SYNERGETIC TRANSFORMATION
OF THE GREAT LAKES REGION

CN FORUM
MSU 2013
OCTOBER 10, 2013
ANDERSON HOUSE OFFICE BLDG
124 NORTH CAPITOL AVENUE
MACKINAC ROOM, LANSING, MI 48909
I like the title, ‘Synergetic transformation’. It says to me that outcomes achieved collaboratively will be greater than the sum of efforts by individual Great Lakes jurisdictions. It implies that transformation is desirable – and that true transformation likely is only achievable through greater levels of cross-border cooperation than we are accustomed to. I believe all those things.

Synergetic transformation requires fundamental attitudinal changes – by political leaders – including legislators, by bureaucracies, the business community, law enforcement, organized labour, non-governmental organizations, environmentalists, academics, journalists. This conference can contribute materially to underscoring the imperatives, not just of collaboration, but of tackling problems and challenges with a regional mindset, conscious always of the impacts on neighbours of our policy decisions.

I’ve spent a lot of time since arriving in Michigan 37 months ago talking about how integrated the American and Canadian economies are. That applies particularly in the mid-west, and most particularly in Michigan. Sometimes, I detect that ‘Canada’ may be too big an apple to digest. We are a vast country – and the notion of Michigan being heavily integrated with Canada – and that there are policy implications flowing from that – perhaps tests folks’ conceptual powers.
So, let me be a bit provocative – just for purposes of discussion at this conference – and talk about Michigan/Ontario integration. Because, in reality, there are no Canadian and American jurisdictions more integrated with one another than Michigan and Ontario are.

75% of Canada’s exports to the world are to the USA. 11% of all of my country’s exports to the world are just to Michigan. [the next closest state is Illinois @ 9%, then California @ 6%, New York @ 5%). Our three most important export destinations after the USA as a whole are China (which buys 4% of our exports), the United Kingdom (also 4%), and Japan (2%). Put differently, we sell more to MI than to those three countries combined. Ontario is more than twice as dependent as Canada is on customers in Michigan. Fully 23% of Ontario’s exports to the world are sold to Michigan.

Looked at from MI’s perspective, the degree of reliance on Canadian – and Ontario – customers is even greater. Forty-five percent of Michigan’s exports to the world are to Canada. Thirty-seven percent of Michigan’s total global exports are sold to Ontario. MI sells more just to Ontario than to the state’s 7 next-most-important customers put together – meaning Ontario buys more from Michigan than Mexico+China+Germany+Saudi Arabia+Japan+South Korea+Australia do. By the way, those countries have a combined population of 1.8 billion. Ontario’s population is just a third bigger than Michigan’s.

Does my hypothesis that no two jurisdictions are more dependent on one another than Michigan and Ontario have your attention?
Let’s move outside the trade realm to another metric: Great Lakes shoreline. I’m talking here only about shoreline of the Great Lakes themselves (and connecting rivers) – but not about the St. Lawrence River. 49.5% of the Great Lakes shoreline is in Ontario, 31.7% in Michigan. Wisconsin has 8%. The remaining 6 states share 11%.

I don’t wish to imply that seven Great Lakes states aren’t important; they do, after all, ‘own’ 19% of Great Lakes shoreline. Invasive species, entering via Chicago, for example, would be devastating to the whole ecosystem. The volume of nutrients entering Lake Erie via the Maumee River is a big concern. But, with 81% ‘dominance’ of the Great Lakes, perhaps you’ll allow me the point, at least for today, that Ontario and Michigan should be able to set the pace, among sub-national jurisdictions, for the entire region.

If the two Great Lakes jurisdictions with the most heavily integrated economies, which between them command 4/5ths of the Great Lakes shoreline, can commit – and then figure out how to make ‘synergistic transformation’ the governing principle for their decision-making, I contend that the benefits would be so apparent, the rest of the region would surely follow. Or so we should hope.
None of us should be surprised that Governor Snyder has assumed a leadership role in this regard. After all, he spent almost five minutes during his first State of the State speech, in Jan., 2011, talking about the importance of Canada to Michigan’s economic revival prospects. He cited the fact that in 2009, which was the most up-to-date statistic available at that moment, Michigan did $40 billion in trade with Canada. In 2012, by the way, Michigan did $75 billion in trade with Canada. Clearly, the Governor knew what he was talking about.

Typical of Governor Snyder, his State of the State speech wasn’t just rhetoric. We all know how he invested himself in driving an Agreement with Canada to build the New International Trade Crossing – which happens to be Canada’s #1 national infrastructure priority. Ontario’s 50% share of the cost of the new freeway being constructed to the foot of the new bridge is 800 million dollars. The Agreement – probably the most tangible demonstration imaginable of Michigan-Ontario integration – set in train other important developments. A waiver by the US Department of Transportation of Buy America regulations – regulations which, when not waived, constitute an egregious denial of the true extent of U.S.-Canada economic integration. And then a Presidential Permit – issued in what may have been record time.
Governor Snyder didn’t quit with a bridge Agreement under his belt. He’s building support for a new, double-stack rail tunnel between Detroit and Windsor. He led an official Michigan business mission to Toronto last November. And he came back, earlier this week, from his second such mission. On both trips, he called on the Premier of Ontario. I was once a senior official in the Ontario Government; I know that a bureaucracy becomes focused and energized when the Premier meets with a foreign leader. The ramifications of these two meetings will be positive – and they will endure. By the way, to the best of my knowledge, these were the first times that Michigan’s Governor has visited the state’s principal export destination in almost a decade.

And if all this wasn’t enough, in June, he convened the Leadership Summit at Mackinac. Bill (Rustem) has spoken eloquently about the product of that conference. For purposes of my theme, I would only reinforce that Premier Wynne attended – also the first time an Ontario Premier has visited the province’s principal export destination in a decade!
Leadership: Legislative

These are very good – and very important – signs. They suggest that at the very top, there’s recognition of how critical each jurisdiction is to the other. To job creation. To resource management. To amicable problem resolution.

They auger well in terms of commanding the attention of bureaucracies, in each of Michigan and Ontario, to the need for proactive consultation of counterparts in the other jurisdiction prior to recommending administrative action – for example, the writing of regulations. I once represented Ontario on a review, undertaken by the Canadian School of Public Service, of the extent of bureaucratic-level contact across the Canada-U.S. border. The incidence of such contact was profound. But all of us – including we bureaucrats – have many mandates, and many deliverables. Ontario and Michigan public servants will benefit from hearing from their political leadership – repeatedly – how important it is that they cultivate and maintain contact with their counterparts in the ‘other’ jurisdiction.
Leadership: Legislative

Frankly, legislators should be similarly focused. Today, contact is episodic – usually in the context of regional organizations like the Council of State Governments – Mid-West Legislative Conference or at the Great Lakes Caucus. These are annual events – but they last only a day or two. A handful of legislators from Ontario and Michigan attend. To achieve the kind of transformative thinking this conference is trying to promote, groups of legislators should be visiting the other capital all the time. To discuss specific and relevant issues, like Great Lakes management (water levels and water quality). To discuss economic development incentives – with the objective of minimizing, ideally eliminating, competition that could drain both treasuries. To look at how state and provincial tax policy could be reformed to promote more cross-border business. To examine ways in which more joint academic programs – offering degrees in both jurisdictions – could be stimulated or incentivized. Etc. Etc. Etc. The opportunity for valuable learning by legislators is almost unlimited. The scope to harmonize priorities, contemplate complementary legislative action, and minimize the potential for ‘sideswiping’ or unintended consequences, also is almost unlimited. All that’s necessary is the direction and the will to follow through.
Leadership: Business

I’ve so far cast responsibility for ‘synergetic transformation’ in terms of governments’ leadership role. But, in fact, every sector of society has a part to play as well. As businesses make location decisions, do they reflect sufficiently on the extent to which plants on either side of the Detroit, St. Clair, or St. Mary’s Rivers source disproportionately from plants on the other side? Why is that important? Because 25% of the total value of all Canadian exports to the USA consists of U.S.-made content (by contrast, 4% of the total value of all Chinese exports to the USA consists of U.S. content). As the Center for Automotive Research here in Michigan has reported, 60% of the major content of every vehicle coming off the assembly line in Ontario is of US origin. From the perspective of jobs created in either jurisdiction, it doesn’t matter nearly so much whether a manufacturing facility opens in Michigan or in Ontario. What matters, in the context of maximizing regional synergies, is that it locate in one or the other - and not somewhere far away. Because Ontario and Michigan are one another’s best customers, synergistic growth engenders elements of a virtuous cycle.
Leadership: Labour and Journalism

Do labour leaders on either side of the border give nearly enough consideration, when negotiating, to a posture that has the potential to strengthen the competitiveness of the region – meaning both jurisdictions? Do they place priority on doing everything possible to see something like the NITC become a reality? It’s an infrastructure project demonstrably in the interests of their membership. If they don’t, they might want to reflect further on the importance of doing so. Because failure to secure that project, and see it built, could result in devastating setbacks to Michigan & Ontario manufacturing industries, especially the auto industry. Setbacks with job losses as serious as those suffered in the 2008-10 recession.

Do journalists, when preparing their stories, routinely seek a perspective on the other side of the border (on any and all matters that could lend themselves to such treatment)? With the advent of Internet research, finding sources is easier and easier. Doing so requires little more than contemplating the existence of a trans-border angle in the first instance. By demonstration, the media can instill greater consciousness of how interconnected we are – or it can allow its readers and viewers to wallow in the notion that we are only of marginal consequence to one another.
Universities and Cross-Cultural Learning

A great Michigander, David Hollister, counseled last year that we should be studying more about one another in our schools. I think he’s right – which, after commending MSU and congratulating the Canadian Studies Center here, provokes me to ask: why don’t all of the major universities in Michigan and Ontario have programs in Canadian Studies, or U.S. Studies, depending on their side of the border? Or centres of US-Canada relations? For that matter, why isn’t there a focus, at two or three universities in each of Ontario and Michigan, on policy making and its implementation – severally or jointly – in the ‘other’ jurisdiction? To be sure, Ontario may not be ‘sexy’, or particularly ‘exotic’ to Michiganders. By contrast, Ontarians probably do find Detroit to be pretty exotic. The point is: universities in Michigan and Ontario offer courses and programs that foster learning about lots of places. Places that, as it happens, aren’t remotely as important to our respective economies or polities as Canada and the USA are to each other or, for that matter, Michigan and Ontario are to one another.

In policy terms, how would synergetic transformation evidence itself? My day-to-day focus is on U.S. policy behavior – so it’s that experience I’ll draw upon. You need to get my U.S. counterpart in Toronto, Jim Dickmeyer, here for the next CN Forum. He’ll be able to offer you the analog in terms of Canadian policy change that might be expected.
Let me offer a few examples of how true, synergetic transformation, could play out. The monopoly owners of the Ambassador Bridge would find, no matter how much money they spent extending either carrots or sticks, that their noxious behavior would gain absolutely no traction in the legislature or with informed Michiganders. Because everyone, instantly, would know how that such palpably self-interested behaviour is inconsistent with the needs of this regional economy.

Moving along, there never would have been a Single Business Tax – let alone the need to eliminate it. Legislators would appreciate that the volume of trade – and of traffic passing through your state – necessitates taxation regimes that are harmonious, not dissonant.

In such a transformed region, Michigan’s government, business, and labour leaders would fight – strongly and loudly – against national protectionist policies that destroy the supply chain relationships underpinning the integrated nature of our shared economy. Supply chain relationships on which literally millions of jobs in both countries depend. U.S. federal policies like Country-of-Origin Labeling (in the agriculture sector), Buy American (in the transportation sector), and federal stimulus programs that discriminated against firms organized on both sides of the border – firms that source components from their U.S. or Canadian subsidiaries – would, if advanced, elicit certain, and vocal opposition from Michigan and Ontario.
True Synergy

I’ve often said that Canada and the U.S. do NOT compete with one another on the cost of labour, or on health, environmental, or labour standards. Meaning that neither of us – vis a vis the other – is China, or any comparable jurisdiction. That should matter to policy makers here. It should be possible to fashion nuanced and sophisticated policy, taking account of that reality – rather than blunt, broad brushed measures that ignore it. As my friend Stephen Blank – one of the most incisive analysts of the U.S.-Canada relationship has written: “it is time to stop talking about being trading partners and underline the fact that we are production partners.” Needless to say, such transformative thinking would compel each of Ontario and Michigan to refrain from introducing (or even sustaining) protectionist policies at the provincial or state level that could discriminate against the ‘other’.

Synergetic transformation would mean we perceive the geography we jointly occupy for both the opportunities and the obligations it confers. I’m mindful that this is the CN Forum. By virtue of its peninsular setting, Michigan can be a transportation and logistics hub that funnels American traffic destined to the world – and global traffic destined to the U.S. industrial heartland – over railways and through ports that offer the advantage of proximity, aren’t congested, and are efficient. Governor Snyder and many in this room routinely speak out in favour of such an outcome. Agreements, investments, and marketing should follow.
True Synergy (continued…)

The same applies to energy policy and delivery mechanisms. Great maturity is called for, likely starting with up-front acknowledgement of the energy intensive nature of our joint manufacturing economy. Explicit support for national policies that maximize the jobs advantages to both of us of achieving North American energy self-sufficiency, should flow from regional consciousness. Sustained support by the Michigan Legislature, in the form of multiple Resolutions passed with large, bi-partisan majorities, both for the KXL pipeline and for further development of the world’s third largest oil reserve, in northern Canada, demonstrate that responsible, synergetic thinking already thrives right here insofar as the energy sector is concerned.

On Great Lakes management, two jurisdictions commanding 80% of the Lakes’ shoreline, clearly cannot pursue disconnected policies on matters like ballast water, for example. The two, together, can lead in driving the development and implementation of policies grounded in realism – not fantasy – that achieve environmental goals while respecting commercial needs. This likely involves foreswearing unilateralism – of the type that often is encouraged, indeed demanded, by local interests. But leaders have a responsibility to educate their populations about the extent of interconnectedness – and the fact that only system-wide solutions are acceptable.
Closing Remarks

I could go on and on. Let me address one final issue area before inviting questions. Michigan and Ontario, equally, depend on a well-functioning border. Neither has control of border policy, most infrastructure development, or security enforcement. But each enjoys a very large bully pulpit. Ontario’s relative weight, in national politics, is four times greater than California’s is in the U.S. House of Representatives. And 45% of the USA’s entire trade relationship with its best customer in the world – Canada – is conducted across the Michigan-Ontario frontier – giving Michigan’ voice, on these matters, great weight and credibility.

So, let’s stipulate: both jurisdictions, if they truly invest themselves, have the potential for considerable influence over what priority is attached by national governments to border facilitation. And there also are things within their own jurisdiction that each of Michigan and Ontario can do in this regard. After Washington State, Michigan was the leader in offering enhanced driver’s licenses to its residents. Ontario followed. Ever since 9/11, we’ve seen some stagnation in the growth of cross-border passenger traffic. Introduction of the USA’s Western Hemisphere Travel Initiative – the passport requirement – slowed that growth still more. Enhanced driver’s licenses were meant to overcome that trend.
Closing Remarks

It’s likely the case that neither jurisdiction has done as much as it could to promote the acquisition of EDLs. But if our residents don’t acquire acceptable documents, they obviously can’t cross the border. And if they don’t cross in sufficient numbers, the constituency demanding synergetic transformation will diminish. We need to see that constituency grow. Both governments, acting within their authority, can do more to stimulate demand for the kind of thinking – and action – that will bring us more closely together, along the way maximizing the benefits for Michiganders and Ontarians alike. And in so doing, the two jurisdictions, together, can model for the entire region what true synergetic transformation could achieve.

Questions?

• Roy B. Norton
  Consul General | Consul Général
  Roy.Norton@international.gc.ca
  Telephone | Téléphone : 313 446 7010
  Facsimile | Télécopieur: 313 567 2164
  600-1100 Renaissance Center, Detroit, MI 48243