

The Pacific Northwest Economic Region: A Multi-State, Multi-Province Regional Approach To Economic Development

Alan Bluechel

The forces reshaping the world's economy in the 1990s don't pay much attention to political boundaries. As a result, political leaders who allow borders to become barriers to economic development strategies do so at their own peril. An awareness of global competition has become a powerful incentive for a new regionalism designed to give critical mass to economic communities of interest. The Pacific Northwest Economic Region is a five-state, two-province region acting cooperatively today to prepare for a major role in the global economy tomorrow.

Like other government leaders, legislators in the Pacific Northwest have been trying to evaluate the economic, social and political changes rapidly reshaping the world. In Washington State, lawmakers have concluded that they can benefit from this global reorganization. The question is how.

How can a state prepare itself to head off economic dislocations and reap the potential bounty of a new world economy?

By an accident of geography, Washington is in a position to prosper from the emerging global economy. Its seaports are the closest U.S. ports to industrial giants of the Pacific Rim and equally close in air miles over the pole to European trade centers. The State has a diversified industrial base, abundant natural resources and a highly skilled work force. People living in the Pacific Northwest are especially fortunate to be in the right place at the right time to benefit from the dynamic Pacific Rim economy.

But as one Canadian government official remarked, it is not enough that the same water washes onto North America's West Coast that laps onto the shores of Japan and the four Little Dragons of Singapore, Hong Kong, Taiwan and South Korea.

Geographic proximity alone won't guarantee a prominent role in world trade for Pacific Northwest states and Western Canadian provinces. Tucked away in the Far West, the region is a long way from large, domestic markets on the East Coast,

and its dependence on export trade makes it vulnerable to protectionist legislation. Not unlike states and provinces elsewhere, the region also has difficulty raising sufficient revenues to address fundamental problems like crime, transportation gridlock and the need to boost educational standards.

Because of its geographic location, the Pacific Northwest has an opportunity to become the funnel for future trade, tourism and services between North America and the burgeoning economies of Europe and Asia. Along with other regional leaders, state legislators in Washington believe that positioning the Pacific Northwest to take advantage of its enormous potential will bolster the region's economy and help solve broader social problems.

According to David Harrison, executive director of the Northwest Policy Center at the University of Washington, "The need to find an additional force for regional economic vitality is not important simply as a strategy to preserve corporate profits. It is necessary to...expand human opportunities, and preserve the environment and the extraordinary quality of life that we enjoy."¹

PACIFIC NORTHWEST ECONOMIC REGION

The Pacific Northwest Economic Region (PNWER) is a mechanism designed to allow Northwest states and Western Cana-

dian provinces to take charge of their destiny in light of a shifting global economic order. Without the bolstering effects of a new regionalism, the Northwest's nearly limitless potential could lie dormant during the defining years just ahead.

Washington State is the most populous political subdivision in the region with 5 million people. Despite its size relative to other states and provinces in the region, however, the Evergreen State's population is small in a global context, and the state has difficulty competing on its own among the large trading blocks forming in the Pacific and Europe. A prospective world trader must possess a population density and productive capacity that only California has achieved among western states if it wants to play a key role in the worldwide market place.

For policy makers in the Northwest, the objective was to reach the critical mass needed to become a significant economic force in global markets and to take advantage of the enormous opportunities awaiting those willing to compete globally. Keeping in mind that the forces shaping the new world economic order ignore traditional world boundaries, legislators in Washington began to look at the Pacific Northwest as an aggregate of the region's parts.

The combined population of Alaska, Alberta, British Columbia, Idaho, Montana, Oregon and Washington totals more than 16 million people, a sufficient market to attract the attention of trade interests in the Pacific Rim and European Economic Community. When the productive output of the region is combined, it constitutes a formidable economic presence. The region's annual gross product exceeds \$280 billion. In fact, if it were a nation, the economic region would rank 10th among the world's industrial nations behind only Canada, Italy, China, France, the United Kingdom, the Commonwealth of Independent States (formerly the U.S.S.R.), Germany, Japan, and the United States.²

INITIAL CONFERENCE

Washington State initiated the move toward a new regionalism with unanimous approval of a joint House and Senate resolution in 1989 inviting legislative leaders from the five states and two provinces to meet in Seattle for an exploratory conference. The meeting drew more than 60 of the top legislative leaders in the region including five of the seven House Speakers and four of the five Senate majority leaders.

The legislators who attended worked in small groups to identify potential areas for cooperative effort. Before the three-day conference adjourned, more than 125 areas for cooperation were identified.

Conference participants, for instance, discovered that the Northwest had become a magnet for environmental enterprises. Northwest lawmakers recognized that if the 2,300 firms now located in the Northwest could consolidate efforts to identify market opportunities and promote their goods and services, they would enhance their potential to penetrate markets beyond their own state and provincial borders.³

When asked on the final day if they wanted to move forward with a venture in regional cooperation, the response from Democrats and Republicans, conservatives and liberals, Americans and Canadians was an enthusiastic and unanimous vote of approval.

During a June meeting in Edmonton, members of the steering committee successfully refined their agenda to a manageable list of achievable initiatives. After extensive research and study, leaders developed an action plan designed to unify economic development efforts and establish the region as a major new player in the global economy.

THE INITIAL PLAN

The initial plan sets achievable goals in six areas identified as those holding the greatest potential for success in the immediate future:

Environment NorthWest: Marketing Environmental Solutions to the Globe

Demand for environmental technology and services represents a multi-billion dollar international market. With more than 2,000 Pacific Northwest firms already engaged in environmental enterprises, the region has one of the highest concentrations of private sector expertise dedicated to environmental solutions of any region in the world.

These range from relatively low-technology services like transport and disposal of solid and hazardous waste to advanced technology that neutralizes toxins. Some firms even modify certain production processes so hazardous waste will not be generated.

The Pacific NorthWest Economic Region's commitment to environmental quality, its existing resources and its location place it in an ideal position to become the worldwide center for this growing industry.

PNWER's objective is to open doors for private sector firms so the region can achieve this goal by the year 2000.

Initial steps have been taken to remove barriers to regional collaboration and promote coordinated research, development and marketing of environmental technology and services. In addition, the region is working with the Export-Import Bank to assist environmental enterprises cut through red tape and secure financial assistance. The region is working with Ex-Im to provide financial guarantees at the front-end and back-end of overseas transaction. Some of the political entities such as Washington State have created export assistance programs to cut through the red tape and teach businesses how to become involved in exporting. This program is not being implemented by other states and provinces in the region.

Destination NorthWest: Building a Global Tourism Market

A three-pronged strategy has been developed for the tourism industry: 1) education on tourism's economic impact, 2) joint efforts to market the region and, 3) elimination of air-travel constraints.

Tourism often is not taken seriously as an income- and job-producing industry even though it ranks no lower than fourth among profitable industries in Northwest states and Western Canadian provinces. PNWER is working to raise public awareness about tourism's regional economic benefits (it accounts for nearly \$20 billion in revenue annually) and to boost financial support to attract more travellers and create more jobs.

Joint ventures are being designed to make PNWER states and provinces a single, world-class tourist destination. The first of these programs is the development of a joint marketing strategy to attract tourists from California, the region's largest tourism market. If this program is successful, it will be expanded to include other domestic and overseas markets.

Regional leaders also are working to eliminate barriers to cross-border air travel by removing restrictions that prevent tourists from flying direct routes across the 49th parallel.

Timber NorthWest: Adding Value to Regional Forest Resources

More than 180,000 people in the economic region work in jobs ranging from tree harvesting to manufacturing wood products like cabinets, containers, pulp and paper, mobile homes and furniture.

Logging restrictions, weak markets and productivity advances threaten employment

in this major industry. Preserving the region's economic vitality will be impossible unless the jobs lost in traditional wood products industries are replaced with new ones.

"Value-added" strategies can help preserve timber jobs by encouraging production of commodities tailored to fit customer needs in previously untapped domestic and international markets. Previous responses to the region's timber-supply crisis have been fragmented. PNWER is developing a unified market strategy to bolster existing manufacturers and nurture new firms that add value to Northwest timber before it leaves the region.

Recycling NorthWest: Reusing Regional Resources for Profit

People living in the Pacific NorthWest Economic Region have recognized the environmental value of recycling for a long time. More recently, the focus has shifted to its economic development potential.

The benefits of an aggressive regional recycling initiative are twofold: goods collected for recycling won't clog our landfills and recycled newsprint, cardboard, glass, aluminum and plastic are inexpensive raw materials that can reduce industrial production costs and energy consumption.

Developing markets for recycled products can help solve problems associated with waste collection and promote the growth of a profitable new industry within the region.

One of the critical areas to make recycling successful is the development of uniform content standards. A draft uniform standards bill has been submitted to all seven entities for study and comment as of this writing.

Workforce NorthWest: Training World-Class Workers

If regional employers want to compete successfully in the new global economy, they need workers trained to world-class standards. This goal represents the most important — and the most difficult — challenge facing our region.

Dozens of commissions, boards and committees have issued reports in Canada and the U.S. on how to raise educational and work-training standards. The results thus far have been mixed.

Oregon currently is leading the region with an economic development strategy aimed at making its citizens the best trained, best educated workforce in America by the year 2000.

PNWER leaders adopted a similar goal and are developing a coordinated agenda to raise workforce skill and educational standards throughout the region to make our industries competitive worldwide.

Elements of the workforce training strategy currently under consideration include a comprehensive system of professional and technical training programs, alternative learning centers for dropouts, a certificate of mastery requirement for 10th-grade students, extending the school year and expanding headstart-type programs to reduce the adverse effects of hunger and poverty on student learning.

PNWER is particularly interested in promoting private-sector involvement in this process.

Telecommunications North West: Linking the Region's Institutions Of Higher Learning

The Pacific Northwest has made a major investment in higher education. Colleges and universities within the region offer an almost unlimited menu of high-quality educational opportunities.

In the past, however, access to these resources has been limited. A sophisticated telecommunications infrastructure with the potential for bridging this information gap now exists in every PNWER state and province.

Because widespread exchange of information will give the economic region a decisive advantage in the new information age, preliminary steps have been taken to link our institutions of higher learning.

The first objective is to create a telecommunications link among the libraries so every student — from Fairbanks to Corvallis, from Edmonton to Seattle — has access to the academic resources available at the region's colleges and universities. PNWER recently sponsored a regionwide teleconference on workforce policies, with downlinks to each state and province, to showcase the medium's potential. The program, which featured Ira Magaziner, chair-

man of the Commission on the Skills of the American Workforce, was an overwhelming success with between 50 and 70 legislators and education leaders participating at each downlink site.

INITIAL BENEFITS

One anticipated benefit of regional collaboration is the creation of high-paying manufacturing jobs to replace shrinking employment opportunities in the region's extractive industries.

An example of successful strategic positioning was British Columbia's effort in the 1980s to diversify markets for its exports. In 1977, 54 percent of B.C.'s exports went to the United States. Through concerted efforts to expand markets in the Pacific Rim, the province reduced its U.S. export dependence to 40.5 percent, while increasing overall markets and stability.⁴

CONCLUDING COMMENTS

States and provinces of other regions may have different geographic and economic characteristics, but their challenge in the competitive years ahead is the same. Strategic regional policies can consolidate and strengthen existing industries and help fill gaps in a region's economic portfolio.

Although it may be unrealistic for states to expect to recession-proof their economies, regional initiatives like PNWER can guide states toward future economic expansion and enhance their quality of life. Northwest legislators believe collective action combined with their geographic advantage will give the region a competitive edge in targeted world markets.

They also hope to enjoy spinoffs as regionwide educational quality rises to meet and even surpass worldwide standards, as workers retrain themselves with new skills needed in value-added manufacturing enterprises, and as technological advances propel regional industries. A consensus is beginning to take hold among lawmakers

and other leaders in the Pacific Northwest that these goals can be achieved. This consensus, however, is accompanied by a realization that it won't happen unless leaders in the public and private sectors work cooperatively to set goals and long-range policies to achieve them.

ENDNOTES

¹David Harrison, "The Search for a New Economic Unity," paper presented at the first meeting of the Pacific Northwest Legislative Leadership Forum, Seattle, WA, Oct. 26, 1989.

²Statistics for U.S. states compiled from the "Statistical Abstract of the United States 1990," by the U.S. Department of Commerce. Canadian statistics from the "1990 Corpus Almanac & Canadian Sourcebook," Corpus Information Services, Don Mills, Ontario.

³Terry Brainerd Chadwick "Hands Across the Border. The Pacific North West Economic Partnership" *The New Pacific*, Fall, 1989.

⁴Ian McKinnon, Assistant Deputy Minister of The Planning & Statistics Division of the British Columbia Ministry of Finance and Corporate Relations, Remarks delivered to the 2nd plenary meeting of the Pacific Northwest Legislative Leadership Forum, Dec. 13, 1990.

Senator Alan Bluechel

Senator Bluechel is a founding member and President of the Pacific North West Economic Region (PNWER), comprised of five states and two Canadian provinces. A member of the Washington State Senate, Bluechel was born in Edmonton, Alberta. He received a Ba.Ap.Sc. degree in electrical engineering and a B.A. degree in general studies from the University of British Columbia in 1948. He is President of the Loctwall Corporation in Kirkland, Washington, a structural wood products manufacturing firm. Senator Bluechel was selected for the Toll Fellowship, a leadership training program, in 1991 and attended the John F. Kennedy School of Government at Harvard in 1988. He can be reached at 206/786-7672.