



Governor's **CANAMEX** Taskforce

The Safe, Smart and Secure (S³) Corridor

Canada Strategy April 2006

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On April 4, 2006, a meeting was held to discuss a Canada strategy. Arizona and the multi-state coalition have traditionally focused on transportation issues. The convened group supported a multi-dimensional effort, rooted in business development as a way to drive the growth of the Corridor. A four pronged approach was identified:

- Public Policy
- Trade
- University Linkages
- Transportation and Infrastructure

Key next steps include:

- Utilize the upcoming Phoenix Calgary Trade Mission (May 4th) to initially flesh out the logical points of connection for a multi-dimensional strategy.
- Organize an exploratory mission to Alberta and British Colombia the end of May, early part of June to continue the dialogue
- Determine the viability of expanding business/academic relationships in building and construction materials; and unmanned vehicles
- Initiate discussions with BTA and other organizations to advocate for a viable implementation of the Western Hemisphere Trade Initiative.
- Discuss a transportation agenda relative to the expansion of the Corridor into British Colombia and Alaska (road, rail, air and pipeline as well as technology).

Public Policy—Western Hemisphere Trade Initiative (WHTI)

The U.S. Department of Homeland Security will begin requiring all travelers to and from the Americas, the Caribbean and Bermuda to have a passport or other accepted document that establishes identity/nationality to enter and re-enter the U.S., as part of its Western Hemisphere Trade Initiative. This is a change from the past, impacting all U.S. citizens and foreign nationals who have not been required to present a passport, notably Canadians and Mexicans. The new requirement will have implications for both the occasional traveler and the daily cross border traffic of individuals and commercial truckers. Implementation will be phased in beginning with all air and sea travel in December 31, 2005, and all land borders crossing in December 31, 2007.

The Arizona Office of Tourism (AOT) and the Premiers of Alberta, British Colombia, Saskatchewan and the Governors of Montana and Washington State have weighed in on the WHTI (**note attachments and PNWR links**). Annual revenues from Canadian visitors are a significant source of income for the State of Arizona, totaling \$286 million, the most recent data available. The AOT supports conducting a feasibility study on an appropriate border crossing card and a uniform deadline for implementation.

Border Trade Alliance (BTA) has focused attention on the quality of implementation, advocating for cross functional and multi purpose technology and infrastructure and continual monitoring of program efficiency. The Canadian Consulate supports finding an alternative to the passport mandate. Establishing viable alternatives to the U.S. Passport and the proposed PASS Card are a key concern. Various programs (BCC, FAST, NEXUS and SENTRI) have been implemented already and require extensive background and certification reviews.

Remarks by Homeland Security Secretary Michael Chertoff at the World Travel and Tourism Summit

http://www.dhs.gov/dhspublic/interapp/speech/speech_0278.xml

Remarks by State Department Secretary Condi Rice at the Global Travel and Tourism Summit Breakfast

<http://www.state.gov/secretary/rm/2006/64429.htm>

Border Trade Alliance Resolution

<http://www.thebta.org/mail/outreach/weekly/3may2005/documents/WHTIFinalResolution.pdf>

Pacific Northwest Economic Region

<http://pnwer.org/WESTERN%20HEMISPHERE%20EXEMPTION.doc>

<http://pnwer.org/PNWER%20WHTI%20Response.pdf>

<http://pnwer.org/border/BC%20WA%20WHTI%20Letter.pdf>

Trade—Defense of Existing Trade Relationships and Proactive Expansion into New Sectors

CANAMEX could consider stimulating business relationships from two fronts. One would be to preserve the existing trade relationships in trade, such as tourism; and the second would be to proactively cultivate business in new areas, such as agricultural biotechnology, aerospace, and energy. One strong sector with significance for Arizona is materials, notably lumber, cement and building products.

CyberPort Analysis
http://oed.arizona.edu/programs/pubs/CyberPort_Comp_Rpt.pdf

PIERS Data & Services
<http://www.piers.com/>

A key challenge is the lack of trade flow data. The CyberPort analysis provided a detailed look at commodity flows within Arizona's natural trade shed with Mexico, highlighting shipments and the leakages to other areas. Similar data is needed relative to Canada. A trade flow analysis must look beyond just the numbers to explore what

drives the shipments and what are the investment ties. The PIERS report albeit expensive offers information on exporter and importers.

Arizona's Department of Commerce is focused on aerospace and telecommunications. The Calgary Mission to Arizona on May 4th will include a focus on the construction and building sector. The Canadian Consulate has identified building and construction as one of its priority sectors. In 2004 Canadian soft lumber exports to Arizona hit 271 million, a 104 percent increase since 2003. Figures for 2005 should position this commodity as the number one export. Most of these shipments come by rail from the western regions of Canada, e.g. British Columbia and Alberta. Green construction is also a strong and emerging area within the whole range of construction and building products. Rick Stephenson from the Canadian Consulate in Tucson attended an environmental building event in Vancouver recently.

One of the premises of the CANAMEX strategy is that strengthening the overall relationship with Canada will result in a positive effect on the Corridor. The notion of identifying something like the building and construction sector as a focus point for driving the corridor could be a very sound strategy.

Energy is another potential area for business development. Possibly to costly to execute effectively, the recent denial by Mexico to provide oil for the proposed refinery in Yuma could jeopardize that project. Alberta is rich in these natural resources. As the US continues to seek alternative energy sources, Canada increasingly will become an option.

University Linkages

Both ASU and UA have strong partnerships with various regions of Canada that could be leveraged to build deeper business linkages. The Canadian Arizona Business Council commissioned ASU to qualify the Arizona-Canada trade relationship. Results anticipated by May 5 offer a major step toward going beyond just a trade figure and exploring the areas of growth, decline as well as the opportunities and challenges.

The UA conducted a detailed analysis for GPEC on their target markets (**note attached powerpoint**). Canada emerged as a viable strategy. The analysis considered the number of firms and their concentration of employees.

The Canadian Government provides a tax credit to companies doing research in Canada. Depending on the Province the credit can range between 40 to 60 percent per dollar spent on R&D, a strong incentive toward stimulating and retaining this activity in Canada.

The Consulate spends a considerable amount of its time focused on Science and Technology Innovation, facilitating and encouraging partnerships between researchers. In March, a conference was held on nanotechnology and included scientist from the University of Alberta and the National Institute of Nanotechnology.

Existing partnerships and core competencies offer a rich environment for growth.

- The University of Arizona's relationship with Carlton University in Ottawa resulted in a Canadian company expansion in Tucson. Increasingly Arizona's proximity to specialized contract manufacturing capabilities in Mexico (gateway to Mexico) is emerging as a strong selling point for business expansion.

**Alberta Government
Ingenuity Funds**
http://www.innovation.gov.ab.ca/inv/sec/fun_org/index.cfm

**University of Alberta Institute
for United States Policy
Studies**
<http://www.uofaweb.ualberta.ca/iusps/>

**Arizona State University
North American Center for
Transborder Studies**
<http://www.asu.edu/president/newamericanuniversity/exemplaryinitiatives/transborderstudies.html>

<http://issr0.asurite.ad.asu.edu/NACTS.htm>

**University of Arizona Global
Advantage Program**
<http://www.globaladvantagenet.com/index.asp>

- The University of Alberta is ranked 2nd or 3rd in terms of research among institutions in Canada.
- The University of Alberta in early May will launch a new institute to focus on the U.S., (the U.S. Policy Studies) the first of its kind in Canada.
- Arizona State University has been cultivating strong academic ties in Alberta and British Columbia for sometime, notably in the construction and building materials field. This area of focus includes Mexico, where ASU is working closely with CEMEX to change the composition of cement to reduce heat absorption.

The Alberta Government has provided millions of dollars in ingenuity funding to be used for research and development such as the University of Alberta in Calgary. Aerospace is an emerging sector in Alberta. Significant research is underway on unmanned vehicles, and a Center of Excellence in this field of research is being planned in Alberta. A considerable and potentially complimentary effort is being driven by the private sector in Tucson with the participation of the University of Arizona's Department of Engineering.

Using the Global Advantage model it may be useful to explore convening Arizona State University and the Universities of Arizona and Alberta to exchange information on core competencies. A recent presentation by the Canada's Science Advisor emphasized the existence of strategic funds to support building strong cross border institutional ties and collaboration.