



## Neighbors to the North Impact Our Economy

by Colin Read

Canada is once again having a profound effect on the local economy in the North Country. This is not new. Many remember the lines of cars on Route 9 and the crowded public beaches when Canadians came down in droves. And many Canadians still fondly remember their trips to Frontier Town further down the Northway. The weak Canadian dollar reversed that tide, but we now see a resurgent loonie and a weaker U.S. dollar shifting the tide once again in the North Country's favor.

The reason for this reversal is simple — China and India. These emerging eco-

nommic superpowers are slowly but surely creating the consumer class that has been the mainstay of the U.S. economy for a century. With consumers in what I call the Second Economic World merging with us in the First Economic World, demand for commodities is skyrocketing. We see some of this effect at the gas pump (ouch!) and with higher crop prices for local farmers. Because we are a net importer of commodities, we are forced to send more U.S. dollars abroad. Fortunately, many of these dollars don't really have to go abroad.

At about \$5 billion dollars in February, Canada's trade surplus per capita

is about the same size as our trade deficit. This is strengthening the Canadian dollar and weakening the U.S. dollar. And that is good for the North Country. Canada is a net exporter. And as the two largest bilateral trading partners in the world, much of what Canada exports is U.S. bound. A strong Canadian dollar means Canadian companies pay high wages in Canadian dollars, but receive payments for their products in U.S. dollars. One way for Canada to remedy this economic reality is to make more of their goods at relatively less expensive U.S. locations, especially if the goods are U.S. bound anyway. This

becomes especially attractive if it becomes more difficult or costly to move intermediate factors and goods across the border.

In an article elsewhere in this issue, Bill Owens and I point out that the high Canadian dollar now means Canada has lost its dominant position as an inexpensive place to locate manufacturing. The good news is that the relatively weak U.S. dollar has produced a boon for U.S. manufacturing competitiveness. We can expect Canada to take advantage of this recent reversal of fortunes. And that bodes well for the North Country.

So as we begin to see a resurgence of economic activity locating in our county, let's remember a few important economic facts that will help us understand and welcome our Canadian partners. These facts are quite well known in Canada and may soon become well appreciated here.

1) At current oil prices, Canada has petroleum reserves that may be the largest in the world. Most of this is in tar sands in Alberta, which are only profitable to extract when oil prices are above \$40 per barrel.

2) Canada has long been proud to share with the U.S. the longest undefended border in the world.

3) Canada's trade with the U.S. exceeds U.S. trade with China, the E.U., and Japan combined.

4) Canada is the second largest country in the world (after Russia), but with a population a tenth that of the U.S.

5) Canada is very dependent on a healthy U.S. economy, and Canadians watch U.S. economic and political news intently.

6) More than 85 percent of Canada's population lives within a couple hundred miles of the U.S. border.

7) The United Nations Human Development Index, a measurement of the standard of living, has listed Canada as the highest quality of life country in the world more times than any other nation.

8) Canada's Gross Domestic Product per capita is only 85 percent of that of the U.S.

9) Canada is the world's largest producer of uranium and zinc. Manufacturing remains Canada's biggest export.

10) Canada has the highest rate per capita of immigrants in the world. About

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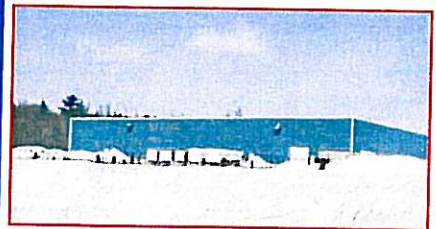


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20 percent of the population was born outside of Canada. And that immigrant population is expected to double in the next decade. These statistics make it apparent that Canada is a vast country, fueled by encouraging migration of people into the country and the exporting of manufactured goods and commodities to the U.S. As a region that well understands moving goods and people across borders, the North Country is a natural economic ally with our good neighbors to the north.

*Colin Read is the Dean of the School of Business and Economics at SUNY Plattsburgh and a Professor of Economics and Finance. He has recently completed a book on the global financial meltdown. ■*



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