to respond, national retailers such as Walmart and Payless Shoe Source have been quick to gain access. Walmart has located new stores in Wenatchee, Omak and Colville over the past three years, and recently opened another in Sandpoint, Idaho (an event which our research allowed us to predict one year before the official announcement). Similarly, almost every Washington border town contains a Payless Shoe Source. To the economic geographer, this is a classic case of "interceptor ring theory": provide a wide selection of inexpensive merchandise on a major transportation artery between the customer (Canadian shoppers) and the nearest large retail center (Spokane/Coeur d'Alene) (Nelson, 1958).

In 1994 we conducted a survey of Canadian shoppers to better understand the cross border shopping phenomenon taking place within the region. A total of 380 questionnaires were distributed, 67 of which were returned giving us a response rate of 17.6%. Although Spokane was identified as the main shopping destination by Canadians, other cities were identified as shopping areas as Canadians travel to and from Spokane. These "intervening opportunities" included Colville, Post Falls and Coeur d'Alene. Thus, Spokane's historical prominence as a Canadian shopping destination is being challenged.

Based on the information from our surveys, Canadian shoppers cross the border an average of 11 times a year. Sixty percent of these shopping trips involve staying one or more nights. The average amount of money (in U.S. funds) spent per trip is $332. Although a wide variety of goods are purchased, the most popular items include: clothing, food/groceries, shoes, houseware, hardware, gifts, sporting goods, electronics and auto supplies. Most of the purchases were made either using U.S. currency or credit cards. Currency exchange typically occurs either at a Canadian bank or at the point of sale. Many merchants provide the opportunity to pay for goods using Canadian funds so that currency exchange is not an issue; in fact, cash registers with two tills are a common bordertown trend. Exchanging currency at the stores is popular because of the convenience and because the stores often offer a better exchange rate than the banks.

Numerous factors influence Canadians to shop in the U.S. The most often mentioned reasons include: an opportunity to purchase something different from what they find at home, a larger variety of goods available in the U.S., already in the U.S. for recreation/tourism, higher prices in Canada and a means to avoid paying the GST. Several people mentioned that Spokane was the largest city near to them, and as a result, traveled there not only for shopping but for recreation, visiting friends, and various types of cultural and entertainment activities. Most Canadian shoppers in the greater Spokane-Coeur d'Alene region come from the following cities in British Columbia and Alberta: Trail, Calgary, Grand Forks, Nelson, Castlegar, Christina Lake, Kelowna, Cranbrook, Rossland, Vernon, Nakusp, Red Deer, Vancouver, Quesnel, Genelle and Kimberley.

While cross border shopping has had a tremendous impact on border communities in the Inland Northwest by reorienting the market in a north/south fashion, other changes have also taken place. Free trade has created greater mobility of capital and thus has encouraged greater flexibility for investments (Merrett, 1996). Once again the borderlands have felt the impact of this policy through the creation and movement of branch plants, or *maquiladoras*,, as they are known on the Mexican border. For example, Cheney, Washington lost its Keytronics computer keyboard plant in 1994 to a branch in Juarez, Mexico. However, later that same year the city gained Haakon Industries, a Canadian manufacturer of medical equipment, which opened the branch plant to not only improve access to U.S. markets, but to take advantage of lower costs for labor, land and transportation. Although the number of Canadian *maquiladoras* in the Inland Northwest is not as great as those along the I-5 corridor in western Washington, their presence is significant in that they indicate another aspect of the economic restructuring which is taking place in the borderlands region as a result of the FTA and NAFTA.

As a result of this increased interaction and exchange along the border, a variety of infrastructure improvements are taking place. Border crossing stations on both sides are being expanded and improved: for example, the commercial truck facility at Blaine, Washington--since 1989 the busiest customs port on the entire northern border--will shortly undergo a $20 million dollar expansion which will involve levelling a previous facility built in 1976! Ironically, both countries made major improvements in crossing facilities in the early 1980's in anticipation of Vancouver's EXPO '86. Not only did these new crossings help fuel the cross-border shopping boom, but their very success has rendered them obsolete for current traffic levels.

Customs regulations are changing with the introduction of the Canpass/PACE program. This program allows people and vehicles who regularly cross the border to move quickly through customs and immigration, and in most cases, bypass inspections altogether. This system will eliminate much of the inconvenience associated with crossing the border and will create what one government official refers to as a "seamless border." Other infrastructure improvements taking place include road improvements to accommodate increased traffic (such as the widening of U.S. 395 in eastern Washington) and the recent reemergence of AMTRAK passenger train service between Seattle and Vancouver. All of these events suggest that free trade has had more impact on the northern borderland in the past decade than anything else since 1846, as the following brief slide presentation suggests.

Conclusions: The Rebirth of Columbia?

Some of the more obvious conclusions to be drawn from the preceding survey of borderland retail trade flows derive directly from the difficulty of predicting sudden economic changes in the unique borderland environment. Foremost among these are the simple fact that areas that "overbuild" their retail sector during a period of intense activity will suffer during the downswing. Nowhere has this been more obvious than in smaller border towns on the U.S. side, where many Canadian-oriented activities have failed to stay in business. This has been less of a problem in the Spokane-Coeur d'Alene corridor because of a more stable consumer base. Another aspect of market downswings in the border region are large sales with more than a hint of desperation to them. For instance, in October 1994, just as the collapse of the Canadian dollar was apparent, the merchants of Coeur d'Alene and Post Falls had a month-long sale in which 63 firms took Canadian currency at par or a minor (as opposed to normal) discount. This effort was led by local hotels. Two Idaho banks were exchanging Canadian funds at 25% instead of the official 35%.

Canadian business responses to the hemorrhage of Canadian dollars across the border have also been noteworthy: merchants all along the border have sponsored sales and used advertising that appealed directly, and without apparent shame, to the patriotism of Canadian shoppers. Another fascinating Canadian response has been at the corporate level, as some firms actually cross the border in search of shoppers. American retail giant Walmart, for instance, bought 122 Canadian Woolco stores in March, 1994 -- today Calgary alone has five new Walmarts. In January 1995, a Vancouver corporation bought two major Spokane shopping malls -- Northpointe and Ironwood -- for $38 million, and another in the Seattle area for $12 million. We find the notion of Canadians driving eight hours from Calgary to Spokane to shop in a Canadian-owned mall to be a powerful symbol of this entire free trade process.

Government reactions to these changes have proven to be scattered, weak and illogical -- perhaps not surprising, but remember that the FTA and NAFTA were government initiatives. As both the U.S. and Canadian governments seek ways to finance the improvement of border facilities for which free trade has created such a demand, some very unpopular plans have been suggested. Foremost among these was a recent Clinton administration proposal to create a "border crossing tax" of $3.00 per car or $1.50 per pedestrian for arriving Canadians or Americans returning from Canada. This tax was strongly opposed throughout the borderland region, once again suggesting a level of borderland common interest that has only recently emerged.

At a continental level, it must be remembered that trade agreements among sovereign nation-states have never been, are not now, and probably nerver will be permanent. The resulting fluctuations in trade policy suggest that the merchant, developer, planner, broker or investor who fails to comprehend this is destined to eventually fail. As we have tried to demonstrate here, both the positive and negative impacts of trade policies and agreements are always most visible in border landscapes. A recent estimate by a colleague at Western Washington University has suggested that every one cent drop in the exchange rate costs Whatcom County $8 million in lost taxable retail sales, an effect which can be extended across the entire northern borderland. Put another way, the approximately seventeen cent drop in the value of the Canadian dollar costs Whatcom County $130 million per year -- and this does not inlude groceries. From the Canadian perspective, cross-border shopping is estimated to drain $5 billion to $10 billion per year from the national economy (Hurtig, 1992).

Given the increased "permeability" of the border in recent years, two issues stand apart: the question of the effect of free trade on the Canadian industrial base -- especially the establishment of northern *maquiladoras*, and the problem of currency exchange rates. With regard to the former, there is serious opposition in Canada to free trade driven by the fear of a level of industrial and economic erosion that would threaten Canadian sovereignty and its distinct (yet always indefinable) way of life (Hurtig, 1992; Weaver, 1992; Newman, 1995; Merrett, 1996). These concerns have changed very little since the mid-nineteenth century. Although a complete Canadian withdrawal from either free trade agreement is not likely, there certainly exists the possibility of renegotiation on some critical issues. This could have an immediate impact on the borderland region.

The currency problem will ultimately prove far more difficult to resolve. Already NAFTA has been seriously buffetted by the 1994 collapse of the Mexican peso, and the current weakness of the Canadian dollar similarly affects trade on the northern border. It is interesting to note that the European Community has had the same problem, and the creation of a standard EC currency is often cited as the last barrier to complete economic integration. Similarly, North American free trade will eventually require a continental currency unit if it is ever to work as envisioned (Thomas, 1993).

It is our primary conclusion that the concept of a distinct northern borderland has taken on greater significance with the passage of the FTA and NAFTA. The resulting economic integration has solidified and reconceptualized the concept of continentalism through increasing the exchange of goods, services, capital and people, thus beginning to recreate a level of rational economic organization not visible since the Hudsons Bay era. Border communities, as our research indicates, are feeling the most profound effects of this increased interaction, and the impact is not just economic but also social and cultural in nature. The result is a unique human landscape reflecting both the best and the worst of the two distinct national systems.

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