

 The Canadian Rural Revitalization Foundation

Sustainable Regional Development - II

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 Social Sciences and Humanities Research Council of Canada  Conseil de recherches en sciences humaines du Canada


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Japan Course: Sustainable Regional Development
2-day Intensive Lecture

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Outline

- Day 1:
 - What is Sustainable Regional Development (SRD)?
 - What are the challenges faced by SRD?
 - What are responses to these challenges?
- Day 2:
 - How can we enhance or support SRD?
 - Local responses
 - Regional responses
 - National responses
- Summary and Conclusions



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Interdependence

- All things are interdependent
- Sustainability requires this recognition

Our Objectives

- Discover the nature of interdependence
- Build it into our policies and practices

Today

- The structure of interdependence
 - Trade, institutions, environment, identity

Tomorrow

- The organization of interdependence
 - Social capital, social cohesion, governance

- The main theme of my presentations will be Interdependence
 - Reinforcing the message that all things are interdependent
 - If we do not recognize this in our social institutions, policies, and practice we will fail to ensure sustainability
- Our challenge, therefore, is:
 - To discover the nature of that interdependence and
 - Build it in to our policies and practices
- Today I will present material on the structure of interdependence
 - How it is manifested in our trading relationships, institutions, the environment, and identity
- Tomorrow I will present material on the organization of interdependence
 - How we can organize human in a co-ordinated fashion to reflect interdependence
 - Social capital and social cohesion
- How we can use this knowledge in facilitating and promoting sustainable regional development
 - governance



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Sustainable Regional Development

- Sufficient wealth
- Fair and equitable access
- Increase the capacity of future generations

Development that recognizes interdependence

- Sustainable Regional Development is...
 - Development that creates sufficient wealth to support a high quality of life for all those living in the region (a large enough pie)
 - Development that provides fair and equitable access to that wealth
 - Development that increases the capacity of future generations within and outside the region
 - Development that recognizes of the interdependence of all things

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What are the challenges faced by SRD?

- Is growth sustainable?

<p>Yes – if growth =</p> <ul style="list-style-type: none"> • Productive capacity • Entrepreneurship • Human capital 	<p>No – if growth =</p> <ul style="list-style-type: none"> • Capital goods • Comparative advantage
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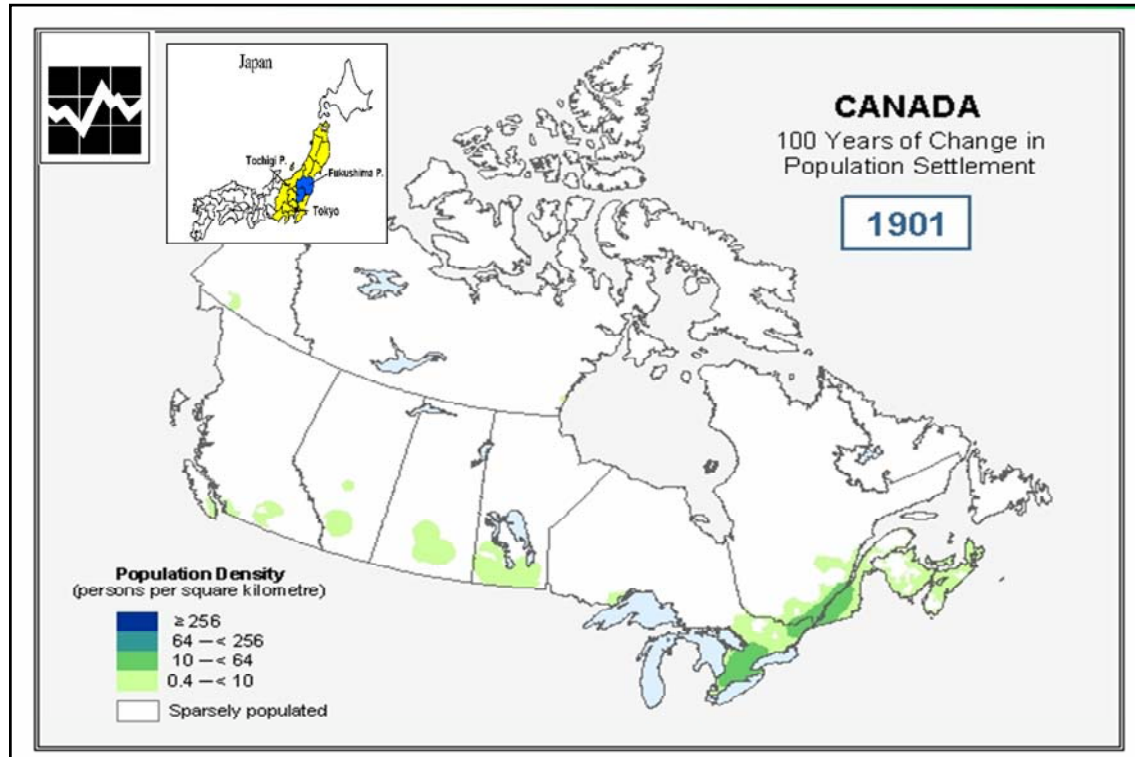
- Challenges to SRD are most often based in those things that draw our attention away from this interdependence
 - Encourage us to view the world as if it were not an organic whole
 - Encourage us to think and act as if we are isolated from one another
- By doing so – undermine the perspectives and action that supports sustainable development – at local, regional, national, or global levels
- Is it possible to have sustainable growth?
- Theoretically speaking – still in debate
 - If growth depends on productive capacity, entrepreneurship, human capital then we can imagine a future where human ingenuity and new technologies can overcome the challenges we face
 - Food: Greenhouses and geothermal heating to extend the growing season and manage climate [Inuvik greenhouse]
 - Housing: More recycled and reused materials
 - Energy: Electricity and fuel cells as substitutes for fossil fuels in our cars [wind farms]
 - If growth depends on increased stocks of capital goods and comparative advantage we may be faced with the Limits to Growth anticipated by Malthus and the Club of Rome
 - Food: Arable land and available water jeopardized [water slides]
 - Housing: Urban crowding and pollution accelerating health and global warming; forests and western pine beetle
 - Energy: Peak oil is already upon us [slides]
- Empirically – What do we find (Canadian situation)?
- Consider 4 systems of interdependence
 - Trade
 - Institutions
 - Environment
 - Identity
- But first, a short introduction to the Canadian context
- Readings:
 - Fitzgibbon, Ch 6
 - Reimer & Bollman, Ch 1
 - Landman, Ch 8
 - Goto in Apedaile and Tsuboi, Ch 3

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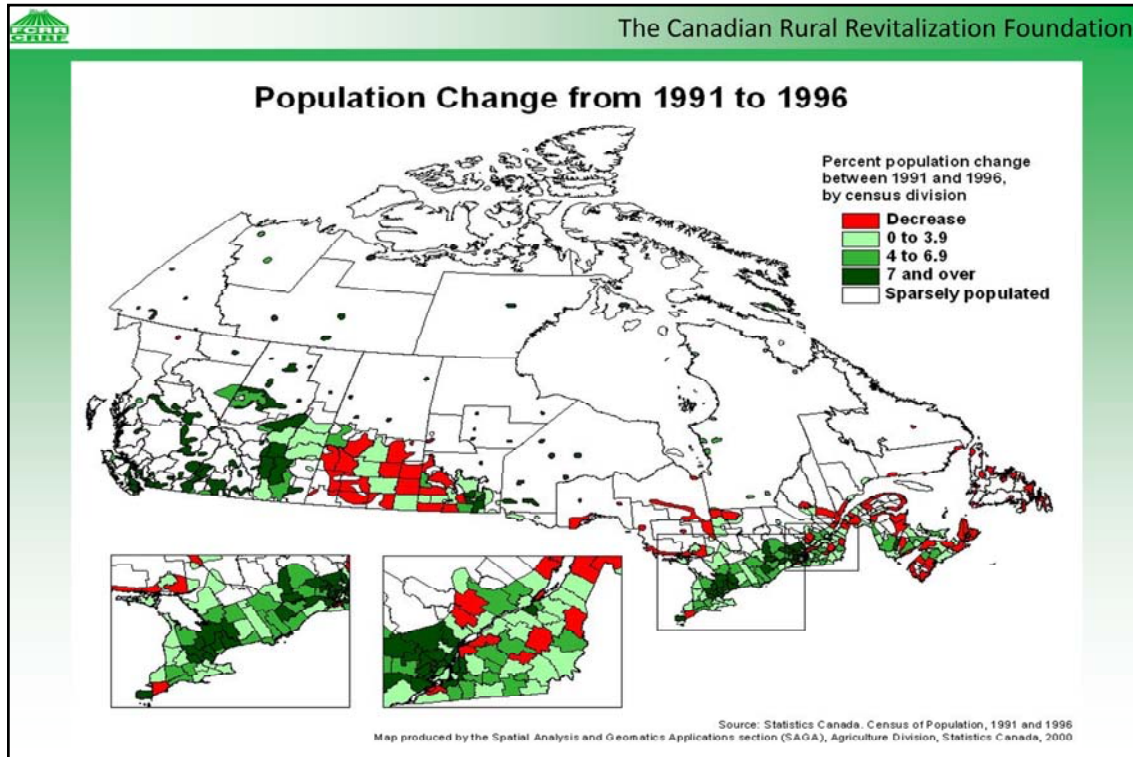
Canada is BIG

- Plenty of space
- Few people
- Mostly in the southern part





- Immigration critical to Canadian growth and prosperity
 - Always has been
 - Will continue to be so
- Immigration follows the urbanization pattern in Canada
 - More than 80% urban – and few signs that it will change in the near future
 - Canada is an urban society (driven by urban demands)



- This map emphasises the diversity of population growth and decline among census divisions in Canada.
- Note strong employment growth in northern regions.
- Note (continuing) population declines in the agricultural regions of Saskatchewan and Manitoba.
- Note continuing population declines in parts of the Gaspé region of Québec, northern New Brunswick, the tips of Nova Scotia and in Newfoundland.
- Population continues to grow in census divisions where the workforce can access large cities.

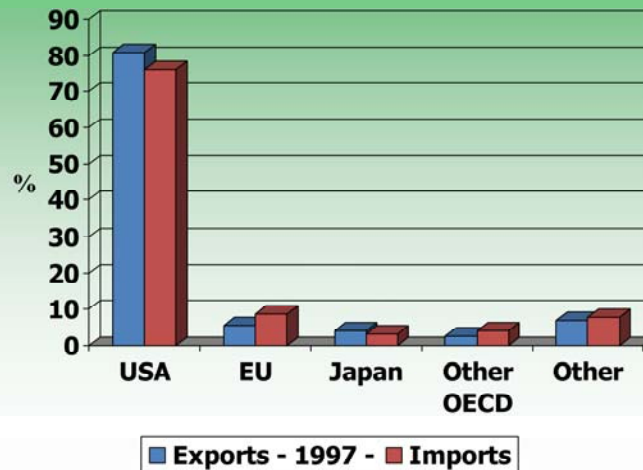


- What does the Canadian situation tell us about these options?
- Trade
 - Exports primarily focused on extraction of natural resources
 - Fish
 - Grain and agriculture
 - Forestry products
 - Energy
 - Petroleum
 - Have been very successful at it – from a balance of trade point of view
 - Have not done it in a sustainable fashion, however
 - Fish (cod)
 - Agriculture (soil)
 - Forests (clearcutting)
 - Minerals (tailings)
- Difficult to extract ourselves from these conditions (treadmill)
 - Colonialism (weak history of independence)
 - Finances and debt
 - Trade positioning and commitments
 - Public awareness
- As expected, it has impacts far beyond the economic level

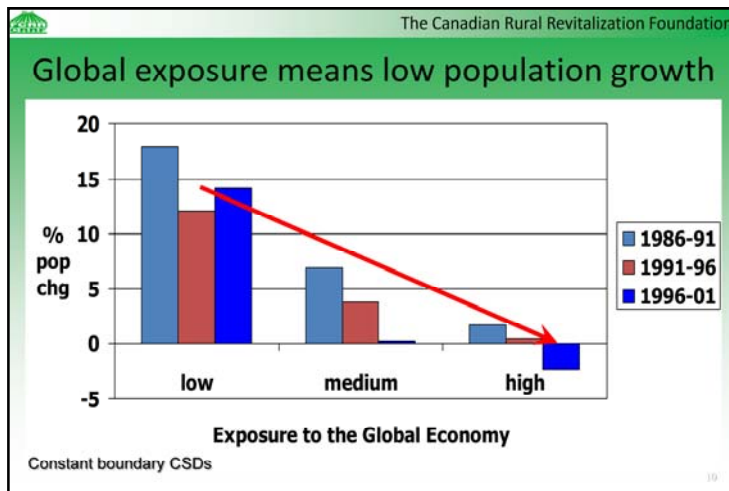


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USA is Canada's dominant trade partner (Japan ~ 4%)




- Trade and Interdependence
- Canada is a trading nation
- The USA is our dominant trading partner
 - 80% of our exports are to the USA (\$243 million in 1997)
 - 76% of our imports are from the USA (\$210 million in 1997)
 - The next largest trade partner is only 5.5% of imports (European Union)
 - Japan next with 4% of our exports and 3% of our imports
- Canada is USA's largest trading partner as well
 - 27% of USA trade is with Canada
 - Mexico is next - 14%
- Result
 - What happens in the USA has strong impact on Canada
 - Trade policy in Canada is under pressure to accommodate USA interests



Trade impacts on population – basis of **institutions**

- Increased linkages to the global economy can create significant challenges
- (Ss) Graph showing the relationship between integration into the global economy and population change for small rural locations
- (S) The linkages of commodity trade have been very beneficial for our balance of payments (80% of trade surplus contributed by primary products) but it has undermined the population of rural communities
- This decline in population has been exacerbated by the centralization of services and inflexible governance structures
- Cost-cutting actions have decimated social infrastructure as well as threatened physical infrastructure.
- This may be shortsighted
 - Smaller, more remote communities have not been sustainable under the current conditions



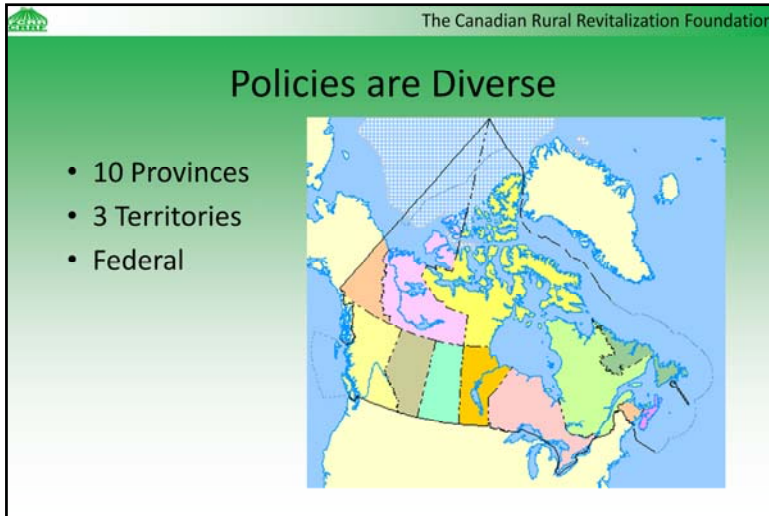
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Policy Periods


- 1945 to 1955: Macroeconomic Keynesianism
- 1955-1965: Populism and Regionalism
- 1965-1980: Rise and Fall of Technocratic Planning
- 1980-1995: Rise and Fall of Megaprojects
- 1995-present: Retreat of the State

Rural policies reflect natural resource policy

- Pre-1945: Resource exploitation
- 1945 to 1955: Macroeconomic Keynesianism
 - Growth led by state spending
 - Public planners creating conditions to make private-sector growth more efficient
 - Undisciplined subsidies for resource industries
- 1955-1965: Populism and Regionalism
 - Regional disparities
 - Many programs in infrastructure development
 - ARDA, 1961 (Agricultural Rehabilitation and Development Act) – Agricultural focus
 - FRED, 1966 (Fund for Rural economic Development) – regional focus
- 1965-1980: Rise and Fall of Technocratic Planning
 - Focused, centralized, and institutionalized planning
 - DREE, 1969 (Department of Regional Economic Expansion) – integrated previous programs, shifted focus
 - Regional focus – growth-pole theory (regional urban and industrial development)
 - Top-down approach
- 1980-1995: Rise and Fall of Megaprojects
 - Megaprojects as economic (regional development)
 - Criticisms
 - First real rural development project (Community Futures)
 - Small-scale, gradual, decentralized
- 1995-present: Retreat of the State
 - Fiscal crisis, increased influence of the right agenda
 - Contraction to
 - Sectoral policies
 - Human resources/training



- Federal responsibilities are separated from provincial
- Makes recognition and action on interdependence difficult
- Provinces
 - Education
 - Health
 - Social services
 - Highways
 - Administration of justice
 - Local government
 - Natural resources (later)
- Federal – everything else
 - Can influence the others through national policies on
 - Health standards
 - Labour standards
 - Economy and finance
 - Trade conditions
 - Fisheries
 - Environment
 - Control Territories
- Negotiations with Aboriginal Peoples underway at all levels
 - Often cross jurisdictions



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2 major approaches (Usually a mix):

- Departmental (sectoral) structure
 - Assume rural issues will be addressed
 - Establish 'rural lens'
- Regional structure (zones)
 - Assume rural and departmental issues will be addressed
 - Establish 'rural lens'

2 major approaches (Usually a mix):

- Departmental structure
 - Assume rural issues will be addressed
 - Particularly difficult to recognize and act on the interdependence of policies
 - Establish rural lens (for each dept. or cross-dept. organization)
- Regional structure (zones)
 - Assume rural and departmental issues will be addressed
 - Greater pressure to integrate sectoral and institutional foci, but
 - Few resources
 - Federal institution but health, education, natural resources are provincial responsibility
 - Thus negotiations difficult
 - Establish rural lens (for each dept. or cross-dept. organization)



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Institutional challenges


- Few locations for cross-department discussions
- Cross-department discussions poorly financed
- Major conflicts over resources and jurisdictions
- Confusing and sometimes contradictory for users

- Institutional challenges to interdependence
- Departmental structures have few locations where discussions can take place
- Often poorly financed
- Major conflicts over resources, jurisdictions
- Challenges to the users
 - Confusing
 - Sometimes contradictory

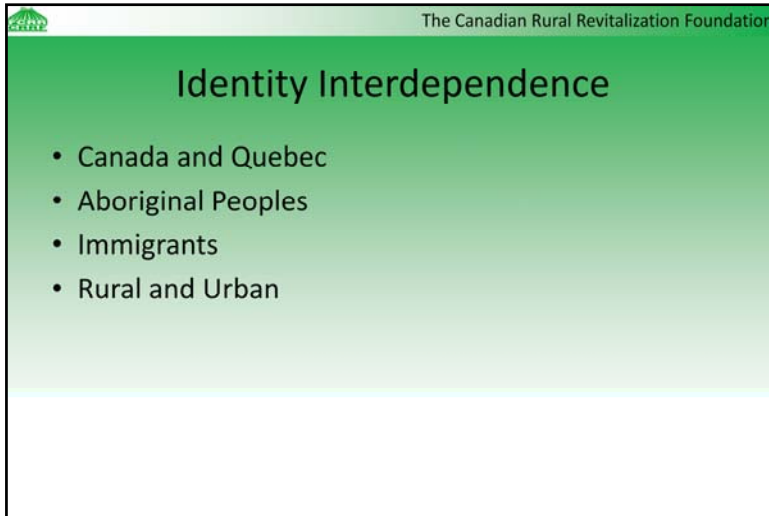
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Environmental Interdependence

- Water pollution
- Access to water
- Air pollution
- Waste management
- Climate change



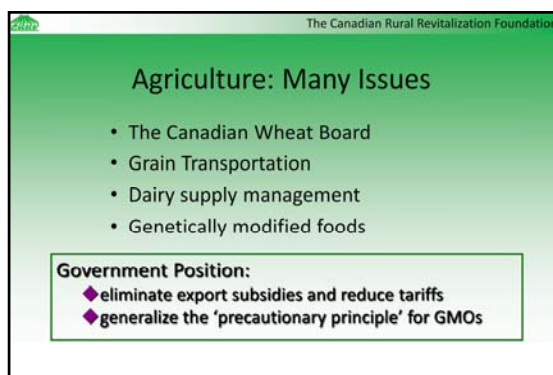
- Environmental interdependence
- Water
 - Walkerton crisis (linked to agency failure)
 - Trade challenges
 - Watershed challenges (USA)
- Air Pollution
 - Acid rain
- Waste
 - Urban
 - Industrial (Tar sands, uranium, pulp and paper)
- Climate change
 - North particularly vulnerable
 - Ice cover – international challenges with northern passage opening
 - Permafrost
 - Insects and disease (Western Pine Beetle)
 - Extreme weather



- Identity Interdependence
 - Canada and Quebec
 - Language and culture
 - Aboriginal Peoples
 - Land and governance
 - Immigrants
 - Social cohesion and sharing of values
 - Terrorism
 - Rural and urban
 - Changing demography
- To what extent do these issues undermine our ability to
 - Recognize interdependence
 - Plan on it
 - Act on it?



- Responses to these challenges?
- Trade
 - Pressure to encourage free trade on the part of others
 - NAFTA (North American Free Trade Agreement)
 - FTA (Free Trade of the Americas)
 - Agriculture, Forestry, Intellectual property (see separate slides)
- Readings:
 - Greenwood, Ch 3
 - Halseth et al., Ch 9
 - Ando and Apedaile in Apedaile and Tsuboi, Ch 4
 - Tsuboi and Connell in Apedaile and Tsuboi, Ch 5



- Hot Issues in the Seattle Round of WTO talks - Agriculture
- marketing of agricultural products
 - international pressure to dismantle the Canadian Wheat Board (the sole seller of most grains for Canada)
 - considered a monopoly from point of view of others (USA is supported by EU)
 - shared by some farmers (especially those near the USA border) who would like to be able to sell their grain without going through the Board
 - considered essential in order to compete in the international context since we are such a small player
- Canadians wish access to European markets
 - but they have many subsidies and restrictions
 - their supports act to lower world prices
- pressure to deregulate grain transportation
 - Crow rates eliminated
- dismantling of dairy protections
 - especially in Eastern Canada (QC)
 - quota system established to protect dairy farmers and rural communities (consistent with QC rural policy)
 - substitution of tariff protection on dairy products for the previous quota system (supply management)
 - tariffs to be gradually reduced over the next 15 years
 - without other action, will mean the disappearance of rural communities
- Cattle
 - USA added tariff since Canada was accused of dumping beef (International Trade Coalition supported Canada)
- Genetically modified organisms (GMOs)
 - significant public (consumer) issue
 - Canada does not identify GMOs on its consumer labeling
 - few limitations on imports - utilize the "precautionary principle" (review scientific evidence, then apply an educated opinion whether it will be harmful or not)
 - some adjustments made for export limitations (introduction of systems of standards)
- Government position:
 - eliminate export subsidies for agriculture
 - steep reductions in production subsidies
 - reduce tariff and non-tariff barriers to trade
 - generalize the "precautionary principle" for GMOs

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Forestry

- Softwood lumber limits
- Stumpage fees as subsidies
- Environmental lobby
- Subsidies for foreign competitors

Government Position:

- ◆ remove trade restrictions in software lumber
- ◆ expand access to markets through free trade

- Hot issues at the WTO - Forestry
- softwood lumber agreement expires April 2001 (Canada has duty-free exports capped at 14.7 billion board feet)
 - The agreement has divided the Canadian lumber industry
 - there has been considerable conflict regarding this agreement and NAFTA
- USA argues that the stumpage fees (royalties for cutting timber in Crown land) amount to a hidden subsidy
- pressure on the industry from the environmental lobby
- incompatibility between present practices and the preservation of local amenities
- long-standing sustainability a problem since it is difficult to compete with more temperate climates
- Note: Canada is one of the world's largest exporters of wood and paper products
- Government position:
 - improve market access through free trade
 - remove trade restrictions in softwood lumber in the long term



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Transportation: challenging bilateral agreements

- USA/Canada Auto Pact
- Subsidies for foreign competitors

Government Position:

- ◆ expand access to USA and foreign markets
- ◆ revise bilateral deals if necessary

- Hot Issues - The Automobile Industry
- USA/Canada Auto Pact has harmonized the automobile industries in the USA and Canada (Big 3 US automakers must build as many cars as they sell in Canada in exchange for not duties)
- Has generally been good for the ON and Canadian economy: many parts produced in Canada with many multiplier effects
- Supported rural communities (ON, QC) - provided jobs in small enterprises
- Now:
 - protectionist pressure from Japan and the EU to revise pact
 - pressure against the pact from the rest of the world since it is viewed as bilateral protectionism
 - combined effect is to revise the pact (sometimes with different objectives)
 - Canada has lost all cases put to the WTO regarding the pact
- Devastation of rural economies as the branch plants closed (since they were no longer protected)
- Continued pressure against 'assembled in North America' requirements for the automobile industry
- Conflict over 'subsidization' of jet industry by Brazil (Bombardier)
- Government position:
 - not a priority item for Seattle - will have final ruling in January
 - in general, maintain and expand our access to the USA market


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Responses to these challenges - Institutions?

- Give economic sector priority
- Rely on ad hoc task forces
- Address Aboriginal land claims where necessary
- Intermittent inter-provincial collaboration

- Responses to these challenges?
- Institutions
 - Give economics priority over other sectors
 - Interdepartmental Working Group
 - Poorly funded
 - Address Aboriginal land claims where necessary
 - Inter-provincial collaboration
 - Intermittent
- Readings:
 - Greenwood, Ch 3
 - Halseth et al., Ch 9
 - Ando and Apedaile in Apedaile and Tsuboi, Ch 4
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•Hot issues at the WTO - Social Policy

•Trade issues hold important implications for several aspects of social policy in Canada. Health, culture, and education are 3 of the most important.

•Health

- USA argues: universal medicare provides an advantage to employers since they do not have to provide this as part of their employee benefits package
- USA argues: prohibitions against private medicine is a barrier to the market in health services
- Pressure from provinces to open up health care system to private players (latest move from AB is to hire surgeons at medicare rates)

•Culture

- Regulations in the print, film, radio, and television media limit the extent of foreign (i.e. USA) distribution in Canada
- Several attempts to get around these regulations (e.g. special magazine inserts for distribution of magazines in Canada) have met with resistance.
- Part of a long-standing concern among Canadian nationalists and in another form, Québec nationalists

•Education

- Industry Canada interested in developing trade in knowledge-based economies, training contracts, distance learning, students, R&D

•Potential for a coalition: environmentalists, anti-GMF, Canadian nationalists?

•Government position

- Canada must maintain the right to regulate and promote “Canadian values” in strategic sectors such as health, education, culture, and environmental protection
- seek recognition of the importance of preserving and promoting cultural diversity
- equivocal statements re. Such policies conflict with economic policy of trade liberalization




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Responses to these challenges - Environment?

- Public postering
- Look to private sector for green initiatives
- Little support for research

- Responses to these challenges?
- Environment
 - Posture
 - Move ahead with oil sands
 - Privatize initiatives
 - Little support for research
- Readings:
 - Greenwood, Ch 3
 - Halseth et al., Ch 9
 - Ando and Apedaile in Apedaile and Tsuboi, Ch 4
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Water: Conflicting Positions

- CANADA: Bulk water policy is an environmental, not a trade issue
- USA: Trade in bulk water is explicitly permitted by the NAFTA

Government Position:

- ◆ separate bulk from processed water
- ◆ exclude bulk water from free trade

- Hot issues at the WTO - Water
- This is a hot issue because of recent events and rulings:
 - Ontario tried to sell bulk water to the USA, but the outcry made them back down
 - recurring problem with shared water systems (Manitoba-North Dakota / Garrison diversion plan): complicates the issue of trade with pollution and environmental aspects
 - California company demanding compensation from BC for canceling a water export contract (under federal pressure)
- NF wishes to sell its water internationally
- Canada argues that trade in bulk water is not part of the Free Trade agreement (water in its natural state is excluded from NAFTA, but water which has been manipulated is covered)
 - Canadian government introduced new legislation last month banning bulk water sales to the USA
- USA argues that trade in water is provided for in the NAFTA
- meanwhile, the trade of bottled water continues (Coke buys Naya)
- Government position:
 - bulk water policy should be determined by environmental concerns, not trade
 - separate bulk from processed water
 - keep bulk water out of free trade



- Responses to these challenges?
- Identity
 - Reactive – modest funding where crises occur
 - Willing to use differences for political purposes
- Some provincial variations from these positions (QC, BC) but little major challenges to it
 - Public focus elsewhere
- Readings:
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