

Canadian Chamber of Commerce Policy Resolution: “Fostering the role of municipalities within the North America advanced manufacturing and trade corridor.”

Since the establishment of the NAFTA agreement, advanced manufacturing sectors today extend their supply chains across the United States, Mexico, and Canada, anchored by productive metropolitan hubs in all three countries. Efforts must be undertaken to foster and enhance the integration and of Canadian municipalities and their constituent businesses within the supply chain corridors.

According to a recent report from the Brookings Institute titled “Metros as Hubs of Advanced Industries and Integrated Goods Trade”¹, metropolitan areas within North Americas generate an overwhelming 86 percent of the combined GDP of Canada, Mexico and United States. They are an especially concentrated host of advanced manufacturing industries in the automotive, aerospace, agri-food, clean technology, pharmaceutical and electronic industries amongst others. It is also estimated that over three quarters of North American trade in advanced manufacturing occurs between Metropolitan areas. Additionally, Canada`s largest exporting destination by far is cornered by United States with over \$1.5 Trillion in exports in 2013, of which over \$338 billion were manufactured exports; with advanced manufacturing industries like automotive (\$58.4 billion) and mechanical machinery(\$23.1 billion) still making up considerable proportions of trade. 2.

Many of these industries operate within complex “value chains” of intersecting natural resources, talent, innovation ecosystems, infrastructure and knowledge capital. Value chains are formally defined by the OECD as “full range of firms’ activities, from the conception of a product to its end use and beyond.”³ Advanced information and logistics management systems allow businesses to spread out a production line over multiple countries globally, while also allowing smaller businesses to seamlessly integrate within the manufacturing cycle of multinationals. Furthermore, these industries tend to congregate within municipalities due to the availability of STEM graduates, knowledge spill overs,

A prime example is the Michigan auto sector, which has slowly evolved from in state production to its current global value chain with many Canadian cities actively contributing parts or manufacturing end products, with the cumulative value of auto exports being \$58.4 Billion and rising in 2013⁴.

In light of these trends, one must also recognize that the trading climate also has the counter effect of excluding businesses that are unable to maintain their competitive advantage. Some of the environmental factors that inhibit regional clusters are infrastructure and freight movement congestion (especially along nodes leading to Canada – US Border crossings, red tape associated with tariffs, low labour productivity and challenges with attraction of foreign direct investment.

¹ <http://www.brookings.edu/research/interactives/2013/metro-north-america>

² Canada`s State of Trade and Investment Update- 2013. http://www.international.gc.ca/economist-economiste/performance/state-point/state_2013_point/index.aspx?lang=eng

³ Organization for Economic Cooperation and Development, “Interconnected Economies: Benefiting from Global Value Chains” (2013).

⁴ Cities and Metros as Hubs of Advanced Industries and Integrated Goods Trade, 2014. Brookings Institute.

The Canadian Chamber has already addressed and advocated on a number of these environmental factors through various policy initiatives; however there remains room for more advocacy.

Recommendations:

That the Federal Government:

1. Building on the successful model of the Pacific Northwest Economic Region, encourage the capacity of Investment Canada and Canadian High Commission in spearheading and facilitating opportunities for municipalities, local chambers and their constituent businesses to increase their integration within global value chains.
2. Improve goods movement efficiency by targeting additional freight infrastructure investments: Specifically Increasing the annual allocation for the Border Infrastructure Investment Plan, Gateways and Border Crossings Fund and the Asia-Pacific Gateway and Corridor Initiative. Special considerations should be added for transportation nodes leading into the border crossings and in between major sectoral supply chains.
3. Continued Implementation of work plan objectives for the Regulatory Cooperation Council related to transportation⁵. Regulatory alignment will increase the ability for Canadian businesses to integrate within North American value chains. For example the Trans-Tasman Mutual Recognition Agreement⁶ provides a framework so that goods produced or imported into one territory may be made available in the other without additional approvals or requirements.

Submitted by... Hamilton Chamber of Commerce

Approved: 29th September 2014

⁵ <http://actionplan.gc.ca/page/rcc-ccr/transportation>

⁶ http://www.coag.gov.au/the_trans-tasman_mutual_recognition_arrangement