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## **The Cascadia Innovation Corridor: Advancing a Cross-Border Economy**

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# THE CASCADIA INNOVATION CORRIDOR: ADVANCING A CROSS-BORDER ECONOMY

BY LAURIE TRAUTMAN AND FRANCESCO CAPPELLANO

## INTRODUCTION

The Cascadia Innovation Corridor (CIC) Steering Committee is led by two CEOs, representing Challenge Seattle and the Business Council of British Columbia. There are seven program areas (see below), each co-chaired by representatives from Washington and B.C. and supported by working group members whose expertise supports the goals of the CIC. The CIC Vision of 'Inventing Tomorrow Together' strives to:

Position Cascadia as a global innovation hub in:

1. Life Sciences
2. Transformative Technologies
3. Sustainable Agriculture

Develop world-class infrastructure that supports a cross-border economy through:

4. Transportation, Housing and Connectivity
5. Best and Diverse Talent
6. Higher Education Research Excellence
7. Efficient People/Goods Movement Across the Border

The Cascadia Innovation Corridor (CIC) is a regional public-private effort to better integrate the innovation economy, transportation connectivity, and communities along the Western side of the Cascade Mountains from Vancouver, British Columbia to Portland, Oregon. The goal of the CIC is to position this cross-border region to be stronger together and compete on a global stage.

This Border Policy Brief provides an analysis of stakeholder's perspectives on the drivers and hindrances related to expanding business activities across the border in the CIC, which are key elements to the viability of the effort. The Brief also highlights the critical role of the border to the success of the CIC, and for cross-border innovation corridors more broadly.

## BACKGROUND

The CIC effort began in earnest in 2016, initiated by the leadership of Microsoft, and formalized by a Memorandum of Understanding between the Governor of Washington State and the Premier of British Columbia.<sup>1</sup> Since then, it has evolved to include various stakeholders on both sides of the border, including additional tech giants such as Amazon, colleges and universities, major cancer centers, and various scales of government. The CIC governance structure consists of a steering committee with representatives from B.C. and Washington whose work is focused in seven different programs (see sidebar).

The CIC is a broad effort aimed primarily at regional economic integration that spans the Canada – U.S. border, which presents unique challenges and opportunities when compared to more traditional mega-regions that exist within one federal jurisdiction.<sup>2</sup> The border is both a barrier and a conduit for the region's tech industry. For example, U.S. companies such as Microsoft that expand to Vancouver can take advantage of a more business-friendly immigration system, allowing them better access to global talent. However, at the same time, the friction of the border, which impedes the mobility of people, capital, and goods, is a tangible challenge to integrating the region.

## REGIONAL EFFORTS TO DEVELOP CROSS-BORDER INNOVATION CORRIDORS

There are efforts at the three major cross-border regions along the Canada – U.S. border to nurture a cross-border innovation ecosystem<sup>3</sup>, all underscored by the common recognition that "innovation occurs through partnership."<sup>4</sup>



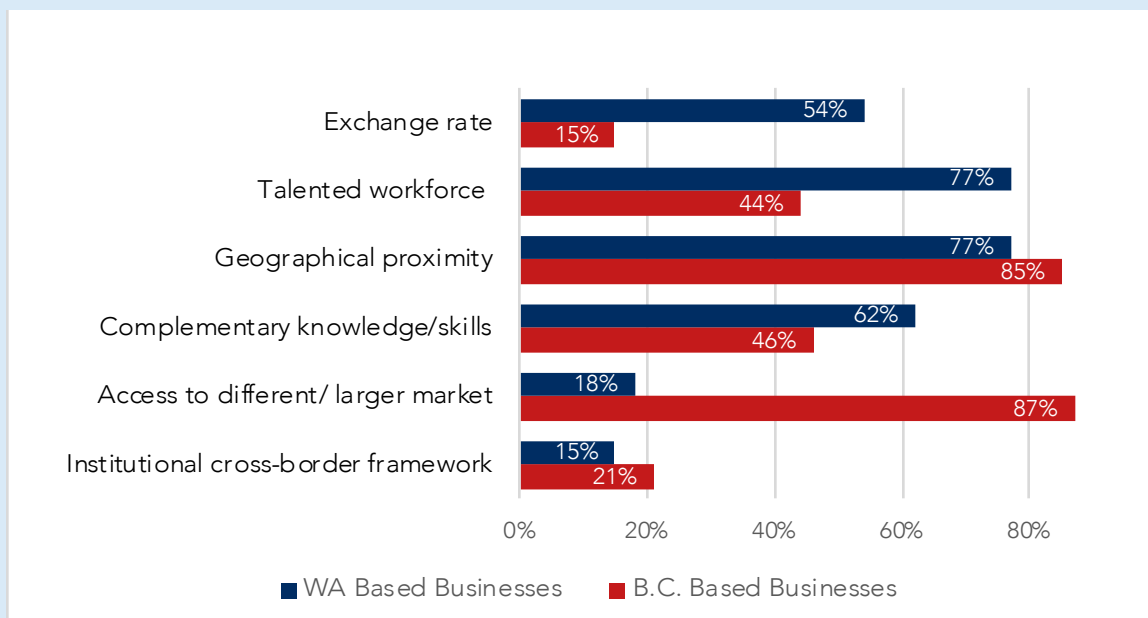


FIGURE 1. Drivers of Cross-Border Business Integration

Although the CIC is viewed as the most advanced example of a formal initiative, there are similar efforts emerging in both the Niagara – Buffalo and Windsor – Detroit corridors. Across all three regions, it is recognized that improving the efficiency of the border will strengthen innovation ecosystems. By better educating border crossers, border officers, and utilizing technology, the border can become less of an impediment.

While some challenges are the same across these corridors, the significance of regional variations cannot be overlooked. One of the unique features of the CIC, and perhaps the most notable, is the ‘culture of collaboration’ which characterizes the region. Not only is there a history of collaboration at the state/provincial scale, but there are several organizations whose ‘day job’ it is to support and strengthen cross-border collaboration.<sup>5</sup> These features, as well as a shared ethos, are invaluable to the CIC’s viability and success.

### STAKEHOLDERS’ PERSPECTIVES ON CROSS-BORDER INTEGRATION

In 2018, BPRI’s Cross-Border Visiting Fellow, Dr. Francesco Cappellano, surveyed 40 organizations in B.C. and Washington to assess the factors that encourage or hamper economic linkages across the border.<sup>6</sup> Respondents in B.C. and Washington identified drivers that encourage cross-border linkages/expansion, as well as hindrances that hamper business integration or expansion in either direction across the border.

### Drivers of Cross-Border Business Integration.

The top six motives for businesses from Washington to expand activities across the border to B.C. include access to a talented workforce (77%), geographical proximity (77%), complementary knowledge and skills (62%), the current exchange rate (54%), the U.S. political climate (54%), and access to larger labor pools in B.C. (51%).

For B.C. businesses to expand linkages into Washington, the top motives were access to larger markets in the U.S. (87%), geographical proximity (85%), access to venture capital in Washington (62%), complementary knowledge and skills (46%), and the talented workforce in Washington (44%).

Figure 1 displays the top drivers that were chosen by business on *both* sides of the border. Although they differed significantly in how often they were cited by respondents, these symmetries highlight how the border itself creates opportunities and motivations for businesses to expand into other jurisdictions, which facilitates cross-border integration. The “binational advantage”<sup>7</sup> that is gained by Seattle and Vancouver ‘joining forces’ provides the region with a competitive edge by enabling access to external markets, a larger (and more diverse) workforce, and financial capital resources.<sup>8</sup> The CIC seeks to leverage those assets and position the relatively smaller and emerging economies of the region to compete with mature global tech hubs such as Silicon Valley.

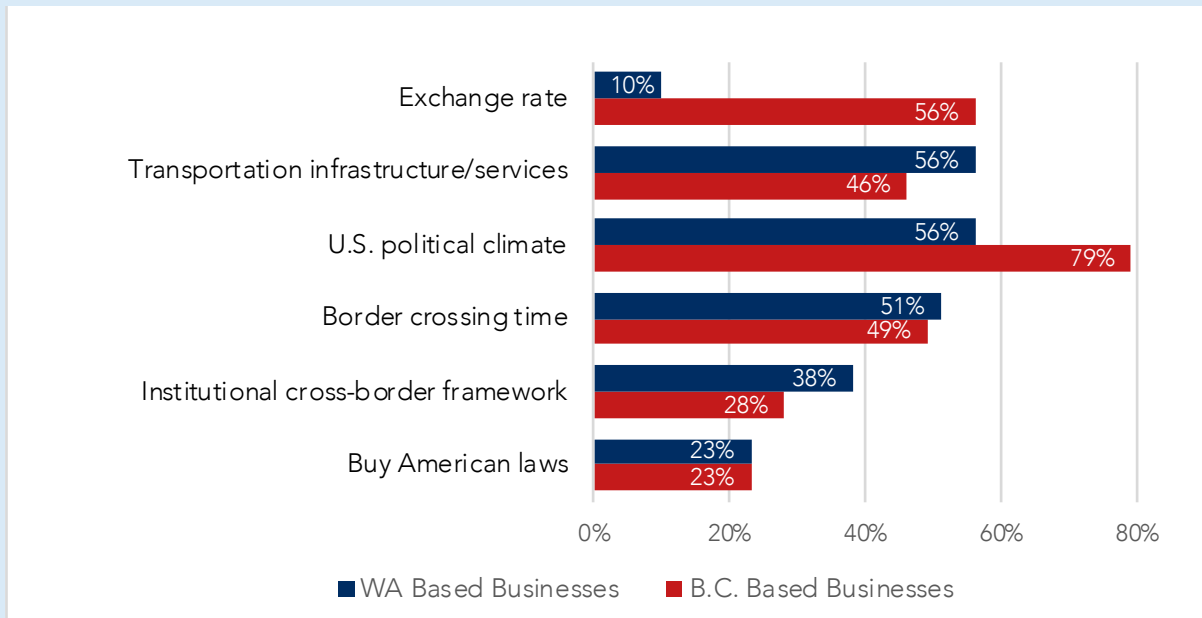


FIGURE 2. Hindrances to Cross-Border Business Integration

### Hindrances to Cross-Border Business Integration.

Businesses in Washington cited five main deterrents to increasing linkages in B.C.: lack of transportation services and infrastructure (56%), the U.S. political climate (56%), the amount of time spent crossing the border (51%), tax policies in Canada (44%), and higher land costs in Canada (41%). For B.C.-based businesses, the most frequently cited hindrances were the U.S. political climate (79%), U.S. immigration restrictions (72%), the current exchange rate (56%), the amount of time spent crossing the border (49%), and the lack of transportation services and infrastructure (46%).

Figure 2 displays the top hindrances that were chosen by businesses in *both* B.C. and Washington. When

comparing the responses in Figures 1 and 2, it is apparent that there is more similarity between the factors that hinder cross-border integration than between those that drive cross-border integration.

Issues such as the U.S. political climate (i.e., the Trump Administration), exchange rates, and ‘buy American’ laws are significant hindrances to deepening cross-border business integration. These factors, which are shaped at the federal scale, illustrate the difficulty in advancing regional economic integration in a cross-border environment.

However, there are many issues that can be tackled at the sub-national scale. For the CIC, it is important to highlight that ‘institutional cross-border framework’

### Working towards a seamless border for the CIC

Each of the CIC’s seven program committees (see sidebar, front page) have Action Plans that outline their ‘big ideas’ for advancing an innovation ecosystem in the region.<sup>9</sup> The committee tasked with focusing on the border is co-chaired by leadership from BPRI and the Pacific Northwest Economic Region (PNWER). This committee is pursuing a variety of initiatives to make the border as seamless as possible for legitimate trade and travel. This benefits businesses, families, and the overall climate for collaboration in the region in terms of time savings, productivity, and predictability. Projects involve working with stakeholders on both sides of the border and harnessing new innovations to:

- Advance implementation of the new preclearance agreement for passengers in marine and rail modes
- Enhance the NEXUS trusted traveler program
- Improve the travel experience and security in our airports using facial recognition technology
- Conduct a pilot project to reduce wait-times for cargo processing at the land border

is both a hindrance and a driver for both B.C.- and Washington-based businesses. This suggests that there is considerable need for programs, funding, and organizations that focus their efforts specifically on cross-border integration and collaboration, rather than within one jurisdiction. The growing momentum and impact of the CIC will help to address this gap.

In addition, border crossing time was chosen as a hindrance by roughly half of all respondents, regardless of their geographic location. This underscores the critical role that border infrastructure and border policies play in advancing the CIC (see inset on previous page for a description of the CIC's cross-border committee).

## CONCLUSION

Economic integration in Cascadia is perceived to be rather weak. However, there is cautious (and growing) optimism that the region will become more integrated. Indeed, the CIC has been steadily gaining momentum

and focus, and is attracting the attention of a wider audience, including those outside the region. It is clear, however, that improving both transportation infrastructure and the border crossing experience are critical components for positioning the CIC to compete on a global scale.

The Cascadia region is home to cross-border transportation networks across all modes, including a growing number of options for air travel. Technological advancements in facial recognition and artificial intelligence, combined with policy developments such as preclearance expansion, present opportunities for our shared border to become more "predictable, secure and integrated."<sup>10</sup> It is likely that over the next five to ten years, technology will indeed transform many aspects of how people and goods move back and forth across the border. These innovations, combined with investment in transportation infrastructure that improves connectivity, as well as stronger institutional support for cross-border integration, will shape the strength and success of the Cascadia Innovation Corridor.

## ENDNOTES

1. A copy of the Memorandum of Understanding is available at [https://news.gov.bc.ca/files/BC\\_WA\\_Innovation\\_MOU.pdf](https://news.gov.bc.ca/files/BC_WA_Innovation_MOU.pdf).
2. For a map of U.S. megaregions, see <http://www.america2050.org/megaregions.html>.
3. There are also cross-border innovation corridors along the U.S. – Mexico border, the most advanced of which is the collaboration between San Diego and Tijuana. This effort consists of a bi-national institutional arrangement between private stakeholders, research centers and NGOs that supports an increasing interplay between incubators, accelerators and start-ups which has stimulated the cross-border innovation ecosystem of the region. Since 2008, this bi-national region has been "branded" as the CaliBaja Mega-Region which has both attracted FDI and infused the region with a common sense of identity. For a full analysis of the San Diego – Tijuana collaboration, see Cappellano, F., & Makkonen, T. (2019). Cross-Border Regional Innovation Ecosystems: The Role of Non-Profit Organizations in Cross-Border Cooperation at the US-Mexico Border. *GeoJournal*, 1-15.
4. For a regional analysis, see Friedman, Kathryn, Charles Conteh, and Carol Phillips, "Cross-Border Innovation Corridors: How to support, strengthen and sustain cross-border innovation ecosystems." Brock University: Niagara Community Observatory Policy Brief (September, 2019). Available at: <https://brocku.ca/niagara-community-observatory/policy/>.
5. For more information see "Regional Cross-Border Collaboration between the U.S. & Canada," BPRI Border Policy Brief (Fall, 2018). Available at: [https://cedar.wvu.edu/bpri\\_publications/113/](https://cedar.wvu.edu/bpri_publications/113/).
6. For the full research report, see Cappellano, Francesco, "Cross Border Innovation Economies: The Cascadia Innovation Corridor Case," BPRI Research Report. Available at: [https://cedar.wvu.edu/cgi/viewcontent.cgi?article=1115&context=bpri\\_publications](https://cedar.wvu.edu/cgi/viewcontent.cgi?article=1115&context=bpri_publications).
7. For more on this concept, see "The Binational Advantage," Cross-Border Institute: How it Works and Why it Matters Series (May, 2017). Available at: <https://www.cbinsitute.ca/may-2017-the-binational-advantage/>.
8. See Cappellano, F., & Rizzo, A. (2019). "Economic Drivers in Cross-Border Regional Innovation Systems." *Regional Studies, Regional Science*.
9. Action plans for all committees are available at <https://connectcascadia.com/steering-committee/>.
10. For an in-depth description of these technological advancements at the Canada – U.S. border, see "Beyond Preclearance: The Next Generation Canada – U.S. Border." Beyond Preclearance Coalition (October, 2018). Available at: <https://www.beyondpreclearance.org/the-white-paper>.

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