

**PUBLIC POLICY AND  
NAFTA:  
THE ROLE OF ORGANIZED  
BUSINESS INTERESTS  
AND THE LABOR  
MOVEMENT**

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The momentum toward integrated markets over large geographical areas as well as the reduction of market impediments within country- market areas seem well established at present.\* A critical question is how this mercantile trend will affect decision-making processes within the three North American countries as well as in the South American nations that eventually join NAFTA. To paraphrase part of the growing literature on a similar process, the expansion of the European Union (EU) in Europe, the nature of how political decisions are made within North America "is of growing concern to students of comparative public policy."<sup>1</sup> In the context of changing markets and rules, particularly the reduction of balkanized markets, what is the role of the major economic organizations, especially business and labor, in public policy-making and implementation? Understanding the link between the integrated market thrust and public policy requires a comprehensive picture of changes in

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\*A list of acronyms used in this article is provided on page 23.

the pattern of economic interest group / state interactions. This paper grows out of earlier explorations of the interrelationship between economic interests, territory and public policy.<sup>2</sup>

There is a special reason for scholars of comparative public policy to be interested in the policy effects of dramatic changes in trade rules. Such changes may open the window to extraordinary new methods of policy-making. Until now the focus on such changes has centered on sweeping electoral mandates for bold new party leaders under concomitant crisis conditions, whether of an economic, social or national security nature.<sup>3</sup> However, even without the ascension to power of a dynamic new political chief executive, a quick, fundamental expansion of markets may dramatically destabilize existing patterns of public policy.<sup>4</sup> In summary, then, the purpose of this essay is to describe the relationship between the thrust for integrated market expansion in North America over the past ten years and related public policies by analyzing the patterns of economic interest group interactions with state officials. We shall be especially concerned with business and labor groups.

## I. BUSINESS AND LABOR IN GENERAL

Overall we expect business to be better organized than labor and able to take advantage of newly integrated markets. This is not only because the two trade agreements facilitate capital mobility.<sup>5</sup> Management personnel are more willing and able to move or travel than labor in general. Family and friendship bonds of workers as well as family homes and lands are much more tied to local and regional territories. Even if general labor mobility was guaranteed by these two agreements, it is not very likely that American and especially Canadian workers would be willing to relocate for employment reasons. But often overlooked and underestimated is the complex organization of modern capitalism.<sup>6</sup> Business interest associations (BIAs) are organized along comprehensive, sectoral, product and service specific, and territorial lines. Even within one type of

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organization, say comprehensive associations, business may be organized by size of business, territory, linguistic, ethnic, or religious backgrounds, and enterprise versus individual membership. In addition, business alliances and contacts increasingly are broaching national borders as causes, concomitants and consequences of agreements to integrate markets, a development we will describe in this essay.

Elsewhere I have outlined and used a topology of interassociational relationships developed by Schmitter and Streeck.<sup>7</sup> The purpose was to explain how Canadian BIAs formed voluntary agreements in order to bring some degree of non-coercive order to Canada's basically pluralist political system. It is clear that this topology, ranging along a continuum from weak to strong horizontal integration, can also be used to order cross-border associational relationships.

The weakest relationship is an *ad hoc alliance* which almost always involves a coordination of strategies and tactics as well as the mutual sharing of information in order to achieve a common goal or to alleviate a common challenge. Once there is a minimal expenditure on mutual staff resources in a common organizational setting, a *joint task force* is set up as a strong form of organization, yet the focus is still on one specific issue. At the middle level is a *joint venture* whose goals are now multiple and which possesses a more stable institutional structure, sometimes indicated by its having a constitution and/or bylaws. Fourth, we have an *alliance* which is a level of inter-associational integration that exhibits an enduring cooperative effort and mandate that covers a multitude of issues. Finally, at the highest level of horizontal integration we have *staff sharing*. In this situation two or more associations share their paid administrative bureaucracy up to the chief executive officer (CEO) and may even share their elected board chair and the other directors. Table 1 summarizes these forms and their characteristics.

Although the above topology was designed to order the horizontal relationships of business, this scheme can also be applied to labor, even though, as Lanzalaco and Schmitter have argued, the integrative capacities of business are stronger than those of labor.<sup>8</sup> In the European case the main transnational peak association of European labor, the European Trade Union Confederation (ETUC), is a weakly integrated confederal organization<sup>9</sup> of independent country peak unions.<sup>10</sup>

**Table 1**  
 Characteristics of the Various Forms of Horizontal  
 Interassociational Relations

	Temporary/ Permanent	Number of Issues	Constitution/ Bylaws	Nature of Staff Relationships
<b>Ad hoc Alliance</b>	Temporary	Singular	None	Information Sharing
<b>Joint Task Force</b>	Temporary	Singular	Usually None	Secondment of Staff
<b>Joint Venture</b>	Endurance beyond a Single Issue	Multiple Issues	Sometimes Present	Secondment of Staff
<b>Alliance</b>	Permanent	Multiple Areas	Present	Secondment of Staff
<b>Staff Sharing</b>	Permanent	Multiple Areas	Present	Integrated Staff

**SOURCE:** Modified from Henry J. Jacek, "Pluralist and Corporatist Intermediation, Activities of Business Interest Associations, and Corporate Profits: Some Evidence from Canada," *Comparative Politics*, Vol. 18, No. 4 (July, 1986): 425-427; Philippe C. Schmitter and Wolfgang Streeck, *A Research Design to Study the Associative Action of Business in the Advanced Industrial Societies* (Berlin: International Institute of Management, 1981), 195-199.

Perhaps the best case of public policy success by integrated transnational associations is that of the farm lobbies in Europe with their ability to protect the EU's Common Agricultural Policy (CAP). The basis of European agro-power lies in the coordination among the French *FNSEA*, The German *Deutschen Bauernverband*, the British National Farmers Union and the Italian *Confederazione dei Coltivatori Diretti*. In each of these countries there are close corporatist ties between the state and their farm union partners. Given the influence of national political executives in European Union policy-making, there continues to be formidable protection for the EU's most expen-

sive program despite the shrinking electoral and economic power of farmers.<sup>11</sup>

## II. TYPES OF ASSOCIATIONS AND THEIR ACTIVITIES

**A. *Big Business.*** If any economic interest should benefit from integrated markets it should be big business with its need to transport goods and services quickly and cheaply over large areas. Big business is well-organized in Canada through the Business Council on National Issues (BCNI), in the United States via the Business Roundtable (BRT), and in Europe through the European Round Table of Industrialists (ERT). It is widely believed that in Canada the key political actor leading the way to FTA was the BCNI. Although it had to confront an initially uninterested BRT, nonetheless the BCNI was able to mobilize Jim Robinson, the chair of the BRT's Committee on Trade. He, in turn, convinced the American political executive to give support to FTA only a couple of months after the formation of a joint task force called the American Coalition for Trade Expansion with Canada.<sup>12</sup>

In the case of NAFTA the Business Roundtable was far from apathetic. Indeed, it concluded that it had started the process, built the momentum in the U.S. and was instrumental in its enactment. The campaign to legislate NAFTA was organized within the context of the Task Force on International Trade and Investment, one of the 13 task forces now maintained by the BRT. In addition, the Business Roundtable was the main initiator of a committee, the U.S.-NAFTA group, which became the main business vehicle helping to enact NAFTA in the United States. This organization is a joint venture, an advocacy group, Business Roundtable-driven but including other major trade associations. Overall it has a broad base of BIAs and corporations as members. The committee remained in existence after NAFTA's enactment and is likely to do so through the end of 1994. During both the FTA and NAFTA formulation and ratification periods the Business Roundtable remained in contact with the BCNI in Canada. More importantly, the BRT maintained information-sharing with Mexican BIAs, although only at a minimal level.

In contrast to the lack of BRT initiative in the FTA process and a relationship with the BCNI that the Roundtable saw as stable, predictable and acceptable, the BRT was pro-active from the beginning of the NAFTA process. It began when the BRT leadership visited the Mexican president, Carlos Salinas de Gortari, in 1989.

They did not find it hard to convince Salinas of the desirability of a U.S./Mexican free trade deal. Mexicans wanted a free trade agreement modeled on the FTA. They hoped for an "enhanced and more secure access to the U.S. market and the economic benefits of increased investment and industrial restructuring."<sup>13</sup> In the early days of the implementation it appeared that their hopes for increased investment were in the right place.<sup>14</sup> On the other hand, American business hoped that an agreement would protect capital investment already there and open the Mexican economy to even more big business development. Market mechanisms were also seen to be in need of reinforcement. U.S. business was especially concerned to protect intellectual property rights and gain secure access to Mexican oil.

The BRT leadership then arranged to mobilize American support for a deal. First of all, it had to energize its own membership of over 200 large corporations represented by their chief executive officers (CEOs). The best way to do this was to arrange a meeting of the Mexican president and the BRT membership. Thus, during the annual meeting of the BRT in Washington, Salinas addressed the gathering on the need for a NAFTA. Salinas' address to such an influential audience in Washington had no trouble attracting the attention of both the major mass media and the political leadership of George Bush in the White House.

The enactment of NAFTA in November, 1993, did not end the BRT's or the U.S.-NAFTA group's involvement, but the focus of attention of these two organizations was not on the implementation of the Agreement. Indeed, there are problems in Mexico in specific sectors such as banking, but the BRT and the U.S.-NAFTA committee believe that these problems are best left to sectoral trade associations such as the American Bankers Association (ABA). Rather, the main purpose of the U.S.-NAFTA Committee and the major concern of the BRT at present are to generate positive news stories about the consequences of NAFTA for the United States in 1994—stories about expanding business and new hirings under NAFTA in order to offset tales attributing plant closures, lay-offs, and run-away manufacturing operations to the new trade agreement. Unexpectedly, this angle

has been helped by recent, large-scale Mexican business investment in both the United States and Canada.<sup>15</sup>

There are two main purposes behind this concern for positive news about the consequences of NAFTA in the United States. First, the BRT wants to create a favorable climate for trade liberalization in the United States with a special eye on future trade initiatives for the expansion of NAFTA<sup>16</sup> and approval of General Agreement on Tariffs and Trade (GATT) round deals. Second, these two pro-NAFTA groups gave support to legislators who switched over to vote for NAFTA on grounds of liberal trade principles in the face of strong opposition, particularly from labor, in their constituencies. The U.S.-NAFTA Committee, especially, gave political cover for these individuals by providing them with NAFTA success stories. The facts given, specifically tailored to particular constituencies, were of special help in the reelection bids of these legislators later in 1994.<sup>17</sup> This tactic of "backstopping" friendly supporters<sup>18</sup> is well-known to specialists who study the American Congress.

In contrast, the Business Council on National Issues was a reluctant participant in the development of NAFTA. The BCNI was pleased with the privileged access to the United States given to Canada under the FTA. Initially, Canadian business was reluctant to share that access with another country. Even worse, as the free trade discussions matured fears grew in Canada that investment patterns could be altered. The incentives for new capital spending in the American hub at the expense of the two spokes of Canada and Mexico seemed inevitable if the U.S. negotiated similar bilateral agreements with its two neighbors. In addition, the NAFTA negotiation process opened up the possibility of undoing protections such as an independent dispute settlement system given Canadian business in the FTA.<sup>19</sup> But following NAFTA's approval, the activity orientation toward continental free trade changed dramatically, increasing "the working relationship between the BCNI and Mexican government officials and business groups."<sup>20</sup> This happened most dramatically in February, 1994, when the BCNI led a major delegation to Mexico.

The trek to Mexico City was designed to build on the foundation of the recently enacted NAFTA. The BCNI delegation met with Mexican President Carlos Salinas de Gortari, Dr. Jaime Serra Puche, Secretary of Trade and Industrial Development, Dr. Pedro Aspe Armella, Secretary of Finance and Public Credit, and Ing. Carlos Rojas Gutierrez, Secretary of Social Development, to set up mecha-

nisms to increase the bilateral flow of trade between Canada and Mexico. Although the meetings with the four Mexican state officials most influential in trade were important, the BCNI devoted a good deal of time to planning concrete steps for senior business leaders in Canada and Mexico to work closely in implementing NAFTA. These business-to-business linkages proved to be as important as the Canadian business/Mexican state officials' meetings. The CEO of the BCNI, Thomas P. d'Aquino, emphasized the collective dimension in the implementation of the Canadian-Mexican trade relationship in the new NAFTA era. These collective linkages involved the *Consejo Mexicano de Hombres de Negorios* (The Mexican Council of Businessmen) and the CEMAI (the Mexican Business Council for International Affairs). As well, the BCNI also established connections with Canadian and American business already on the ground in Mexico, namely the Canadian Chamber of Commerce in Mexico and the United States Chamber of Commerce in Mexico.

Overall, the BCNI was very happy with its establishment of connections with businessmen already in Mexico and with government officials. In its view the associational objectives were met.<sup>21</sup> To reinforce these organizing steps the BCNI arranged for Prime Minister Jean Chrétien to visit Mexico City in March, 1994, a mission somewhat weakened by the assassination of the ruling party's presidential candidate on March 23rd.

A similar dramatic policy role for big business has also occurred in Europe over the last 15 years. In 1992 the European Round Table of Industrialists (ERT) mobilized national governments and EU officials for the purpose of creating a unified market. Their efforts had begun in 1983 with a plan adopted by the 17 largest corporations banding together to form the ERT. European big business wanted a strong EU state to harmonize the economic rules for all member states and to provide a stable political framework. Because the EU officials lacked an independent power base vis-a-vis state officials from member nation-states, they allied themselves with big business as an engine of economic growth. Thus, despite themselves, the member countries responded to big business by taking decisive action to establish the EU.<sup>22</sup>

**B. The Chamber of Commerce System.** Probably the most complex aspect of business organization is the chamber of commerce system. We have already seen that the BCNI, in developing links with business in Mexico, feels a need not only to deal with indigenous



Mexican capitalists but also with Canadian and American corporations already there and organized by the Canadian Chamber of Commerce in Mexico and the United States Chamber of Commerce in Mexico. But let us begin with the Canadian Chamber of Commerce. In contrast to the positive role ascribed to the BCNI in the FTA fight, the Canadian Chamber's initial image was that of a business laggard.<sup>23</sup> Yet by 1987 the Chamber had come to the conclusion that "a comprehensive bilateral trade agreement to secure and enhance Canadian exporters' access to the U.S. market is a national priority."<sup>24</sup> Especially important to the free trade negotiations was the Canadian Chamber's mobilization of American business and the U.S. Chamber by working through the Committee on Canada-U.S. Relations.

This strategy began in early 1987 and reached a successful landmark in September when the Committee on Canada-U.S. Relations decided that it was vital to complete a satisfactory trade agreement between both countries.<sup>25</sup> This position was quickly endorsed by the Canadian Chamber of Commerce. Both the Committee and the Chamber tried to show the economic benefits to both countries and called for a strong dispute settlement mechanism to be part of this proposed bilateral agreement. Then the Canadian Chamber launched a major campaign in support of a trade agreement.<sup>26</sup> It prepared materials for its members to send to their employees in order to gain crucial worker support. By 1993, they claimed, 120,000 net new jobs would be created in Canada. In addition, the Chamber said that Canadians who lost their jobs because of the FTA would be protected by the federal government's program on adjustment assistance. By September, 1989, the Committee on Canada-United States Relations had set up an FTA Implementation Task Force. This group, working through both national Chambers, began issuing quarterly reports on the progress of implementation, highlighting the especially positive aspects. At the same time a working group was set up to recommend ways to eliminate subsidies and anti-dumping laws.

One year later the trade focus of the Chamber switched from the established FTA to the proposed NAFTA. In February, 1991, the Chamber supported the government's decision to pursue NAFTA. Their backing was part of a generalized endorsement of trade liberalization.<sup>27</sup> However, by October, 1991, disputes between the American and Canadian Chambers began breaking out. The Canadian Chamber believed that cultural industries should not be part of the

trilateral negotiations, but the American Chamber disagreed. The latter, in turn, wanted no discussion of the marine industry, a view not shared by the Canadian Chamber. In general, though, both Chambers supported the proposed NAFTA, especially a twenty-year monopoly protecting intellectual property rights, patents, copyrights and trademarks.<sup>28</sup>

By March, 1992, both the Canadian Chamber of Commerce and the American members of The Committee on Canada-United States Relations (CCUSR) had begun to express some concerns about the proposed NAFTA. In particular, they worried about the poor quality of public administration in the Mexican environmental field. In their view it was essential that Mexico have administrative procedures in place that implemented and enforced its own environmental legislation and standards. In a new North American free trade zone, they concluded, Canada, the United States and Mexico should each be prepared to meet certain minimum environmental requirements.<sup>29</sup>

A level playing field was not the only problem. By mid-summer of 1992 the Canadian Chamber had identified attempts by American business to roll back market access gains made by Canadian business under the FTA, especially those concerning rules of origin. American business, they complained, was trying to limit Canadian competition in computers, motor vehicles, textiles and clothing by raising the content of these goods required for domestic origin.<sup>30</sup> Since Canadian-made goods in these sectors were especially competitive in the United States because of their high-quality foreign components included under FTA standards, this became a serious problem. In the end, however, the Canadian Chamber and the American members of CCUSR decided to support NAFTA's ratification.<sup>31</sup> They felt that NAFTA would significantly enhance the global competitiveness of both Canadian and U.S. business, similar to the perception by European corporate leaders that the EU provisions would enhance the global competitiveness of their own businesses. Overall, the Canadian and U.S. business leaders saw NAFTA as a logical extension of the FTA.

A half a year later the Chamber was forced to acknowledge the strong environmental criticisms of the NAFTA text. In order to bend to these criticisms, the Chamber, together with the American and Canadian members of CCUSR, agreed to the need for the three national governments to cooperate in the areas of environmental monitoring, reporting, standards harmonization and technical coop-

eration. Harmonization of minimal environmental standards was to be established by scientific personnel.<sup>32</sup>

With the passage of two more months a labor side deal was added to the growing list of NAFTA concerns. But the institutional mechanisms that would flow from any side deals were a major worry to the Chamber. While it was willing to accept commissions on the environment and labor, the Chamber did not want the commissions to have the type of authority given to the dispute panels in the FTA. These commissions "should not fall within the purview of a 'supernational' and independent secretariat with implicit or explicit powers to override the principles of national sovereignty of any of the Parties."<sup>33</sup> Such a statement was similar to the American view of the dispute panel mechanism in FTA, ironically a mechanism defended vigorously by Canadian business. In the end, the Chamber got what it wanted and supported the NAFTA with its environment and labor commissions.

The Chamber was quick to get beyond ratification in two ways. First, it set up a series of initiatives to help Canadian business enter the Mexican market. Second, it immediately demanded that the federal government obtain agreements with its new NAFTA partners on the standards "in the areas of government subsidies, countervail and anti-dumping."<sup>34</sup> At the same time the Chamber held discussions on these issues with Sandra Fuentes, Mexican Ambassador to Canada, and James Blanchard, United States Ambassador to Canada. One upshot of both the FTA and NAFTA processes is that these definitely fostered a closer relationship with the Canadian federal government. Since NAFTA went into effect the federal government has been setting up joint working groups with the Chamber to deal with countervail and anti-dumping problems. In addition, the Chamber's senior vice-president for international affairs, Timothy I. Page, now visits Mexico City for consultations and discussions with business associations, public sector officials and academics on issues important to Canadian business.<sup>35</sup>

The increasing interaction between the Chamber and the Canadian federal government has turned a pluralistic interest group into a voluntaristic pluralist organization with at least one corporatist characteristic. The Chamber now provides at least one monopoly good, a trait of private interest government<sup>36</sup> and the strongest form of corporatism. GeoFITT Mexico is a training program for small and medium-sized Canadian firms interested in exporting to Mexico.

Successful completion of a firm's participation in GeoFITT Mexico is a prerequisite to an application to the federal government's trade promotion program of the Department of Foreign Affairs and International Trade Canada, called New Exporters to Mexico (NEWMEX).

Complementing these training sessions are the yearly meetings of the North American Chambers of Commerce. Although these gatherings are called trilateral conferences, there are in fact four chambers involved; the Canadian Chamber of Commerce, the Mexican National Chamber of Commerce (CONCANACO), the U.S. Chamber of Commerce and the U.S. Hispanic Chamber of Commerce. A peculiar feature of these meetings is that only English and Spanish are used even when meetings are held in Canada. Since Quebec was one of the strongest supporters of NAFTA, this development stands in ironic contrast to the trilingual character intended for the new NAFTA institutions, that is, the commissions.

One special component of the Canadian Chamber is the Canadian Chamber of Commerce in Mexico. This organization was set up by Canadian business in Mexico before the NAFTA process. The organizing was accomplished independently from the domestic Canadian Chamber. Now the domestic and Canadian branches have a formal relationship with each other and have put together a Mexican development program.

Previously we mentioned the key role of the Committee on Canada-United States Relations located in the Washington, D.C. headquarters of the Chamber of Commerce of the United States (U.S. Chamber). Its executive secretary and American co-chair is Wolf Brueckmann. There are sixty members, thirty from each country. The Committee was founded in 1933 as a consequence of the Smoot-Hawley Act of 1930. This Republican tariff raised custom duties on all goods, including Canadian imports, to unprecedented levels and helped make the Great Depression more severe than it otherwise would have been.<sup>37</sup> In 1933 the Committee was founded by the two chambers when both saw the futility of this beggar-thy-neighbor policy. The Committee has evolved into a hard-working and vocal proponent of liberalized trade between Canada and the United States, and it was a key player in obtaining support for NAFTA on both sides of the border. As it has evolved, the Committee is independent from the U.S. Chamber in policy proposals.<sup>38</sup> The relationship is closer to the Canadian Chamber in that the Committee reports to it. Nonetheless, all the Committee's policy ideas must be

approved by the Canadian Chamber's Board of Directors. The FTA and NAFTA process has energized the Committee and increased its policy-making importance. But the Committee does not act independently to contact state officials in either country; rather, it works through its respective chambers.

*C. Joint Committees and Specific Sectors.* Supporting the joint American/Canadian Chambers committee--the CCUSR--are two other joint committees, the Canada-U.S. Business Association (CUSBA) located in Etobicoke, Ontario, and the Canadian-American Business Council (CABC) in Washington, D.C. Although these two organizations have goals similar to the CCUSR, they tend to be higher profile because they use public events to promote the awareness of and legitimacy for increased economic activities across the U.S.-Canadian border. As well, we are now seeing the development of organized cross-border sectoral business coordination. The Canada-U.S. Business Association was founded as a corporation under the Canada Corporations Act on April 26, 1989. The FTA was a key reason behind the creation of CUSBA. In the late 1980s a number of business groups voiced their support for free trade initiatives. Typically, these business groups prepared submissions and lobbied public authorities, making several interventions at senior levels. CUSBA, like the CABC, is not organized around lobbying and policy advocacy; rather, its main purpose is to recruit well-known political personalities from both sides of the border to address its members publicly. The purpose of these well-publicized speeches is to create a broad-based, diffuse legitimacy for increased Canadian-U.S. trade. The CABC engages in the same type of activities. On April 19, 1994, the CABC brought Quebec Premier Daniel Johnson to Washington to address approximately 115 high-profile American business executives in order to reassure them about Canadian political stability. In addition, some of the audience sent Premier Johnson home with arguments he could use in the September, 1994, Quebec election. "If there is confrontation, Quebec could face problems becoming part of NAFTA," said Bill Merkin, former U.S. deputy chief negotiator for FTA.<sup>39</sup>

These two Canadian-American organizations also arrange visits by business delegations to Ottawa and Washington, usually on a yearly basis, to meet senior departmental officials, elected legislators and embassy staff. A visit from a CUSBA delegation to Washington not only increases the knowledge of Canadian business about

relevant American political developments, but it also sensitizes American officials to the legitimate commercial needs and rights of Canadian business. For example, in June of 1993 CUSBA business leaders met with such people as Buffalo Representative John La Falce, William Cavitt (Director, Office of Canada, U.S. Department of Commerce), Joanna Shelton (Deputy Assistant Secretary, Economic and Business Affairs Bureau, State Department), Charles Roh (Assistant United States Trade Representative for North American Affairs) Eric Biel (Trade Counsel, Senate Finance Committee) and Ann Hughes (Deputy Assistant Secretary, Western Hemisphere, Commerce Department).

Complementing the work of comprehensive business associations and joint committees in promoting liberalized trade in North America is the growing horizontal integration of sectoral associations. One of the most important is an institutionalized, permanent connection between the Canadian Bankers Association (CBA) and the American Bankers Association (ABA). The link between these two organizations is a representative of the CBA within the headquarters of the ABA in Washington. Clerical staff for the CBA representative are seconded from the ABA. This CBA office in Washington is four years old and stems directly from the FTA. It is designed to take advantage of the FTA by increasing the presence of Canadian banks in the United States. In order to do this the Washington representative keeps track of U.S. legislation and regulations that impinge on Canadian operations. The basic problem for Canadian banks is that they get sideswiped when the U.S. attempts to punish Japan for restricting its markets. In particular, what the Washington representative of CBA hopes to accomplish is to have U.S. legislation specifically exempt Canada from retaliatory policies rather than vaguely refer to U.S. trade obligations under other treaties. Such specific mention makes it more difficult for U.S. civil servants to apply restrictive laws to Canada.

The way in which Canadian banking interests in the U.S. are defended and promoted is controversial. To date the main policy advocacy function has been left to the Canadian Department of Finance representative at the Canadian Embassy. There is no direct lobbying role for the Washington representative, although that is under discussion by the CBA. By not being involved in direct policy

advocacy for the Canadian banking industry, the Washington representative does not have to register either as a lobbyist in general or as a foreign representative.

Indirectly, the Canadian banking industry is helped by the information-gathering role of the Washington representative. By gathering data from the members of Congress and regulatory authorities, American policy makers receive an implicit reminder of the legitimate Canadian presence within the U.S. economy. In these interactions there is also an opportunity to remind American officials of their obligations under FTA. Indeed, sometimes it is necessary to point out to these officials that there *is* such a thing as the FTA. It is especially important in dealing with the banking committees of the House of Representatives and Senate. These committees tend to ignore Canada and its rights under the FTA. The point of entry to these Committees is the staff; the opportunity to talk to them arises when questions are raised for clarification.<sup>40</sup>

There is no analogous representative in Mexico City. Ms. Helen Sinclair, President of the CBA, travels to Mexico City to meet with Mexican bankers. Between her visits, the Canadian government officials on the scene represent the Canadian industry to the Mexican government. The CBA does not expect any major changes in its relationship with the Mexican government and the Mexican banking industry over the near term.

Although the CBA is the only Canadian BIA with an office and representative in Washington, horizontal integration across borders is developing in other sectors. Previous to the ratification of NAFTA the North American Steel Council (NASC), composed of Canadian, American and Mexican steelmakers, was established. NASC was launched by the American Iron and Steel Institute (AISI) which, despite its name, includes among its members such Canadian firms as Stelco, Dofasco and Ipsco as well as AHMSA, Mexico's largest steel producer. NASC was strongly committed to passing NAFTA. The chairman of NASC is Fred Telmer, CEO of Hamilton-based Stelco Inc.<sup>41</sup>

There is also a potential for non-industrial economic sectors to get involved in cross-border, horizontal, interassociational integration. For instance in March, 1994, the Canola Council of Canada and the U.S. Canola Association held their first joint meeting. In contrast to the recent unilateral U.S. quota leveled on durum wheat and barley, the U.S. Department of Agriculture, through its foreign

agricultural affairs administrator, sees Canadian-American cooperation as the norm over the next few years.<sup>42</sup>

**D. *The Labor Movement.*** While most of organized business has been embracing the development of more liberal trading regimes, the labor movement has been standing against the tide of integrated markets. Even more telling, at the structured level the labor movement has been reducing its horizontal integration while, as we have seen, organized business has been developing more and more interassociational cross-border ties. One of the smaller labor centrals, the Confederation of Canadian Unions, is dedicated to a "national independent Canadian labor movement."<sup>43</sup> Perhaps even more important was the balkanization of the autoworkers resulting from the founding of the breakaway Canadian Autoworkers Union (CAW).<sup>44</sup> Indeed, if we look at the changes in the major labor central, the Canadian Labour Congress, we see that the balance of power has swung to Canadian unions mainly through an alliance between the militant CAW, the largest private sector union in Canada, and the rapidly growing, equally militant Canadian public sector unions.

In general it is fair to say that most labor organizations view market integration with suspicion. In principle, market extensions are seen as an expression of liberal economic and political ideas contrary to the interest of employees. On the practical level, market integration disrupts and indeed undercuts negotiated collective agreements. The Canadian Labour Congress (CLC) opposed the FTA although the second biggest labor central, the Canadian Federation of Labour (CFL), was more cooperative with free trade efforts.<sup>45</sup> Since the CFL's main membership base, the construction workers, is protected by a segmented labor market established by protective provincial laws, this is not too surprising.

Not only have the two major trade liberalization agreements attracted the attention of the labor movement, but they have also changed its organizational structure. When the FTA negotiations first emerged, the CLC established a special office to coordinate labor opposition. Later, in the case of NAFTA, a sub-committee of the executive was set up to deal with it. It is the current intention of the CLC to establish a special office to work with the sub-committee, the CLC's member affiliates, and union partners in the United States, Mexico and indeed throughout the Americas.<sup>46</sup> One of the main thrusts of this organizational effort is to protect and enhance the social position of employees. Economic integration is seen as need-



ing a complimentary set of guarantees for the social dimension of work life. The two trade agreements are believed to lack consideration for this social dimension; in addition, they are viewed as an attempt to diminish the role of the state in the economy and in civil society.

The CLC, along with other labor organizations, has attempted to lobby public officials in all three national governments. The movement's message is that these trade agreements are in the best interests of only the large multinational corporations. However, most state officials view the trade-enhancing agenda of big business as a source of wealth creation, while the arguments of labor are considered to be attempts to protect a static position at the cost of economic improvement.

The question now remains as to the possibility of organized labor catching up to the complex inter-associational coordination of business. In the case of the NAFTA process the CLC and the AFL-CIO in the United States cooperated in their lobbying efforts in an attempt to stop it. A major difficulty lies with the American and Canadian centrals' relationship with the trade-union movement in Mexico. It has been *pro forma* at best and there seems little room for real collaboration given the alignment between the long-time ruling Institutional Revolutionary Party (PRI) and the mainstream trade unions. Not only is this alignment institutionalized but it is also based on the expectation of a new flow of jobs to Mexico from Canada and the United States.

From the point of view of the labor movement the somewhat bleak picture of the cross-border organizational capacity of trade unions is still more positive than the picture of the domestic resource capability of these groups. Often the FTA and NAFTA have not been responded to by organizational change because union organizations are under-resourced, much like small business BIAs<sup>47</sup> in Canada and the U.S.; passing resolutions at conventions and helping to educate members are the main activities. Direct contact with unions in the other two countries is usually nonexistent.<sup>48</sup> The focus of FTA and NAFTA has been on the rights of employers and capital. Only belatedly was attention turned to environmental protection and labor law enforcement. The latter is especially concerned with labor's right to freely associate, organize and bargain collectively. Virtually no attention has been given to developing principles of employee property rights when firms, offices or plants move across borders.

Labor market rules ease mobility for executives and managers. On the other hand, workers, clerks and secretaries face dismissal.<sup>49</sup>

Even in the case of labor organizing rights, the public administration to enforce the side accord on labor laws is not functioning. The trilateral commission for labor will be based in Dallas, Texas, but the secretariat does not yet exist. Below the commission level each of the three partners is obliged to have national administrative offices. The Canadian office is part of human resources development in Labour Canada. This office has received no complaints but processes requests for information on Mexican labor law. The temporary American office is in the Labor Department in Washington, D.C. It received its first complaints in February, 1994, against two U.S. corporations operating in Mexico. Honeywell and General Electric had dismissed several employees who were trying to organize a local of the non-mainstream Mexican trade union, the Authentic Workers Front. This union is an affiliate of the United Electrical, Radio and Machine Workers of America (UE) and the International Brotherhood of Teamsters.<sup>50</sup> Under NAFTA, a trilateral labor commission was obliged to reach a decision by April 14, 1994. However, since the trilateral commission did not exist yet, no decision could be rendered. As might be expected the situation is worse in Mexico. There, the national administrative office in the Mexican Secretariat of Labor has no sign on the door of the sparsely furnished interior and even worse, no staff except for a secretary and director who are not usually there. Not too surprisingly, no complaints have reportedly been filed.

The lack of cross-border inter-trade union organization to defend employees in a period of distress may seem surprising. Yet employee deprivation often does not lead to dramatic remedial action in the early stages of major economic turbulence. Unclasslike behavior such as "competition among, and scapegoating of, some types of workers by others"<sup>51</sup> may be a more common response. One could point to the vilification of broader public sector workers in Ontario, such as hospital & educational workers, by some private sector employees and their union leaders backed by the provincial NDP government as a modern-day example. Even more disheartening to labor leaders and social democratic forces is the tendency for workers to vote for right-wing populist parties that display restrictive attitudes towards immigration and endorse strong police authority in dealing with the most alienated in North American society. One need only look at the strong Reform Party vote in some working-

class constituencies to see this trend in last year's Canadian general election.

## II. CONCLUSION

*A. Major Findings.* Of the G-7 countries Canada by far is the biggest exporter per person. In U.S. dollars its merchandise brought in \$5,200.00 per head in 1993. Clearly Canada's prosperity and way of life are dependent on maintaining and expanding foreign trade. So an understanding of how trade liberalization agreements interact with business and labor is of high practical interest. Our first finding is that *business is much better organized than labor*. This is true domestically but also in cross-border inter-associational coordination. One might try to explain this by arguing with Engels that the cohesiveness of business interests is inherently greater than labor interests. But this is not entirely accurate. It was *big business* that seemed most crucial in trade liberalization, whether the BCNI for FTA, the BRT for NAFTA or the ERT for the EU. Also, it appears that *organization matters* because although individual corporations called and lobbied for major market expansion rules, not much seemed to happen until big business organized into BIAs. Reinforcing these "rich mens' clubs," as they are sometimes called, was the very intricate chamber of commerce web. In contrast, BIAs representing small business were tentative, confused or unclear about what their members wanted, probably because small business is most accustomed to operating in local or regional markets and market balkanization was not seen as a problem. Market integration could be viewed as bringing forth both risks and opportunities for small business. Labor, in contrast, was nationally fragmented. Canadian trade-union centrals fought and lost both the FTA and NAFTA battles. The American unions, like most of American business, were relatively indifferent to the FTA. But there was no mistaking American labor's hostility to NAFTA, "a fatally flawed agreement that would destroy jobs and depress wages in the United States by encouraging countries to transfer production to Mexico."<sup>52</sup> For the same reason Mexican labor supported NAFTA.<sup>53</sup>

Secondly, *political institutions matter in understanding how class interests, especially business, respond to different stages of trade liberalization*. Canadian state and business organizations exhibit a better capacity for policy implementation. Thus we saw how the BCNI, the chamber of commerce system, and the federal political executive mobilized early this year to develop strong ties with state officials

and organized business in Mexico. A similar pattern emerged in the banking sector after the FTA was passed, even though the CBA was a reluctant supporter of FTA "because of divisions within the banking community."<sup>54</sup> U.S. State Department officials and comprehensive American BIAs focus on major policy-making decision points, especially at the Congressional stage, and policy implementation never becomes their priority.

But the Canadian federal government, when it has a majority, is able to mobilize itself and the strong Canadian BIAs to take advantage of trade agreements. This capacity certainly surprised the Americans in the wake of the FTA, and even before that with the Automotive Products Trade Agreement (APTA), also known as the "Auto Pact."<sup>55</sup> Canada's executive-legislative parliamentary system with its strong party discipline, and an electoral system that is biased towards majority governments, provide the political stability and predictability that allows for concentration and success in policy implementation. In contrast, the weak American government model, involving a separation of legislative and executive institutions with very weak party discipline, means that legislative decisions are unpredictable. Canadian political institutions thus help an inferior country (in power terms) cope with a superior power, while American institutions weaken it despite its vastly superior economic and population resources.

Thirdly, *these thrusts toward trade liberalization have weakened the position of labor for the time being.* The fragmented character of the labor movement, and indeed its recent tendencies toward balkanization as indicated by English-Canadian separation from American unions and the lack of integration within the Canadian labor movement itself, reduce the capability of labor to cope with market integration. This capacity is needed to ensure that the NAFTA side agreement on labor is enforced, since it is not in the interest of business or the current national governments (except perhaps the Democrats in Washington) to enforce this side deal.

The main problem is public administration. Unless there is adequate infrastructure at the trilateral commission level, the protections offered by the labor side deal are worthless. Especially important is the appointment of the secretariat, led by the executive director and at least a staff of fifteen. Also important are three national offices which initially will process complaints. Supporting these national offices are two committees, a national advisory committee represent-

ing the public (including labor organizations), and a governmental committee representing federal and provincial officials. All of this administrative apparatus was obliged by the side agreement to be in place on January 1, 1994.<sup>56</sup> As we have seen, these obligations have not been met.

But organized labor may have cause for optimism. First, the need to support the commission process may give the North American labor movement a common institutional focus. Secondly, a good role model is close at hand in the activities of German unions regarding the organization of workers in branch plants of German corporations, and even in North America.<sup>57</sup> Finally, it appears that since NAFTA has gone into effect the assassinations of Mexican union organizers have fallen off. Right now the major labor problem is to prevent American enterprises in Mexico from firing workers who desire to form trade unions and bargain collectively.

**B. Broader Implications.** There are at least four implications of the current research, two of which relate to specific Canadian circumstances and two that have broad theoretical ramifications. The opening of North American markets may make it easier for Canadian corporations which are globally competitive technologically to remain Canadian. Up until now there has been a trend for Canadian corporations to slowly lose their identity and evolve into American enterprises as they penetrate American and world markets. Part of the reason is the need to appear domestic in those foreign markets, especially in the U.S. Over time the FTA and NAFTA may reduce that need.<sup>58</sup>

Secondly, the commission process of NAFTA as it is evolving may help to reduce the negative impact of the FTA and NAFTA on the French language. The public official languages of the commissions are English, French and Spanish. The official status of French was given an important boost by the decision of the federal Liberal government to situate the NAFTA Commission for Environmental Co-operation in Montreal. While the debate on the wisdom of that decision centered on the thirty jobs and the five million dollar yearly budget,<sup>59</sup> perhaps the most important long-term impact will be to emphasize the trilingual character of NAFTA that includes French.

Of greater theoretical interest, this investigation represents a specific case of a general situation; namely, the impact of transnational market integration on comparative public policy and the roles of organized interests. I expect that some interests react quickly,

relative to other interests, in organizing, or better yet, reorganizing in response to the extension of free market areas. Isolating the properties of the quickly-responding interests and the conditions that encourage or impede the transnational organization of interests would seem important to know if investigators are to discuss intelligently the political effects of market integration.

*C. Future Research.* Two main questions about the political future of the North American free trade area remain to be mentioned. How will the addition of new countries to NAFTA affect public policymaking in the member states? Secondly, will the commissions on labor and the environment evolve to implement the agreed upon mandates? In the case of the former, the answer would seem to lie in the ability of employees to put together an encompassing labor movement in North America, since without it there seems to be no other organization interested in or capable of demanding that the labor commission fulfill its mandate. If this is done, then NAFTA may be an occasion for the invigoration of the labor movement just as the opportunities for cross-national trade have stimulated more complex business organization. Then increased cross-border trade in North America might even produce a more civilized capitalism, a result that would surprise both supporters and opponents of integrated transnational markets.

## ACRONYMS AND ABBREVIATIONS

ABA	-	American Bankers Association
AISI	-	American Iron and Steel Institute
APTA	-	Automotive Products Trade Agreement
BCNI	-	Business Council on National Issues
BIA	-	business interest association
BRT	-	Business Roundtable
CABC	-	Canadian/American Business Council (American)
CAP	-	Common Agricultural Policy
CAW	-	Canadian Autoworkers Union
CBA	-	Canadian Bankers Association
CCUSR	-	Committee on Canada/United States Relations
CEMAI	-	Mexican Business Council for International Affairs
CEO	-	chief executive officer
CFL	-	Canadian Federation of Labour
CLC	-	Canadian Labour Congress
CONCANACO	-	Mexican National Chamber of Commerce
CUSBA	-	Canada/US Business Association (Canadian)
ERT	-	European Round Table of Industrialists
ETUC	-	European Trade Union Confederation
EU	-	European Union
FTA	-	(Canadian-American) Free Trade Agreement
GATT	-	General Agreement on Tariffs and Trade
NAFTA	-	North American Free Trade Agreement
NASC	-	North American Steel Council
NEWMEX	-	New Exporters to Mexico program (Canadian)
PRI	-	Institutional Revolutionary Party (Mexico)
UE	-	United Electrical, Radio and Machine Workers of America

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