A New Vision of the Heartland:
**THE GREAT PLAINS IN TRANSITION**

# The Great Plains, Canada and Mexico:

## Policy Issues in Rural Development and the Free Trade Agreement

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### Introduction

Traditional North American migration and trade patterns that flowed from east to west have come to a turning point with the establishment of the Free Trade Agreement (FTA) with Canada. The axis of economic power is tilting in favor of a north-south orientation. As talks move increasingly toward an FTA with the US and Mexico as well, this north-south axis appears to be forming right through the center of the Great Plains states.[1]

Partially in response to the establishment of a single unified market in Europe — to be called EC '92 — and partially in responce to problems in the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (GATT), North American officials began their own search to strengthen the North American economic base. In Washington, President Bush and Mexican President Carlos Salinas put their two countries on a "Fast Track" to negotiate successful economic integration. President Salinas sees Mexico as more than ready to reduce trade restrictions between Mexico and the US and Canada (Salinas 1991). Officials in Canada are just as willing for the Mexicans to be included. Many Canadians, according to Bryce Nimmo of the the Alberta Office of Economic Development, feel that, "What's good for the US is good for Canada." While trade between Canada and Mexico is small to non-existent, tit is expanding rapidly and he future for increased continental export markets is promising.

On a state and provincial level, the birth of the Canadian FTA has pleased local development officials. Manufacturers in Montana and North Dakota can now look across the border to Calgary or Winnipeg for manufacturing parts and plentiful natural energy resources. The Canadians suddenly have a huge, unrestricted market for their goods and increased cooperation among manufacturers across the borders within the region.

The Red River Trade Corridor Development Project, directed by Jerry Nagel, is a pioneering organization designed to increase cooperation between companies in Minnesota, North Dakota and Manitoba. The project is founded on a shared cultural and economic history of the region. Assuming that the marketplace is changing, Nagel believes that rural businesses in the somewhat

[1] Montana, Wyoming, North and South Dakota, Minnesota, Iowa, Nebraska, Kansas, Colorado, New Mexico, Oklahoma and Texas.

Figure 1

**Volume of Great Plains Exports to Canda, Mexico and the World, 1989**

(In Thousands of US Dollars)

| | To Canada | To Mexico | To World | % World Trade to Canada & Mexico | Plains Exports Rank |
|---|---|---|---|---|---|
| CO | $390,440 | $96,397 | $2,526,651 | 19% | 4 |
| IA | $784,214 | $116,720 | $2,583,277 | 35% | 3 |
| KS | $443,431 | $221,210 | $2,032,379 | 33% | 5 |
| MN | $1,521,259 | $162,347 | $5,309,694 | 32% | 2 |
| MT | $121,773 | $19,948 | $346,422 | 41% | 9 |
| ND | $206,286 | $51,651 | $382,900 | 67% | 8 |
| NE | $193,456 | $50,581 | $824,510 | 30% | 7 |
| NM | $20,150 | $14,479 | $213,660 | 16% | 11 |
| OK | $517,182 | $62,369 | $1,637,516 | 35% | 6 |
| SD | $72,744 | $5,251 | $158,446 | 49% | 12 |
| TX | $3,047,137 | $11,010,627 | $38,093,254 | 37% | 1 |
| WY | $48,204 | $3,824 | $247,182 | 21% | 10 |
| **Total** | **$7,366,276** | **$11,815,403** | **$54,355,891** | **35%** | |

Source: Statistics Canada 1991
US Dept. of Commerce, Office of Trade and Investment Analysis 1991

isolated Northern Great Plains will have an opportunity to flourish. The Red River region will also be able to market the area internationally as an innovative, flexible center geared toward attracting investment to one of the most development-friendly areas in North America (Nagel 1991). Supported by local governments, manufacturers, financial institutions, and universities, Nagel's Red River Project is already enjoying widespread recognition from "New Economy" supporters as a successful model for economic reforms.

The Rocky Mountain Trade Corridor is forming to the west of the Red River Corridor. Rocky Mountain regional development officials were inspired by both the Red River Corridor and "Cascadia," the successful Northwest Trade Corridor linking the state of Washington and the provice of British Columbia. Desiring to emulate Nagel's Red River Corridor, officials from the University of Montana and the Alberta Economic Development Office joined together to work out an agreement that now includes Wyoming, Montana, Alberta and Saskatchewan. A forum will be held September 5-6, 1991 in Lethbridge, Alberta to initiate the first steps for the Rocky Mountain Corridor.

On a rural level, small businessmen and farmers are realizing that the end of the traditional rural Great Plains is ending. As communities grow older and the younger generation migrates to the cities to find work, an age of reckoning draws near. Organizations like the Heartland Center for Leadership Development in Lincoln, Nebraska, have joined with small towns in the Plains to assemble tips for small town survival (Luther and Wall 1987). In New Economy terms, these tips include innovative, service oriented firms that identify and add to local strengths and resources. A small town in rural Kansas that serves as a hub for grain processing and distribution would be more fit to diversify into other grain technologies rather than building busses. "Innovate or Die" is a catch-phrase that is scary yet appropriate for the rural Great Plains.

Some of the main barriers to healthy development from Canada to Mexico are small town stubbornness, environmental worries, labor unions and transportation. Bruce Babbitt, former governor of Arizona, proclaims that, "Without mutual, enforceable environmental standards, human health, water quality, and air quality will continue to decline" (Babbitt 1991). A large part of the Free Trade Agreement with Mexico will hinge on a border environmental treaty based on the highest standards.

In Canada, government officials and labor leaders are concerned with the exodus of jobs, investment and consumers to the US (Wysocki 1991). In the US, taxes are lower, wages are lower, and labor is plentiful. Consumer prices are also much lower in the US Canadians feel that their higher standard of living, wonderful social services, and quality education may be sacrificed to Free Trade. Some officials seem bent on destroying businesses' new-found freedom. However, some authorities, including the Royal Bank of Canada, argue that, "... high labor costs, taxes, interest rates and the strong Canadian dollar are the main reasons for the flow of shoppers and investment across the border" (Wysocki 1991).

Another practical barrier to increased trade in the Great Plains is the simple lack of north-south transportation routes. The Plains region is bordered on the east and west by two Interstates, I-25 and I-35. In between these two routes lie country roads that divide the landscape into perfect squares. Running north and south, these country highways link farmers with the superhighways that predominantly run east and west: I-94 and I-90 through the Dakotas and Montana, I-80 and I-70 through Nebraska and Kansas, and I-40, I-20 and I-10 through Oklahoma and Texas. The southern states have few surface transportation links to their neighbors in the north. Only I-35, bordering the eastern edge of the Great Plains from Minneapolis through Wichita to the Mexican border , offers any relief to the east-west dominance within the region. This may be one reason why Kansas and Texas are the two largest Great Plains exporters to Mexico.

The debate over the future development of the Great Plains rages from Mexico City to Edmonton, Alberta. The 1990s are ushering in a new era of economic organization for the world. As the US, Canada and Mexico struggle to find their place in the new world, the North American Free Trade Agreement (NAFTA) between Canada, Mexico and the US is North America's answer to increased trade pressure from abroad. The Great Plains have effectively been caught in the middle of a dynamic new struggle for international cohesion. While some are taken by surprise in the heartland, others clearly see the opportunity to show that the grain belt means business.

## Conclusion

There is evidence of a growing economic base in the Great Plains region. Increases in exports, such as Montana's 1,536 percent increase in trade with Mexico from 1987 to 1989 (Mehl *et al*, 1991), show a vibrant exporting economy operating unaware that some observers proclaim that irreversible decline and economic stagnation is both the most likely and most desirable scenario for the future of the Plains.

The leading Great Plains exporters rely heavily on non-traditional industries. Colorado and Texas have deliberately built up their computer industry over the past few years and their persistence has paid off. Minnesota's front loader industry has diversified into many aspects of the trucking industry. To survive in the free-market economy, other Plains states may ask themselves what unique assets they possess to build on and then diversify into related businesses.

Closer exporting ties should be formed between the Great Plains States and the Prairie Provinces. A more closely integrated manufacturing and agricultural economy would help the Plains compete with the industrialized Mid-West and the East and West Coasts. Acting alone, the Great Plains states may cancel each other out competing for the same businesses and exporting markets. The northern Great Plains states of North Dakota, Montana and Minnesota already benefit more from trade with the Prairie Provinces than the other states. More interaction and trade between the Prairie Provinces and the American Great Plains states means a more vibrant standard of living, more jobs, and investment opportunities. Hopefully, more integration will occur as the East-West axis slowly shifts in favor of a North-South orientation.

North American trade may be studied more in depth if border crossing statistics were analyzed, if Canada-Mexico trade were reviewed, or if a survey were developed for rural farmers in order to determine which counties or states originally grew the grain the region exports. This latter data is not available. Ironically, a farmer can now easily truck his or her grain to any grain elevator within 80 miles or more to get the best price.

A farmer is now an international businessman. He, or she, is no longer bound to the closest elevator in sight. In fact, many farms now store their own grain in their own elevators. They monitor the Chicago Board of Trade and other grain markets via computer and sell at what they feel is the most opportune time. This fact dismays social doomsday-sayers who strive to have their cowboys and Indians, their horse-drawn wagons, and a sunset fading over a vast expanse of Prairie. These pastoral scenes still exist in the hearts and souls of the residents of the Great Plains. But in order to keep the family homestead and traditions intact, new ways of creating wealth and running the family farm as an increasingly diversified agribusiness are rapidly being developed.

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