

Creating A Regional Advantage – The Role of First Nations in Regional Economic Relationships

Introduction

A popular bumper sticker in the early 1990s stated, “Think Globally, Act Locally”. It was meant to be a statement about environmental awareness, but it is also a euphemism for what it takes to succeed in the 21st century economy. It says that the health of local economies, no matter how small, cannot be separated from their connection to the global economy.

Communities are learning that their best chance for success in the global economy is by working together to create a regional economic advantage. They recognize that this creates a competitive edge because it showcases a full range of regional strengths to potential investors, but avoids the inefficiencies from being too big to coordinate services.

The superior competitive strengths of a group of communities, as compared to one community, can form the specialized knowledge and industrial clusters at the regional level. Within a region, the communities can also deliver service efficiencies beyond the level of individual communities. Fundamentally, they can work together to build the infrastructure that supports their competitive advantages. As a result, more and more economic planning is taking place at the regional level.

Three-Legged Development

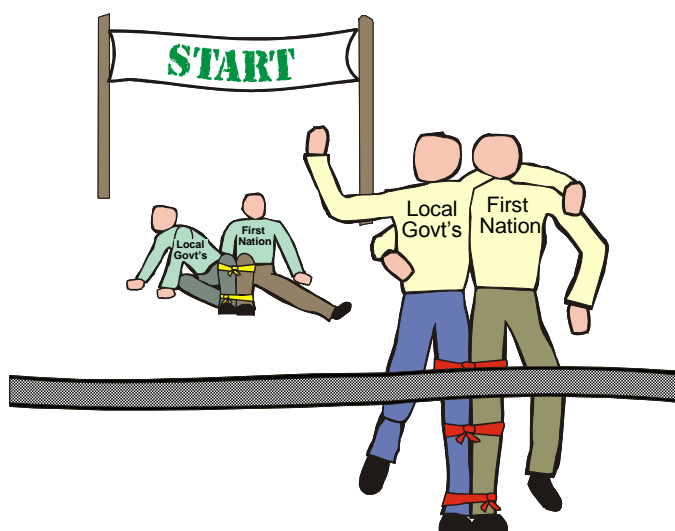
First Nations are part of their regional economies. The success of First Nation economies is intimately tied to the success of their regional economies, and in many cases, the success of regional economies is bound to the success of First Nation economies.

As in the three-legged race in Figure 1, they can work together and create a regional advantage, or they can pull in opposite directions and hold each other back. Recognizing their role in the regional economy and the regional economy's role in their future is a critical first step for First Nation economic development. The Royal Commission on Aboriginal Peoples cited the non-existent links between Aboriginal and non-Aboriginal communities as a principle reason for First Nation economic disparities.

“The case for co-operation between Aboriginal and non-Aboriginal economies is strong. Successful economic development requires careful planning and co-ordination of effort and resources. Most Aboriginal communities are too small to support large enterprises. Growth potential is limited unless small enterprises actively seek and enter larger markets, often beginning with the surrounding economy. Market entry could be eased with the support of local and regional economic planning councils”(RCAP, Vol. 2, pg 848).



Figure 1. The three-legged race



The Seven Benefits of Economic Cooperation

First Nations can benefit economically in at least seven ways from greater cooperation with other local governments in their region.

1. First Nations can combine their competitive strengths with those of the region. First Nation competitive advantages include strategic locations, a young labour force, or access to resources to name a few.
2. Regional cooperation leads to improvements in infrastructure through resource pooling and may help the region build infrastructure appropriate for its competitive advantages.
3. The coordination of regional economic development services creates standards for investment processes and lower business costs.
4. First Nations can participate in regional industrial clusters and networks, which improve the sustainability of First Nation economic initiatives.
5. Regional economic cooperation means fewer jurisdictional disputes; this demonstrates certainty to potential investors.
6. To lower service costs, all local governments can identify service delivery efficiencies and structure service agreements amongst themselves.
7. If regional economic information is presented in one location, the high investor search costs associated with First Nations is reduced.

The Productivity Pay-Off

There is a general policy consensus that the continued high fiscal costs of First Nation poverty and low First Nation productivity levels will negatively impact future Canadian fiscal policy.



Future fiscal options will be further limited if, as expected, the Aboriginal share of the Canadian labour force triples over the next 15 years and Aboriginal productivity levels continue to be half of other Canadians.

The benefits from First Nation economic development to all Canadians are well known, but they briefly deserve repeating. Federal policies for First Nations are often driven by the hypothesis that the best method to improve the First Nation investment climate and Aboriginal productivity is to help create effective First Nation governments. A number of recent federal initiatives such as the Governance Initiative; the creation of a Lands Claim Tribunal and four fiscal institutions, plus a renewed focus on First Nation education, underline the federal commitment to improving First Nation productivity and well-being by creating more effective First Nation governments.

Crossing the Line Together - Encouraging Cooperation

There is encouraging potential that greater First Nation participation in regional economic planning and strategies will enhance the productivity of Canada. For this paper, the policy issue is how to encourage more First Nation regional economic cooperation.

Regional economic cooperation can come from three sources:

1. Top-down - A higher level of government directs local governments to cooperate or legislatively creates regional administrative districts or amalgamated cities.
2. Bottom-up - Local governments choose to cooperate and formalize their relationship through a regional protocol or similar instrument.
3. Top-down and Bottom-up - A higher level of government encourages local governments to form their most effective regional units.

For First Nations, a top-down approach would be politically difficult for the Federal and Provincial Governments to coordinate. A bottom up approach is possible, although First Nations often lack the resources to participate in such an arrangement, or they have not considered the economic benefits from regional cooperation. The best approach is a federally supported one that encourages First Nations to develop appropriate economic cooperation relationships with their neighbours.

As regional cooperation can take many forms, federal support should be directed towards establishing a relationship that builds on First Nation competitive strengths and reduces their public sector deficiencies. A continuum comprising five different types of regional relationships or protocols has been identified. The continuum has been arranged from informal arrangements to formal ones.

- Goodwill and cooperation relationships that aim to build trust and foster a regional focus among the participants. There are few associated projects or deliverables.



- Economic planning protocols that require the participants to engage in regional economic planning. These relationships involve research and can result in a regional economic plan.
- Service agreement contracts that require one government to provide local public services to another community. These can be simple fee-for-service, complicated tax sharing arrangements, or even a combination of exchanged services and money.
- Regional infrastructure projects (roads, bridges, sewer or water systems or other physical infrastructure) that service the needs of more than one community within the region.
- Regional integration, when two or more local government administrations in a region combine to deliver particular services, or they create a regional government to deliver a service or services.

Four Steps to Productive Relationships

Our research identified First Nation examples of all five types of regional relationships. We also propose the following steps to building successful regional relationships with First Nations.

1. Identify the regional competitive advantages and strengths by a joint study and highlight the First Nation competitive advantages.
2. By joint study or regionally represented bodies, identify the role of the public sector in supporting these regional competitive advantages.
3. Select the right type of regional relationship to improve the regional investment climate.
4. Structure the regional relationship or protocol(s) around a public sector project or initiative to provide focus, momentum, and ultimately, legitimacy and accountability for the regional relationship.

Methodology

This paper is divided into four sections. The first section discusses the importance of the regional advantage in the global economy and the implications for First Nations. The second section explores how First Nations can be an important element in creating a regional advantage. The third section presents some First Nation examples of regional relationships that may be appropriate for First Nations, and the fourth section describes future steps to greater First Nation regional cooperation

