



Québec in North America / Le Québec en Amérique du Nord

The Québec-New York Corridor

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Trade corridor initiatives emerged as an answer to the increase of trading flows between the NAFTA partners, and to ensure the position of region states within the North American market¹. As a result, North American integration is deepening in a regional rather than in a federal perspective.

Indeed, we observe that although trade corridors are generally conceived as a connection between transportation (super highways) and trade, public and private actions have allowed further regional economic development to take place. This is particularly the case of the Québec-New York corridor.

The first section of this paper discusses issues about border infrastructure and new security restrictions in North America as obstacles to trade. After 9/11 the North American partners had to ensure border security on one hand and trade efficiency on the other. Congestion problems due to traffic volume and new border restrictions and inspections had economic repercussions for the Canadian and US economies. We intend to demonstrate that expanding the border capacity is a complex problem that the Federal and provincial governments jointly with the private sector

Le corridor Québec-New York

Français : <http://cepea.cerium.ca/article349.html>

Résumé

Les corridors de commerce sont apparus en Amérique du Nord en tant que réponse à la croissance du volume des échanges commerciaux entre les trois partenaires de l'ALÉNA. Ils ont aussi permis aux gouvernements étatiques et provinciaux de s'assurer une place dans le marché nord-américain. Cette note aborde d'abord les enjeux liés aux infrastructures frontalières et aux restrictions de sécurité aux frontières. Ensuite, elle montre que les corridors commerciaux sont mus par des intérêts politiques sociaux et économiques très diversifiés et à tous les niveaux. Ceci complique la planification et la coordination afin d'établir des projets communs. La dernière partie de la note se penche sur les grappes industrielles transfrontalières, qui sont considérées par les gouvernements du Québec et de New York comme des outils privilégiés de développement régional. Les économies des deux voisins sont intimement liées et leur prospérité dépend d'une infrastructure de transport mieux intégrée pour assurer le mouvement des biens et services et l'efficacité des chaînes de production. Pour tirer leur épingle du jeu de la concurrence, le Québec et l'État de New York coopèrent dans des secteurs clés et s'efforcent de trouver des solutions communes à leurs problèmes. Il reste beaucoup d'obstacles à surmonter, toutefois, et il faudra continuer à concilier une multitude d'intérêts parfois contradictoires pour assurer l'avenir de l'intégration économique nord-américaine.

have to consider seriously to ensure that North America remains competitive in the global economy.

¹ Juneau, Albert. 2004. [Québec-New York Trade Corridors Initiatives](#), Institute for Research on Public Policy (IRPP).

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<http://cepea.cerium.ca/article340.html>

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In the second section we show that trade corridor initiatives are interdisciplinary; they represent social, business and political interests on different levels and sectors². As a result we demonstrate that planning trade corridor initiatives is difficult because the actors involved do not necessarily share the same vision and sometimes lack precedent regarding planning and interagency cooperation. Therefore, coordinating action between the private sector, public agencies and various levels of government requires greater efforts trying to establish a common agenda. In the same section we explain that local and provincial political authorities share functions that may complement or conflict with those of the federal government. In addition to the overlap of subnational and national jurisdiction, the new international dynamic is penetrating more deeply into areas of local

² Van Pelt, Michel. Mayo 2003. *Moving Trade: An Introduction to trade corridors*. [http://tradecorridors.com/overview/publications/moving_trade.pdf].

jurisdiction thus challenging the relationship between the federal and local governments.

The last part of the paper focuses on trans-border clusters. Québec's and New York's governments have regarded the potential of clusters as regional development tools. The Chambers of commerce and the governments of Québec and New York State have adopted a high-technology cluster development strategy³ and they agreed to implement an action plan to promote cooperation in various technology sectors. Finally, we intend to demonstrate that government's actions are still crucial because they can influence the development of clusters, they also have access to important economic resources and as a result they can facilitate business development.

Border infrastructure and security: a limitation to Trade Corridors initiatives

Transport, logistics and services are essential prerequisites to advance regional integration. Cross border economic cooperation depends on transit facilitation and on low transport costs. An efficient transport infrastructure is the strongest motivator for linking a series of economic and social activities among communities⁴.

The present transportation system (highways, railway lines, canals and ports) was constructed independently in Canada and in the USA. They were planned and structured to bind the states and provinces together in each country. CUSFTA (1989) and then NAFTA (1994) have shifted trade patterns that before followed an east-west axis to a North-South orientation⁵. Before the early 1990's, truck traffic predominantly moved across Canada via the TransCanada Highway. Nowadays

³ There are varying definitions of clusters, they could be defined as "A geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities" or "a group of industries whose linkages mutually reinforce and enhance their competitive advantage", among other definitions.

⁴ Ibid.

⁵ Bradbury, Susan. 2002. «Planning Transportation Corridors in Post-NAFTA North America», *Journal of the American Planning Association*, 68(2). p. 137-150.

truck traffic circulates 10 times more across the U.S./Canada border than on the TransCanada Highway⁶. The majority of all cross-border trade between USA and Canada is concentrated in the provinces of Ontario and Québec. These provinces are responsible of over 73% of all cross-border trade between the two countries⁷.

Trucking is the dominant mode of transportation for North American trade, with about 80% of Canada-US trade in 2000. Table 1 shows that four of the five busiest border crossings

coming from other provinces, going to the USA or coming from the USA to other provinces also transit through Ontario⁸.

Many of the existing cross border infrastructures were constructed between 1950 and 1970. Border delays even before the terrorist attacks showed that the physical infrastructures at the border crossing could not handle the increase in truck traffic that has occurred over the last 15 years. In addition, the economic integration of the private sector as a result of complex cross-border production and distribution revealed the importance of efficient interconnections between the United States and Canada.

In recent years, the US and Canadian governments implemented national policies for border and transportation infrastructure improvements. Between 1991 and 1998, the US Congress adopted three laws that identified 43 trade corridors of high priority and provided funding to states and metropolitan planning organizations for coordination, planning, design and construction of trade corridors of national significance⁹. On the other hand, in April

Table 1 Canada's Road trade with the US by busiest border crossing points, 2000 (Billions of dollars)

Port	Province	Exports by Road	Imports by Road	Total Trade by Road	Share in percent
Windsor/Ambassador	Ontario	59.4	67.3	126.6	33.1
Fort Erie/Niagara Falls	Ontario	39.4	28.9	68.4	17.9
Sarnia	Ontario	26.0	23.8	49.8	13.0
Lacolle	Québec	15.6	5.9	21.4	5.6
Lansdowne	Ontario	11.4	6.6	18.1	4.7
Pacific Highway	British Columbia	8.9	6.3	15.2	4.0
Emerson	Manitoba	7.0	7.5	14.5	3.8
Philipsburg	Québec	6.3	3.3	9.6	2.5
Coutts	Alberta	5.2	4.0	9.2	2.4
North Portal	Saskatchewan	3.5	3.2	6.6	1.7
Other Ports		17.6	25.9	43.5	11.4
Total		200.3	182.8	383.1	100.1

Transport Canada. 2001. *Transportation and Trade*, online [\[http://www.tc.gc.ca/pol/en/Report/anre2001/tc0107ce.htm\]](http://www.tc.gc.ca/pol/en/Report/anre2001/tc0107ce.htm)

are in Ontario (the Windsor/Ambassador Bridge, Fort Erie/Niagara Falls, Sarnia and Lansdowne). The fourth busiest is in Lacolle, Québec. These five border crossing points handled almost 75 per cent of total Canada-US trade by road in 2000. Transborder truck movements are highly concentrated in the province of Ontario because of its proximity to the US industrial centers. In addition, trucks

2001 Transport Canada announced the Strategic Highway Infrastructure Program (SHIP). This program agreed to invest on highway construction and provides funds for

⁶ Bradbury, Susan, op. cit., 2002
⁷ Statistics Canada, «Canadian International Merchandise Trade», cat. No 65-001

⁸ Transport Canada. 2001. *Transportation and Trade*, [\[www.tc.gc.ca/pol/en/Report/anre2001/tc0107ce.htm\]](http://www.tc.gc.ca/pol/en/Report/anre2001/tc0107ce.htm).

⁹ The US Intermodal Surface Transportation Efficiency Act (ISTEA) adopted in 1991, the National Highway System Destination Act (NHS) adopted in 1995 and the Transportation Equity Act for the 21st Century (TEA-21) adopted in 1998.

strategic initiatives that better integrate the transport system. However, the SHIP hasn't identified high priority trade corridors¹⁰. Therefore the trade corridors projects and current highways improvements do not make up a comprehensive, connected and integrated North American highway.

The current infrastructure systems, custom inspections and additional paperwork at the border after 9/11 have also increased congestion and border wait times of trucks carrying goods between Canada and the USA. The increased security at the borders as well as the lack of border staff have particularly disrupted industries, such as the automotive industry that rely on just-in-time (JIT) delivery of materials and parts.

Congestions and delays are estimated to cost private companies and the national economies of the two countries millions of dollars every day. Annual economic costs due to delay for entering New York through Champlain border crossing is estimated at \$US 42.6 million for freight. Freight entering Canada through the same border crossing is evaluated at \$US 25 million.

Table 2 Costs of Delay at three New York Border Crossings: Commercial Vehicles¹¹

	Average Delay							
	Entering United States			Entering Canada				
	Primary Inspection (Minutes)	Secondary Inspection (Pct.) (Min.)	Total (Minutes)	Primary Inspection (Minutes)	Secondary Inspection (Pct.) (Min.)	Total (Minutes)		
Peace Bridge	4.33	15%	75	15.6	1.42	20%	60	13.4
Lewiston-Queenston	1.21	35%	75	27.5	1.36	20%	60	13.4
Champlain	14.20	40%	60	38.2	6.20	30%	60	24.2
	Annual Costs (Millions of U.S. Dollars) – "Middle Impact" Estimates							
	Entering United States			Entering Canada				
	Primary Inspection	Secondary Inspection	Total	Primary Inspection	Secondary Inspection	Total		
Peace Bridge	\$8.8	\$15.3	\$24.1	\$2.6	\$20.3	\$22.9		
Lewiston-Queenston	\$1.9	\$34.6	\$36.5	\$2.0	\$15.8	\$17.8		
Champlain	\$15.4	\$27.2	\$42.6	\$6.9	\$18.1	\$25.0		

Source: Midpoint estimates from Taylor, Robideaux and Jackson (2003), Appendices, pp. 112-115. Based on a time cost of \$150/hour.

¹⁰ Transport Canada. *Strategic Highway Infrastructure Program (SHIP)*, www.tc.gc.ca/pol/en/tbwg/312.htm.

¹¹ In Seaman, Mark; Goldman and Cerreño. 2004. *Assessing New York's Border Needs*. New York: Rudin Center for Transportation, Policy and Management, www.nyu.edu/wagner/transportation/files/bordersFinalReport.pdf.

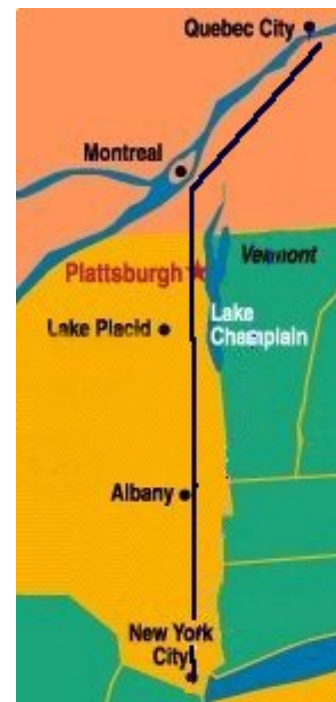
Antecedents of the Québec-New York Corridor

The Québec-New York corridor was the result of an agreement signed in 2001, between the private sector, more specifically between the Federation of Québec Chambers of Commerce (FCCQ) and the Plattsburgh-North Country Chamber of Commerce (PNCC). Shortly after, the Québec and New York governments also agreed to join this corridor initiative in areas of common interest.

The FCCQ is planning to develop two more corridors: the Québec-New England-Maritimes Corridor and the Québec-Maritimes-Ontario-Midwest Corridor. FCCQ has chosen to develop these corridors due their strong economic linkages. Moreover, there is still place for certain market diversification and expansion.

The Québec-New York Corridor extends from Québec City and Montréal through Plattsburgh to Albany to New York City.

Map 1 Québec New York Corridor¹²



¹² Source: the Québec-New York Corridor Web site : www.Québecnewyorkcorridor.com.

At first, the Champlain/Lacolle border crossing and the transportation infrastructures were the main focus of this corridor initiative. Construction of significant infrastructure upgrades for this port began in 2003. The Department of Transportation of Québec (MTQ) promised C\$ 75 million for infrastructure improvements between the border and Montreal. The New York State Department of Transportation (NYSDOT) also promised to invest US\$ 6 million in the upgrade of the Champlain border crossing. Both departments of transportation and the federal authorities of Canada and the USA are working to develop intelligent transportation systems to improve security and traffic flow¹³.

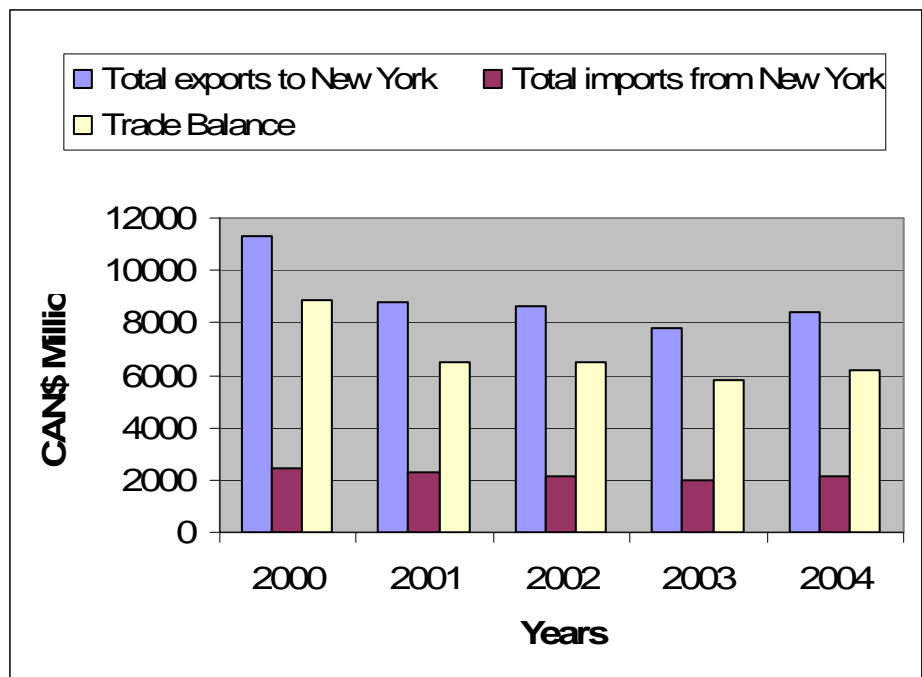
Beyond security and transportation infrastructure, deeper cooperation in other sectors such as tourism, sports, energy, telecommunications, economic development and labor are also expanding between Québec province and New York State.

It is important to mention that the Québec-New York Trade corridor was the first trade corridor to come into existence in the province of Québec, and this for several reasons. New York State is Québec's first trade partner in the United States. Québec New-York trade rose from \$3 billion to \$10 billion in the past 10 years¹⁴. However, as we can see in the next graphic since the year 2001 trading flows between Québec and New York have decreased. This tendency could be explained by the slowdown in the USA economy, following the terrorist attacks of 9/11.

In 2004 Québec's total exports to New York accounted for \$8.3 billion, which represented

12.21% of all Québec exports to the USA. In the same year, imports from New York were \$2.2 billion or 3.8% of all Québec's imports¹⁵. As an evidence of the importance of New York for Québec, in 1940 Québec opened its first general delegation in New York City. This Delegation provides services in areas under Québec's constitutional jurisdiction including Québec's economy, education, culture, immigration and public affairs.

Figure 1: Trade Balance Québec-New York¹⁶



Moreover, this corridor directly links the most important trans-Atlantic seaports in North America: Montreal and New York. A large proportion of containers coming from Europe and the Mediterranean, and destined for markets in the USA are shipped via Montreal or Halifax. Montreal has been able to exploit its geographical position closer to interior markets of Canada and the U.S. Revenues earned by providing transportation services for

¹³ Chambers of Commerce of Québec and New York. April 2004. «Québec-Canada-USA Trade Corridors: A new cross-border partnership for business», Action Plan 2004-2006.

¹⁴ Nadeau, Jean Benoît. 2002. «Business without border: The most ambitious bi-national economic zone on the continent will soon come into being between Montreal and Plattsburgh. Is this the way of the future?». L'Actualité, September 15.

¹⁵ Industry Canada, *Canadian Trade Balance, total for all products Québec-New York latest 5 years*. [http://strategis.gc.ca/sc_mrkti/tdst/tdo/tdo.php#tag]. (Consulted on 11-Jun-2005).

¹⁶ Source: Industry Canada, *Canadian Trade Balance, Total for all products Québec-New York latest 5 years*. [http://strategis.gc.ca/sc_mrkti/tdst/tdo/tdo.php#tag].

US imports and exports moving through the port of Montreal are a considerable source of revenue for Canadian transports suppliers¹⁷. This port accounts for 23 percent of the total North American Atlantic container trade. There are two main traffic routes in this port: the cargo traffic, originating from or destined to Québec and Ontario, and the cargo traffic from or destined to the Midwest (Illinois, Michigan, Minnesota, Wisconsin and Ohio) and the Northeast (New England and New York State)¹⁸.

The New York/New Jersey bi-state port is among the largest in the United States in terms of volume of commerce. It mainly handles cargo volumes coming from Northern Europe and Far East Asia¹⁹.

In May 2002, Plattsburgh and Saint-Jean-sur-le-Richelieu hosted the first economic summit. In this economic summit, organized jointly by New York State and the Québec government in cooperation with both chambers, other priority sectors were identified besides the border and transportation concerns. During this event, Québec's Premier Bernard Landry and New York Governor George Pataki signed a Memorandum of Understanding on transportation, economic and tourism development, scientific and technological cooperation. In addition, further cooperation in these areas was achieved by creating five committees on transportation, technology, economic development, tourism, sports and energy²⁰.

The second Economic Summit took place on May 13, 2004 in Montreal and highlighted all that had been accomplished since the first summit. It also reaffirmed their shared

commitment to strengthen existing ties on both sides of the border in the areas of transportation, energy, tourism, science, technology and on collaborative projects between institutions of higher learning. The third Economic Summit Québec-New York was held in Albany on October 4th and 5th, 2005.

Besides the Economic Summits, the chambers organized three Border Summits, the first in October 2002, the second in June 2003 and the third in September 2004. These summits were primarily concerned with investments, which would upgrade the Lacolle/Champlain border crossing and rail infrastructure in both regions, the I-87 Multimodal Corridor Study, which approaches security issues (specifically to increase registrations for the Expres and Nexus programs) and the pre-feasibility study of the Montreal-New York high-speed rail service.

Planning the Québec-New York trade corridor: a necessity for an efficient and effective border management

Interactions between Canadian provincial and territorial governments and their US counterparts seem to be the dominant feature of Canada-US relations. The Québec-New York's corridor development highlights the emergence of a new cross-border network structure formed by public and private partnerships, and by political authorities of different levels and sectors, each operating with different rules and work practices²¹.

Businesses, sector specific associations, universities, cities, the state and federal governments are the principal financial providers of the Québec-New York corridor. Both chambers of commerce are responsible for ensuring financial resources obtained by a partnership between the public and private sector on various projects. The next chart illustrates the interactions between public and private organizations as well as with other actors involved in the development of the Québec-New York Corridor.

¹⁷ Slack, Brian. The Port of Montreal. Transport Geography on the Web.

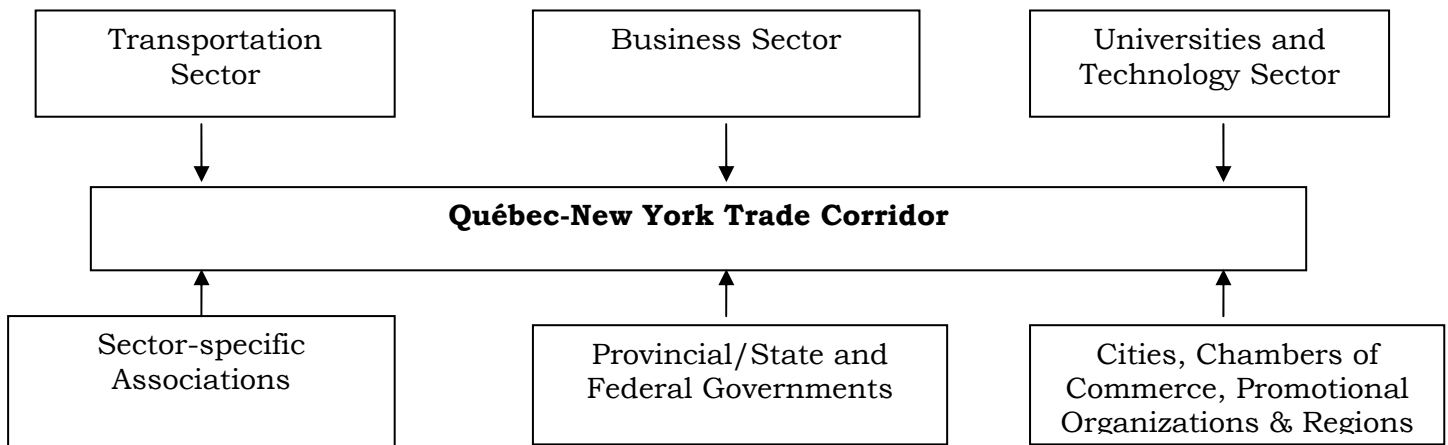
¹⁸ Bonsor, Norman. 2004. «Fixing the Potholes in North American Transportation Systems». Choices, 10(8) IRPP, www.irpp.org/choices/archive/vol10no8.pdf.

¹⁹ Information taken from the Port Authority of New York and New Jersey, www.panynj.gov/.

²⁰ Relations internationales Québec. May 2002. *Entente de coopération dans les domaines économique, scientifique et technologique entre le gouvernement du Québec et le gouvernement de l'État de New York*. Online [http://www.mri.gouv.qc.ca/fr/action_internationale/ententes/pdf/2002-04.pdf].

²¹ Bradbury, Susan. Op. cit., 2002.

Figure 2 Partners involved in the development of the Québec-New York Corridor²²



At the national level, trade issues have encouraged intergovernmental negotiations, interagency discussions and sector-specific consultations to foster a common front in international trade negotiations. Not surprisingly, international relations have become more complex because provinces and states want to organize their own economic development and to ensure accommodation of their interests and concerns in federal policies and positions. As a result, national authorities and subnational governments compete to control and manage areas of mutual interest such as immigration, international trade, economic, social development, environment, security regulation, etc. There are also disagreements over federal and provincial spending priorities. In addition, municipalities demand more taxation privileges in order to attract investment.

On the other hand at the international level, coordinating actions between Canada and the USA has also been difficult because NAFTA hasn't created any institution or supra-national mechanism that could establish a regulatory system for greater economic integration. There are jurisdictional asymmetries and organizational differences among Canadian and the USA federalism which also restrain binational integration.

Capacity for policy responsiveness for border management, security regulation, planning and financing transportation infrastructure differs in both countries. Canadian provinces have more autonomy than states in the USA. Canadian federalism enables provinces and territories to engage in international activities, according to the constitutional division of powers of the Canadian federation, the federal government is limited in the implementation of international agreements to which it is signatory when they affect areas of provincial jurisdiction²³.

The next chart illustrates the differences on jurisdiction over major issues between Canada and the USA (see Table 3, next page).

Despite NAFTA, the United States and Canada continue to operate under differing rules such as fuel taxes, licensing requirements, weight and length regulations and regulations on safety and technological standards. Although the Land Transportation Standards Subcommittee (LTSS) is in charge of making regulations more compatible between the NAFTA parties, regulations still differ not only across the countries but also within them. There are over 60 separate jurisdictions under

²² Source: Chambers of Commerce of Québec and New York. April 2004. «Québec-Canada-USA Trade Corridors: A new cross-border partnership for business», Action Plan 2004-2006.

²³ Inter-American Studies Center (Centre d'études interaméricaines CEI). Online [http://www.cei.ulaval.ca/default.asp?Langage=En&Groupe=1&Niveau=4&Page=0] (consulted on June 2005)

NAFTA that determine these regulations²⁴. In addition, there are at least 44 agencies between both countries that have some level of jurisdiction over the border. These authorities include transportation agencies, food inspectors, immigration agents, police and security forces, environmental agencies, and consumer protection agencies, all of whom have a role in regulating the entrance of trucks in their respective country.

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Table 3 Overlapping and Conflicting jurisdictions: Effective jurisdiction over major issues with cross-border implications²⁵

	Canada		United States	
	Federal	Provincial	Federal	State
International Trade	X	√	X	
Economic Development	X	X	X	√
Primary industries/land use		X	X	X
Food standards	X		X	√
Energy		X	X	√
Environment	X	√	X	√
Border management	X		X	
Related infrastructure/highways		X	X	√
Immigration	X	√	X	
Labor mobility		X	X	
Corporate governance/securities regulation	√	X	X	

Note: X = sole or primary jurisdiction; √ = concurrent or partial jurisdiction

In spite of that, the main actor in the development of trade corridors has been the business community. This group is also directly concerned with cross-border issues, and does not necessarily share the same vision as the governments. The business community is the main group in favor of an efficient North American integration. Commodity chains in North America are so integrated that businesses depend on border facilities and on flexible regulatory frameworks. Unlike the proactive attitude of businesses, governments have proved to be more passive regarding the development of trade corridors. Nevertheless much

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of the discussion on planning trade corridors still revolves around balancing the opposing needs of the private sector and public sectors concerning a more efficient trade flow versus security restrictions.

In addition, other actors such as civil society, labour unions, NGO and other types of public-interest groups are concerned with the negative environmental and social impacts of trade corridors on their communities. They also should be heard when discussing trade corridor developments.

²⁴ Bonsor, Norman. 2004. op. cit.,

²⁵ Source: Hale, Geoffrey E. 2003. *Adapting to North American Integration*. Policy Research Initiative, http://policyresearch.gc.ca/page.asp?pagenm=v6n3_art_09

²⁶ Bonsor, Norman. 2004. op. cit.,

Serious questions arise when looking for the best way to manage cross border problems considering that the number of actors and interests has augmented and, as a consequence, different priorities have been identified to address common challenges. An efficient, timely and secure movement of goods and people between Canada and the United States is essential for the well-being of both countries²⁷.

Beyond planning transportation corridors: Regional development and clusters in the Québec-New York corridor

International relations have become more and more important for sub-national governments, which are trying to answer to competitive pressures of economic globalization by developing trans-border clusters. North American integration has created an environment of competition among states and localities that seek to gain competitive advantage over other regions, they try to attract foreign investment, business activities and promote local exports²⁸.

Québec-New York corridor represents the emergence of a cross-border bi-national economic region. In this sense Québec and New York are implementing a development strategy of productive interaction, industries across borders are trying to find better ways to collaborate and complement each other.

Québec and New York's regional integration is the consequence of their geographic proximity but mostly of their economic interdependence. They seek to mutually reinforce and enhance their competitive advantage within North America by increasing specialization in many industrial sectors. It is important to note that it is easier for Québec to establish and develop strong economic cooperation with border states or with old economic partners than with

further regions. Nonetheless, Québec should not neglect changes brought by NAFTA to the North American market dynamic. The new booming markets are developing in the south and west of the North America region. According to Albert Juneau from the FCCQ, Québec will have to make an effort in order to integrate itself with these new markets located along the I-35 highway²⁹ all the way to Mexico.

Québec exports to the USA are focused on five basic products comprising 40% of the total exports by themselves; these are aluminum, telecommunications, newsprint, automobiles and airplanes. Moreover, Québec's exports to New York are mainly composed of aluminum including alloys, electricity, printed matter, motor vehicle parts (not including engines), precious metals, telecommunications equipment, softwood lumber, electronic and multimedia products, office machines and equipment, and clothing (see table 4). Even if Québec's traditional exports in primary materials continue to be an important source of revenue, it is in high technology goods and in services where Québec has definitely grown. R&D expenditures in Québec grew by 50% from 1998 to 2002. In 2002, Québec's gross domestic expenditure on R&D amounted to C\$6.5 million, or 29% of Canadian expenditures³⁰.

In 1991, the Québec government was the first Canadian provincial government to adopt cluster development as a government policy. Currently there is a regional initiative in Québec, the ACCORD program (Action Concertée de coopération Régionale de Développement), led by The Société Générale de Financement and the Québec Government and Québec regions. This program intends to adopt and to develop Québec's niches of excellence³¹.

²⁷ OCC Borders and Trade Development Committee. May 2004. *Costs of Borders delays to Ontario*, http://occ.on.ca/members/2committees/borders/related_documents/CostofBorderDelays.doc.

²⁸ Blank, Stephen. 1993. «The North South Agenda : The Emerging Architecture of North America». North-South Center: University of Miami

²⁹ The Highway I-35 goes through the states of Minnesota, Kansas, Iowa, Missouri, Oklahoma, and Texas.

³⁰ Statistics Canada. Domestic spending on research and development (GERD), funding sector, by provinces, <http://www40.statcan.ca/101/cst01/scte01f.htm?sdi=Québec%20research%20development>.

³¹ Singh, Indira. 2003. Can Government Catalyze Clusters? Examples of Governments Actions. Ministry of Northern Development and Mines, Government of

Based on the ACCORD program, in Québec there are mainly two types of clusters. The first type of clusters are small manufacturing firms, which are mostly located outside Montreal or Québec City (metal, products, doors and windows). The other type of cluster is located in Québec City and Montreal, and is a science-based cluster on sectors such as biotechnology, aeronautics, optics, etc³². This province is the biggest high-technology exporter of Canada, accounting for 47.5% of Canadian exports in 2003 or CDN\$ 16.8 billion³³. Québec accounts for 81.1% of Canada's total exports in aircraft and spacecraft construction, 19.1% in pharmaceutical products, 14.4% in office, accounting and computing machinery, 36.5 in radio, television and communication equipment, and 18.4% in medical, precision and optical instruments³⁴.

On the other hand, Québec's imports from New York are basically computers, integrated circuits, photographic film and supplies, electric generators, metals and metal products, paper and paperboard, petroleum and wood in rough³⁵ (see table 5). Since 1995 the government of New York has increased investments in high-technological and biotechnological industries in New York state. More than \$1 billion have been invested in scientific fields such as environmental

Ontario, Canada.

www.utoronto.ca/onris/Can%20Government%20Catalyz e%20Clusters.doc.

³² Ouimet, Mathieu, Anara and Landry. 2003. «Clusters as regional development tool – from idea to intervention tools». Canada Economic Development for Québec Regions, www.dec-ced.gc.ca/Complements/Publications /Observatoire-EN/Atelier2003_en.htm.

³³ Investissement Québec. «The benefits of Investing in Québec. Québec a Dynamic and Profitable Business Environment», p. 5 www.investquebec.com/documents/en/secteur/Benefit sQuébec.pdf. Information taken from Institut de la Statistique du Québec, 2004.

³⁴ Institut de la Statistique Québec. 2004. «Part des exportations et des importations québécoises dans les exportations et importations canadiennes, 1998-2003», http://diff1.stat.gouv.qc.ca/savoir/indicateurs/commer ce/9_08.htm.

³⁵ Industry Canada. Canadian exports (trade New York- Québec). http://strategis.gc.ca/sc_mrkti/tdst/tdo/tdo.php#tag based on Statistics Canada.

systems research, bioinformatics, photonics, biotechnology and nanotechnology.

The Empire State Development (ESD), an economic development agency, has identified 13 major industrial clusters in New York State, which include manufacturing clusters and services, these are: computer, hardware and electronics, industrial machinery and systems, transportation equipment, bio medical, business services, communication and media services, financial services, materials processing, optics and imaging, software industries, food processing and distribution³⁶. According to the American Electronics Association's *Cyberstates 2003* report, New York state ranks third in number of high-technology establishments (20,400), high technology employment (329,749), and high-technology payroll (\$24 billion), fourth in total venture capital invested (\$0.8 billion.) and in one of the top ten leaders in the USA in developing nanotechnology³⁷.

Technology has been identified as an important driving force for regional cooperation between New York and Québec. One of the objectives of the corridor is to collaborate in key technology sectors in order to foster a stronger high-technology economy for Québec and New York. The Economic Development Council of the Québec-New York corridor encourages actions regarding economic development by “the identification of industrial clusters shared broadly within the Corridor as the basis for further development, and the generation of action plans for maximizing the potential of such clusters³⁸”.

The Technological Development Committee of the Québec-New York corridor decided to create bases for cooperation in seven priority sectors: nanotechnology, information highway, venture capital, optics/photonics, cyber-security, genomics and biotechnology. In the

³⁶ Empire State Development. «Industry Clusters» list, online [http://www.nylovesbiz.com/NYS_Home_To_Business/Industry_Clusters/default.asp]

³⁷ Ibid

³⁸ Fédérations des Chambres du Commerce du Québec. December 2001. «Québec-New York Corridor Agreement».

Technology rendez-vous (held on November 12, 2003), two successful agreements were reached in the fields of nanotechnology and high-speed communications. In the first one, the partnership between NanoQuébec³⁹, the Québec Research Network in Nanoscience and Nanotechnology⁴⁰, and Albany NanoThec aimed to maximize cooperation and promote exchanges in research projects and on development of nanotechnology. It is perceived that nanotechnology will guide future technological innovation in a wide range of industrial sectors from information technology through biomedical devices and the environment.

The second agreement concerned the information highway, RISQ (Québec's scientific information network) agreed to work closely with its counterparts in New York, NYSERNET⁴¹ and ACCN⁴² to interconnect major teaching and research institutions between Québec and the Northeastern and Southern of the New York State.

Both chambers are also working in cooperation with ADRIQ (Association de la recherche industrielle du Québec) and with UVANY (Upstate Venture Association of New York) to provide venture capital funding throughout the Québec-New York corridor. However, this project is developing at a slower pace. In addition, other priorities are presently considered: the development of photonics and new energy technologies, mainly efficient and renewable energy.

The Québec-New York Technology corridor wants to become the place of choice for research, development and investment for enterprises in high technology sectors. However, the expansion of firms in clusters

depends upon the accessibility of certain factors such as technology, skills of the labor force (scientists and technicians), proximity of research institutions, the availability of domestic capital and foreign direct investments, advanced multimodal infrastructures and environmental considerations. In addition, Governments play three important roles in cluster development, by providing suitable macro economic conditions, improving microeconomic capacity and by giving direct investment or investment incentives for technical, physical and knowledge infrastructure⁴³. New York City's inability to grow as a biotechnology center is a blatant example of insufficient state financial support. Despite the fact that New York City possesses all the requirements for growth in biotechnology like the presence of biotechnological companies, pharmaceutical companies, venture capital, medical institutions, research centers and recognized universities, the New York State government hasn't invested in the construction of new commercial biotechnological facilities since 1994, they missed the opportunity to support a major commercial biotech complex in Central Bronx⁴⁴. Many biotech businesses moved to other cities because there were no facilities available for them in New York City. It is clear in this case that the government should orient its actions to accelerate cluster growth and give funds for biotech development projects in New York City. The roll of government agencies is no longer to implement industrial development policies but rather to identify, promote and support potential clusters.

³⁹ NanoQuébec was created by the six leading research universities in Québec.

⁴⁰ Nanotechnology is the collective name for cutting edge science and technology focusing on novel materials and devices of nanometer (a billionth of a meter size).

⁴¹ NYSERNET, New York State Education and Research Network, covering the southern reaches of its territory.

⁴² ACCN, The Adirondack-Champlin community Network, covering Northeastern NY State.

⁴³ Singh, Indira. 2003. op. cit., 10

⁴⁴ Center for an Urban Future. August 2002. *A prescription for Failure: Albany's \$200 million Biotech Plan Bypasses NYC, the State's Best Chance to Grow the Industry.*

Conclusion

What this paper shows is that the Québec and New York economies are intimately linked and their prosperity depends on a more integrated transportation infrastructure for the production and movement of goods and services. In addition, the Québec-New York corridor suggests that local and regional elites in Canada and in the United States are becoming primary actors in the international economy and that federal governments should adjust to this new free trade environment. Regions within a country are diverse and they want to answer to their own needs, to detect their own priorities and to face their own challenges.

To remain competitive not only on the global scale but also within the North American market, Québec and New York have identified their key industrial sectors and are exchanging and cooperating in various technological sectors. Communities from both sides of the borders are collaborating on areas of shared interests and they are seeking to solve common problems. However, there are still many challenges that lie ahead such as harmonizing certain policies and rules, enforcing security without disturbing trade movements, increasing multilevel inter-agency coordination, information and data sharing and finding new sectors of possible cooperation. Lastly, decision makers have to consider that the competing interests of a number of players, (the three levels of government, the business community and the civil society) are directly affecting and shaping the future of North American Integration.

The Québec-New York Corridor

Summary:

Trade corridors emerged as an answer to the increase of trading flows between the NAFTA partners, and to ensure the position of region states within the North American market. This paper first discusses issues of border infrastructure and security restrictions. Second, it shows that trade corridor initiatives represent social, business and political interests on different levels and sectors. This makes planning and coordination difficult and calls for greater efforts to establish a common agenda. The last part of the paper focuses on transborder clusters, which are regarded by the governments of Québec and New York as engines of regional development. This paper shows that the Québec and New York economies are intimately linked and their prosperity depends on a more integrated transportation infrastructure for the production and movement of goods and services. To remain competitive, Québec and New York are exchanging and cooperating in key sectors. Communities from both sides of the borders collaborate on areas of shared interests and strive to solve common problems. Many challenges lie ahead, however, as many competing interests contribute to shape the future of North American Integration.

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Person interviewed

Albert Juneau, Consultant, Corridor Québec New York

Appendix 1: Québec's total exports to New York. Listing of top 25 products 2000-2004

	2000	2001	2002	2003	2004
UNWROUGHT ALUMINUM - ALLOYED	630,837	592,756	812,164	514,924	559,400
UNWROUGHT ALUMINUM - NOT ALLOYED	263,654	316,584	245,620	374,968	492,124
WIRE - OF REFINED COPPER - MAXIMUM CROSS SECTIONAL DIMENSION EXCEEDING 6MM	349,083	299,752	278,259	206,286	424,619
ELECTRICAL ENERGY	285,281	506,601	565,905	566,904	312,209
NEWSPRINT - IN ROLLS OR SHEETS	443,156	400,142	341,229	348,144	282,869
PRINTED CIRCUITS	104,569	182,126	213,665	178,544	277,759
PARTS OF RAIL VEHICLES - RAILWAY ROLLING STOCK PARTS NES	67,704	160,496	160,381	186,679	233,010
GOLD IN UNWROUGHT FORM (NON-MONETARY)	450	3,599	353	55,498	213,897
PARTS OF ELECTRICAL APPARATUS FOR LINE TELEPHONE OR LINE TELEGRAPHY	1,398,304	249,352	91,511	41,489	182,531
LUMBER (THICKNESS >6MM) - CONIFEROUS WOOD	115,214	137,432	131,478	86,581	131,490
HEAVY PETROLEUM OIL PREPARATIONS	--	--	117,738	139,436	124,031
SILVER IN UNWROUGHT FORM	115,718	138,913	148,189	116,233	121,833
CHOCOLATE/COCOA PREPARATIONS (<2KG) - FILLED	25,720	7,178	8,403	57,771	95,498
FINE WRITING/PRINTING PAPER - IN ROLLS	--	--	68,965	53,961	90,526
LIGHT PETROLEUM OIL PREPARATIONS (INC.GASOLINE)	--	--	39,941	48,331	73,082
PARTS AND ACCESSORIES OF AUTOMATIC DATA PROCESSING MACHINES (INCL COMPUTERS) AND UNITS THEREOF	204,598	139,621	77,368	57,532	72,802
WOMEN/GIRL SWIMWEAR - KNITTED - SYNTHETIC FIBRES	31,730	25,072	33,336	43,512	70,161
CHOCOLATE/COCOA PREP. (<2KG)-NOT FILLED	27,004	15,378	27,052	88,333	62,626
TURBO-PROPELLERS - POWER EXCEEDING 1,100 KW	2,799	82,541	66,787	63,977	60,178
ALUMINIUM OXIDES (ECL. ARTIFICIAL CORUNDUM)	5,718	8,062	7,177	50,799	58,873
MONOLITHIC INTEGRATED CIRCUITS - DIGITAL	--	--	17,269	21,425	54,460
OTHER KNITTED/CROCHETED FABRICS NES	--	--	89,799	92,722	51,811
T-SHIRTS, SINGLETs AND OTHER VESTS - KNITTED - COTTON	49,302	52,972	71,870	71,530	51,657
WOOD ARTICLES NES (INCL LADDERS, SIGNS, TRELISSES, FENCING PANELS, PICKETS, COFFINS AND CASKETS)	43,980	46,797	54,402	48,640	50,627
TURBO-PROPELLERS - POWER NOT EXC. 1,100 KW	6,613	118,762	161,913	90,283	46,210
SUB-TOTAL	4,171,435	3,484,138	3,830,775	3,604,503	4,194,285
OTHERS	7,150,157	5,300,380	4,807,825	4,229,089	4,179,976
TOTAL (ALL PRODUCTS)	11,321,592	8,784,517	8,638,600	7,833,592	8,374,261

Units: Value in Thousands of Canadian Dollars

Source of data: Industry Canada. Canadian exports (trade New York-Québec). Online [\[http://strategis.gc.ca/sc_mrkti/tdst/tdo/tdo.php#tag\]](http://strategis.gc.ca/sc_mrkti/tdst/tdo/tdo.php#tag) based on Statistics Canada (Consulted on 11-Jun-2005).

Appendix 2: Québec's total imports from New York. Listing of top 25 products 2000-2004

	2000	2001	2002	2003	2004
- PRINTED CIRCUITS	441,788	495,359	387,370	331,245	388,854
- MONOLITHIC INTEGRATED CIRCUITS - DIGITAL	--	--	26,329	74,555	155,148
- WOOD IN THE ROUGH NES AND LOGS FOR PULPING	42,334	42,853	40,166	37,144	39,541
- SILVER IN UNWROUGHT FORM	195	2,787	112	72	35,540
- WASTE AND SCRAP OF PRECIOUS METAL - GOLD OR GOLD-CLAD METAL	--	--	51	13,341	29,641
- AUTOMATIC REGULATING OR CONTROLLING INSTRUMENTS AND APPARATUS NES	4,579	5,760	3,164	22,583	28,583
- ELECTRICAL FIXED CAPACITORS - CERAMIC DIELECTRIC, MULTILAYER	27,870	31,940	35,468	29,812	24,373
- WOODEN TELEPHONE POLES, FENCE POSTS, OTHER WOOD IN ROUGH - NOT TREATED	27,865	26,545	29,453	21,432	20,750
- HEAVY PETROLEUM OIL PREPARATIONS	--	--	2,271	225	19,402
- PARTS AND ACCESSORIES OF AUTOMATIC DATA PROC. MACHINES (INCL COMPUTERS) AND UNITS THEREOF	8,976	11,278	24,568	22,685	18,828
- WOOD IN THE ROUGH - OAK	12,158	13,444	16,090	18,914	18,024
- FILM, PLATES, SHEETS, FOIL AND STRIP NES - NON-CELLULAR - POLYMERS OF ETHYLENE	1,681	3,797	7,347	11,568	17,456
- VACCINES - HUMAN USES	--	--	2	3,417	16,427
- WASTE/SCRAP - PRINTED MECHANICAL PULP PAPER (SUCH AS NEWSPAPER)	25,660	13,475	10,719	10,854	15,082
- LUMBER (THICKNESS >6MM) - BIRCH, MAPLE, POPLAR, ASPEN AND OTHER NES	18,434	17,001	11,301	11,114	13,910
- ARTICLES OF VULCANIZED RUBBER NES (OTHER THAN HARD RUBBER)	1,762	1,779	3,778	10,426	13,140
- KNITTED NON-PILE FABRICS (31CM OR MORE) - 5% OR MORE ELASTOMERIC YARN, WITHOUT RUBBER	--	--	7,379	16,541	13,030
- PARTS OF AIRPLANES OR HELICOPTERS NES	23,254	25,570	19,049	17,980	12,821
- WASTE AND SCRAP OF PRECIOUS METAL - OTHER NES	--	--	15,406	9,952	12,786
- TAPS, COCKS, VALVES & OTHER SIMILAR APPLIANCES	5,661	6,388	5,070	5,027	12,358
- LIGHT PETROLEUM OIL PREPARATIONS (INC. GASOLINE)	--	--	10,623	123	10,470
- ANTIBIOTICS NES - IN DOSAGE	3,207	3,532	7,830	12,936	9,645
- ARTICLES OF JEWELLERY - PRECIOUS METALS (OTHER THAN SILVER)	6,714	7,702	9,208	8,977	9,508
- LUMBER (THICKNESS >6MM) - OAK	12,952	9,283	7,824	9,572	9,026
481810 - TOILET PAPER	909	1,805	583	1,735	8,951
SUB-TOTAL	665,999	720,298	681,159	702,230	953,295
OTHERS	1,815,701	1,597,665	1,457,042	1,294,122	1,223,200
TOTAL (ALL PRODUCTS)	2,481,700	2,317,963	2,138,201	1,996,352	2,176,495

Value in Thousands of Canadian Dollars

Source of data: Industry Canada. Canadian imports (trade New York-Québec). Online [http://strategis.gc.ca/sc_mrkti/tdst/tdo/tdo.php#tag] based on Statistics Canada (Consulted on 11-Jun-2005)



Québec in North America

A project co-chaired by Stephen Blank and Guy Stanley, with the assistance of Pasquale Salvaggio



The *Québec in North America* project emerged from the presence of Professor Stephen Blank as a Fulbright Visiting Scholar at the Université de Montréal in 2004-2005. He co-chaired the project with Guy Stanley, with the assistance of Pasquale Salvaggio in the summer and fall of 2005. Project advisors were Michael Hawes, Executive Director of the Canada-U.S. Fulbright Program, Jean-François Lisée, Executive Director of the Université de Montréal's Center for International Studies (CÉRIUM), and Pierre Martin, Director of the Université de Montréal's Chair in American Political and Economic Studies. The financial contribution of the Canada-U.S. Fulbright Program and of the CÉRIUM (through a generous grant from the ministère des Relations internationales du Québec) is gratefully acknowledged.

Twelve students from HEC-Montréal, Université de Montréal, and Université du Québec à Montréal attended the project's seminars and prepared research papers. Guests at the seminar meetings included Albert Juneau (Québec Chamber of Commerce), Diane Wilhelmy (former Québec deputy minister of International Relations) and Konrad Yakabuski (Globe and Mail).

The picture of Québec in North America that emerges from these studies is that of a vibrant source of economic and cultural activity with an important presence throughout the continent. Québec is a major source and destination along trade corridors with New York and New England, and by far the largest Canadian supplier in an integrated North American electricity market. In 2004, Québec ranked sixth among countries of the world in terms of exports to the U.S. and fourth in the world as a destination for U.S. exports. Mexico is Québec's most important trading partner in Latin America. Québec is the fourth largest center of film production in North America, as well as the fourth largest biotechnology hub in North America.

The papers also illustrate hurdles that must be overcome as Québec pursues its integration within the continent. More generous provincial programs for biotech—especially Ontario—are eroding some of Québec's luster. The challenge of managing cross-border enterprises is also significant, as shown by the example of Québecor World. Exporting presents additional issues since the tragic events of September 11, 2001. Some of these are illustrated in the paper on CLIC Import-Export. Taken together, these papers shed light on how North America is evolving as an economic zone. Although trade amongst companies

continues between Québec and the rest of North America, trade increasingly is occurring within shared networks, or within firms. In this context, the barriers to trade between Québec and the rest of North America are becoming barriers to common economic growth.

The bottom line is that North America is rapidly reaching the point where many economic problems are shared no matter where they emerge. This has obvious implications for public policy and for policy capacity, or the ability of North American governments to recognize and solve common problems.

“Québec in North America” Project Home Page:
<http://cepea.cerium.ca/article340.html>

Alain-Michel Ayache, [*Exporter aux États-Unis dans le nouveau contexte de sécurité: l'expérience de CLIC Import-Export / Exporting to the United States in the New Security Context : The Case of CLIC Import-Export*](#), Notes & Analyses # 8.

David Descôteaux, [*Québecor World et les atouts d'une plateforme nord-américaine / Québecor World and the benefits of a North American Platform*](#), Notes & Analyses # 9.

Lauris Apse, [*Hollywood Nord-Est? La production de films nord-américains au Québec / Hollywood Northeast? North American Film Production in Québec*](#), Notes & Analyses # 10.

Rolando Gonzalez, [*Le Québec et le secteur de la biotechnologie en Amérique du Nord / Québec and the Biotech Industry in North America*](#), Notes & Analyses # 13.

Minea Valle Fajer, [*Le corridor Québec-New York / The Québec-New York Corridor*](#), Notes & Analyses # 14.

Anne-Elisabeth Piché, [*Un partenariat en pleine expansion : les relations économiques entre le Québec et le Mexique depuis 1994 / An Expanding Partnership : Economic Relations between Québec and Mexico Since 1994*](#), Notes & Analyses (forthcoming).

Jean-François Talbot, [*Branché sur l'Amérique du Nord: Hydro-Québec et l'intégration continentale dans le secteur de l'énergie / Plugged into North America: Hydro-Québec in an Integrated Continental Energy Sector*](#), Notes & Analyses (forthcoming).

Sandra D'Sylva, [*Le Corridor Québec-Nouvelle-Angleterre / The Québec-New England Corridor*](#), Notes & Analyses (forthcoming).

Notes & Analyses sur les États-Unis/on the USA

Cette série est publiée par la Chaire d'études politiques et économiques américaines de l'Université de Montréal (www.cepea.umontreal.ca). Elle présente des travaux de synthèse, des analyses plus approfondies et des notes de recherche sur des enjeux contemporains touchant la politique et l'économie aux États-Unis ou les relations entre le Québec, le Canada et les États-Unis.

This series is published by the Chair in American Political and Economic Studies at the Université de Montréal (www.cepea.umontreal.ca). It features short notes, analytical works and working papers on contemporary political and economic issues in the United States, or relations between Québec, Canada and the United States.

14. Minea Valle Fajer, [Le corridor Québec-New York / The Québec-New York Corridor](#), (Note), « Le Québec en Amérique du Nord / Québec in North America », September/septembre 2006.
13. Rolando Gonzalez, [Le Québec et le secteur de la biotechnologie en Amérique du Nord / Québec and the Biotech Industry in North America](#), (Note), « Le Québec en Amérique du Nord / Québec in North America », April/avril 2006.
12. Stephen Blank, [North American Trade Corridors : An Initial Exploration](#) (Analysis/analyse), March/mars 2006.
11. Christian Trudeau et Pierre Martin, [L'impact des délocalisations sur l'emploi dans les services : estimations préliminaires pour le Québec, le Canada et les États-Unis](#) (Note), mars 2006.
10. Lauris Apse, [Hollywood Nord-Est? La production de films nord-américains au Québec / Hollywood Northeast? North American Film Production in Québec](#), (Note), « Le Québec en Amérique du Nord / Québec in North America », mars 2006.
9. David Descôteaux, [Québecor World et les atouts d'une plateforme nord-américaine / Québecor World and the benefits of a North American Platform](#), (Note), « Le Québec en Amérique du Nord / Québec in North America », février 2006.
8. Alain-Michel Ayache, [Exporter aux États-Unis dans le nouveau contexte de sécurité: l'expérience de CLIC Import-Export / Exporting to the United States in the New Security Context : The Case of CLIC Import-Export](#), (Note), « Le Québec en Amérique du Nord / Québec in North America », février 2006.
7. Linda Lee, Christian Trudeau et Pierre Martin, [Délocalisation outre frontière de l'emploi : mise à jour sur l'activité législative aux États-Unis](#) (Note), septembre 2005.
6. Linda Lee, [Inventaire des politiques industrielles aux États-Unis : portrait d'un paradoxe](#) (Note), août 2005.
5. Pierre Martin and/et Christian Trudeau, [The Political Economy of State-Level Legislative Response to Services Offshoring in the United States, 2003-2004](#) (working paper / note de recherche), April/Avril 2005.
4. Richard Nadeau et Pierre Martin, [La présidentielle de 2004. Une lutte serrée, des conventions au vote... et au delà](#) (Analyse), novembre 2004.
3. Daniel Brisson, Alexandre Carette et Pasquale Salvaggio, [Élections présidentielles américaines. Comment se distinguent les candidats sur les principaux enjeux de politique étrangère ?](#) (Note), octobre 2004.
2. Linda Lee, [Les politiques d'achat chez nous à l'américaine : le retour en force des lois « Buy American » aux États-Unis](#) (Note), septembre 2004.
1. Linda Lee, [Délocalisation outre frontière de l'emploi : le point sur l'activité législative aux États-Unis](#) (Note), juin 2004.