

**FEARFUL ASYMMETRIES:  
THE CHALLENGE OF  
ANALYZING  
CONTINENTAL SYSTEMS  
IN A GLOBALIZING  
WORLD**

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Ever since Columbus opened up the western hemisphere to white settlement, Europe and the New World have been entangled in an obsessive embrace. The colonies of Spain, Portugal, France, Holland, and Great Britain combined utopian strivings towards purer societies with imperfect replications of familiar social systems, but they could not escape involvement in the never-ending battles among their mother countries for imperial mastery. Then, the American revolutionaries, with their audacious democratic constitution, made a conscious act of self-differentiation from the autocratic ways of the Old World, whose political theories they nonetheless borrowed and to which they in turn offered a subversive formula for republican government. Subsequently European intellectuals have been as intrigued with the virtues of American politics (Alexis de Tocqueville) as with its vices (Moisei Ostrogorsky), and Americans have remained as fascinated by the lure of Europe's mundane charms

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\*A list of acronyms used in this article is provided on page 56.

No. 35:

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Comparative Continentalism / **Clarkson** 1

(Henry James) as by the horrors of its perpetual belligerence (Paul Fussell). This dialectic of revulsion and attraction intensified through the first part of the twentieth century when two successive European civil wars dragged North America into the maelstrom of their violence. It was from the apocalypse of their self-destructive vendetta that the European states gave birth, in the last fifty years, to a new utopianism, a determination to build a community of nations dedicated to maintaining peace through the construction of a common market and a common political system.

Up to this last half-century, Europe was seen less as a system in itself than as a site for international relations whether in war or peace, but scholars of the post-war European community have understandably treated their subject as *sui generis* since there existed no other remotely similar grouping of contiguous states formally linked by an inter-governmental, treaty-mandated, institutional superstructure. While no other grouping of multiple, geographically proximate states can yet rival the European Union (EU) in the strength of its institutions or the sophistication of its jurisprudence, the handful of free-trade areas or common markets that have formed up elsewhere on the world stage in the 1990s is transforming the EU's international context -- and, *ipso facto*, scholarship about it. From a one-of, the EU is becoming one-among. It may still be *primus inter pares*, but *pares* there are, and they will have to be considered more and more by scholarship on the *primus*. Even fully to comprehend the distinctive-

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ness of the EU will increasingly require a comparative knowledge of other economic blocs, however they may be constituted. Because it is the prototype, familiarity with the EU is necessary to understand the distinctive qualities of newer continental regimes, however dissimilar.

For its part, North America also existed long before "free trade" was negotiated, even if the Mexican revolution partly rolled back the forces of Americanization south of the Rio Grande and then kept them at bay till the 1970s. Although Canada's economic integration and cultural assimilation into the American market has been proceeding for over a century, North America was generally invisible to the social scientific eye as an entity in its own right because Canadian-American integration was weakly institutionalized. More latent than manifest, the North American system's elites doubled as national elites, its institutions were largely non-existent, its policy making was not formalized, and its identity as a self-conscious community was only rarely articulated even if it operated increasingly as a single, integrated market. As a result, little attention was paid in academe to a "continentalism" that was more *de facto* than *de jure*.<sup>1</sup>

Indeed, the very words "continent," "continental," or "continentalism" have never enjoyed intellectual status in social science. Continent is a geographer's concept connoting one of the half dozen major land masses on the face of the earth. In meteorology the word describes the climates of landlocked areas characterized by extremes of summer heat and winter cold because they are far from the moderating effects of a temperate ocean. Historians have studied North America in terms of such themes as its ever-receding frontier<sup>2</sup> and demographers have defied the national frontiers to denote its population as the "nine nations of North America"<sup>3</sup> without the word becoming a key heuristic tool in either discipline. In economics and politics the concept has had equally little analytical power outside Canada where it entered political -- but not academic -- discourse as a nationalist epithet to castigate the position of such economists as W.A. Mackintosh<sup>4</sup> and Harry Johnson,<sup>5</sup> who believed that increased economic and political integration with the United States was both unavoidable and desirable.

This essay's major premise is that there are enough similarities and enough differences between the EU and the present generation of trade blocs to warrant considering the potential value of their

systematic comparison. The essay's minor premise is that continentalism is a notion that can be of analytical utility in this undertaking. (In this regard I recognize I am swimming against the international relations (IR) mainstream which confusingly prefers the same labels -- "regional," "regionalism," or "regionalization" -- that are employed by scholars like Ohmae to denote the sub-national phenomenon of provinces, *Laender* or states in a federal union.<sup>6</sup> Outside IR, "continental" is now cropping up on occasion.<sup>7</sup>)

This text cannot attempt to reflect the colossal and dynamic corpus of Europeology. It cannot even do justice to the much smaller, though rapidly growing body of scholarship on the many facets of North American integration. It does aspire to address the challenges involved in making horizontal comparisons between the historically senior system in Europe and the infant regimes that have been born not only in North America but in Southeast Asia and South America as well in the last ten years. The same decade has also witnessed the initiation of a new phase in the global trade order which must be taken into account in any attempt to develop a meaningful comparative capacity for the analysis of continental regime-building.

What follows is a discussion of the literature on continental regimes and an exploration of the new North America presented as a background for assessing the problems involved in comparing continentalisms. A consideration of the various ways in which continentalism and globalism interconnect leads to a discussion of the differing impact of these two phenomena on what remains the basic building block of the international order -- the nation state.

## **I. CONTINENTALISM AND POLITICAL SCIENCE: A LOOK AT THE LITERATURE**

If comparative continentalism is only now appearing as an alluring scholarly niche at the interstices of comparative politics, international relations, and global political economy, it is not because the existence of transnational systems is recent or that interest in contrasting their characteristics is novel. For centuries the globe's vast land masses have witnessed cultural, commercial, and migratory intercourse among the various peoples spread over their territories. "Europe" as a geographical, cultural, and political concept traces its roots back to centuries before the Enlightenment. The consolidation of nation-states and the erection of national bound-

aries during the past few centuries did not stop transnational interactions at the societal level. But for social scientists such sub-political, extra-economic reality has been of marginal interest. They have tended to study the more easily documentable intergovernmental relationships that states sustain with other states and the statistically analyzable trade or investment flows that economies foster with other economies. The recent crystallization of several continental, sub-continental, and inter-continental systems affects a number of scholarly disciplines. International relations specialists need to include in their field of vision how the EU and its member states deal with such overseas continental groupings as the North American Free Trade Agreement (NAFTA), Mercosur (Southern Common Market) or the Association of Southeast Asia Nations (ASEAN), and Asia Pacific Economic Cooperation (APEC) in their foreign economic and political relations. Global political economy also has to encompass these emerging regimes as an additional factor in its analysis of the reconfiguration of the world's economic spaces. Equally intriguing for practitioners of comparative politics is the prospect of a new academic sub-field offered by comparing these continental collectivities of states as phenomena in their own right.

What has brought the comparing of continentalisms into focus as a candidate for valid analytical activity by social scientists is the constitutionalization of inter-state arrangements among contiguous groupings of countries in the form of visible institutions established with negotiated rules, dispute-settlement mechanisms, and considerable public legitimacy. North America started to develop scholarly respectability only when the Canada-United States Free Trade Agreement (CUFTA) was signed in 1989, inducing Duke University, for example, to change its Canadian studies program into a North American Studies Center.<sup>8</sup> However insubstantial may be the formal structure established five years later by the successor arrangement which broadened CUFTA's scope to include Mexico and deepened its disciplines, NAFTA's weighty text nonetheless proclaimed the birth of a new and distinctive continental regime, causing the Universidad Nacional Autónoma de México, to cite one more instance, to rechristen its Centro de Investigaciones Sobre Estados Unidos into a Centro de Investigaciones Sobre América del Norte.<sup>9</sup>

A glance back over the decades since World War II shows that what we could now call "comparative continentalism" has evolved through two distinct stages. For the first forty years, comparison was

asymmetrical. In sharp contrast with academic disinterest in North America as a system, the European Community's (EC) vicissitudes have been the subject of a burgeoning literature ever since the European Coal and Steel Community was created by treaty. The bulk of these studies, whether functional, neo-functional, or inter-governmental, naturally centered on this unique process of multi-state integration. Their main comparative component was intra-continental: the characteristics of one EC country within the system were set against those of another member state, producing works typologizing the party politics, industrial policies, or welfare systems of the European community's various components.

The precursor of inter-systemic comparisons was the scholarship that contrasted the evolving European Community with one or other of the federations in North America. To the extent that they focused on the United States of America, these explorations resembled the problem of comparing an apple (albeit a huge apple) with a bunch of grapes (albeit a large bunch of grapes of varying sizes). In some fields such as anti-trust<sup>10</sup> or agriculture<sup>11</sup> where policy-making at the European level is almost as coherent as at the federal level in the U.S., comparison had significant academic value. In others such as federalism, the U.S. offered more a vision for a United States of Europe towards which some of the dreamier Europhiles aspired<sup>12</sup> than a regime similar enough to permit fruitful comparative analysis. Definite limits constrained the exercise of setting a highly homogenous, if federal, superpower against a quite imperfectly integrated grouping of heterogeneous sovereign states which still boasted separate currencies, distinct cultures, different policy processes, and dissimilar legal systems. Because of their high degrees of centralization, neither U.S. nor Mexican federalism could yield deep insight as a matrix for studying an EC which operates supranationally (civil servants in the European Commission or judges in the European Court of Justice owing their allegiance only to the continental regime), intergovernmentally (national politicians defending their country's interests in the Council of Ministers), infra-nationally (state civil servants developing a common culture with their counterparts from other member states in Brussels' labyrinthian comitology), transnationally (interest groups, lobbies, unions, and fledgling parties operating at the pan-European level), but not democratically in the sense that a directly elected legislature and executive are responsible for making the community's laws.

This is not to argue that the American system is without relevance to European scholarship. On the contrary, it remains so powerful an intellectual construct that, even when it has taken on the features of a dystopia in its lean and mean neo-liberalism, it serves as an anti-model inspiring many Euroscholars to search for ways to avoid following the U.S. lead.

Given the extreme decentralization of power in the Canadian federal system, transatlantic comparisons along the dimension of multi-level governance are likely to be more fruitful with Canada than with the United States, particularly when executive decision-making is at issue.<sup>13</sup> The most pertinent lesson Canada may currently have to offer Europe is the massive fiscal equalization needed to compensate economically disadvantaged provinces whose policy flexibility is shackled by a single currency managed by a virtually independent national central bank. Certainly, how to govern the economy and how to regulate the banking system remain pressing problems both for the EU and for Canada: the latter's experience may be of some relevance to the former despite the differences in scale between these two confederations.<sup>14</sup> Looking in the other direction, Europe's institutionalized confederalism has been championed as a model for constitutional reform by some Québec nationalists searching for a middle ground short of outright sovereignty for Québec -- even though many constitutional scholars argue that the Canadian *status quo* gives the province greater jurisdictional autonomy than that enjoyed by member states in the EU.<sup>15</sup>

Serious research on North America prior to CUFTA and NAFTA took place in two completely disconnected fields; in neither did Europe provide an intellectual foil. The study of Mexico's interactions with the United States focused on the labor-market and social policy implications of migrant workers and the free trade industrial zones in the Mexican border states known as *maquiladoras*, but the comparative potential offered by Europe's guest worker problems went largely unexploited. In the broader area of Canada-U.S. relations, neo-functional literature on European integration was of some, but not seminal, interest.<sup>16</sup> Integration of the Canadian into the American system was analyzed using an Eastonian social-systems approach,<sup>17</sup> a structuralist framework based on a staples-based dependency relationship and a concentration on U.S.-controlled branch plant industrialization,<sup>18</sup> or an international- relations paradigm applying neo-realist or liberal institutionalist hypotheses concerning

government-to-government intercourse within disparate dyads.<sup>19</sup> Connections between Mexico and Canada being minimal, there was an equally low academic interest in comparing two countries whose only commonality -- an asymmetrical relationship with the super-power that lay between them -- was not mined for its scholarly lode. North American studies meant either MexAm or CanAm; in neither field was Europe a dominant reference point for comparative insights.

During the late 1980s and throughout the 1990s, sovereign states seeking greater economic security in conditions of failed Keynesianism and heightened vulnerability to global capital markets grouped together in Australasia and Southeast Asia, Latin America and North America. This second generation of international economic regionalism opened up the possibility for a second stage of more balanced, if more confused, comparative analysis of a number of continental systems.<sup>20</sup> The work promises to be more balanced because it will involve comparing various groupings of states -- one bunch of grapes with another bunch or bunches. It will likely be more confused because of these systems' great institutional, social, economic, and geographical differences. Some multi-state regimes do not include the whole geographical continent. Other collaborative bodies, such as APEC, group together states from three continents. Some such as ASEAN are institutionally modest. Others have a more ambitious superstructure (Mercosur).

One litmus test for determining whether a particular contiguous grouping of states is a valid candidate for comparison with other continental systems is whether it can be described as constituting a political economy *model* in the same way that it makes sense to talk analytically of a European model. We will apply this test in the next section to the case of NAFTA on the assumption that if the 1994 agreement between the United States, Canada, and Mexico has catalyzed a continental model from three separate states, then it will make possible a new wave of more symmetrical scholarly comparison with the EU. And if EU - NAFTA comparative analysis is fruitful, then broader comparisons embracing other continental systems could rapidly appear on the scholarly agenda.

## II. IN SEARCH OF A NORTH AMERICAN MODEL

Mutability, historical divisions, and tremendous conjunctural uncertainties complicate thinking about the European Union. Not



only is its membership constantly expanding and its boundaries consequently changing, but its history can be read in a variety of ways, and even the present implications of its institutional deepening with monetary union are fiercely debated among supranationalists, intergovernmentalists and neo-institutionalists.<sup>21</sup> Despite these analytical conundrums, non-Europeans at least talk quite naturally of a European "model."<sup>22</sup> Does the same hold true for North America, or simply for the United States of America?

The North American Free Trade Agreement formally signalled that there was to be but a single, continent-wide regime of accumulation rather than three separate national economies on the huge land mass north of Guatemala. This system, which was the aggregation of thousands of firms operating across the two national boundaries as corporate citizens of the greater North America, appeared to have in NAFTA the rules that these businesses required for mobility, efficiency, and -- in some sectors such as automobiles and textiles -- rules-of-origin protection against extra-continental competition. The issue here is to reflect on whether the North American mode of regulation that this continent-wide economic space presupposes is substantial enough for us to posit the existence of a North American model in the same way that writers commonly refer to a European and increasingly to an Asian model. Even if we can satisfactorily resolve the problems of describing this new North America as an identifiable socio-political-economic-cultural item, can it be considered a *model* in both the empirical and normative senses of a prototype with a unique set of characteristics from which others, say West Africans wanting to deepen their regional institutions, can learn?

Let us start with political geography. Surely it is self-evident to assert the existence of North America in physical terms. It stands out on every globe in obvious contrast to South America. There, painted in a different color is Central America which most of us were brought up to think of as where Spanish is spoken. But NAFTA has changed the meaning of North America for Canadians by adding Mexico to their new collective identity. As for Mexicans, *Norteamericano* used to designate what was north of the Rio Grande in contrast to what was *Mexicano*. Now Mexicans are included in the term *Norteamericano*, as are those mysteriously less threatening gringos in the far north, the *Canadienses*.

From our initial observation we have quickly reached a general dilemma: North America is not a fixed quantity. It is mutable. If

NAFTA is enlarged by the accession of Chile, will Chile become part of our notion of North America? What of the post-Castro Cuba for which the Helms-Burton Act prepares the way? And the Caribbean basin, not to ignore the possibility of an independent Québec knocking on NAFTA's door? In sum, the very earth -- and water -- of North America is a changeable entity.

Turn now to history. If NAFTA creates a new North American entity, what is its past whose understanding is surely necessary for its present to be comprehended properly? If we were to revisit decades of political and social analysis, we would speedily be reminded that Mexico is not just very different from the United States in its culture, politics, economy, and demography but also that its relations with the U.S. over many decades have been more antagonistic than amicable.<sup>23</sup> Canada is far less distinct from the U.S. than is Mexico in its history, values, institutions, and sociology, but even if in many respects it has become a northern extension of more powerful American social, economic, and cultural subsystems, it has nonetheless persisted for over two centuries as British colonies, a Dominion, and ultimately an autonomous federal state quietly determined to remain separate from the U.S. Indeed, it is resistance to American expansionism that provides the thread tying Mexico and Canada together in a common North American history.

This continental history poses some uneasy questions for understanding NAFTA. Do the events of January 1, 1989, and January 1, 1994, require us to repudiate a dwelling on differences and resistance in favor of an emphasis on the secular forces of homogenization and convergence?<sup>24</sup> If only perceived in hindsight, did NAFTA coalesce from elements that were inexorably moving in the direction of continentalization?<sup>25</sup> If this is the case, does the genesis of a new continental entity mean that previous generations of scholars were wrong, failing to identify the latent, but ultimately triumphant forces of integration? Or does the historically unpredicted character of NAFTA signify that the new North America is highly contingent, an artificial construction that is only imperfectly connected to its roots?

Even if the interpretation of North America's past is fraught with difficulty, one might be excused for thinking that the analysis of its present would be straightforward. After all, NAFTA has been signed and its provisions implemented in each member state's laws. If these are infringed, the agreement sanctions various processes of dispute settlement. Every time a dispute panel is convened it asserts

the existence of this new North America. A lawyer who takes the document's 2,000-odd pages of rules as a starting point may be tempted to see in NAFTA an embryonic continental state. A political scientist might caution that, while it appears to institutionalize a set of norms, its legitimacy as a system will depend on whether and how its provisions will actually be applied and amended in action over the years ahead. A political economist could question to what extent Canada, the U.S., and Mexico form a single region rather than two peripheries attached to the common core, like some freak set of Siamese triplets.<sup>26</sup> The United States accounts for close to 80 per cent of its two neighbors' trade and is by far the largest foreign investor in their economies, but Canada-Mexico trade and mutual investment are paltry. If economic zones generally demonstrate high levels of complementarity, an economist might also question whether Mexico, with a per capita GNP one eighth the American level, can really be considered a full participant in the North American system.

For peoples across the seas, the United States has long been seen as a distinctive model, whether with regards to its high standard of living, its religious heterogeneity, its lack of subjective class cleavages, its high income inequality, its lowest-common-denominator culture, its impoverished social institutions, its rich private foundations, its high employment levels, its fragmented families, its low racial consensus, its dysfunctional cities, its free market capitalism, or its aggressive consumerism.<sup>27</sup> Describing the U.S. model has been a considerable undertaking in itself. Its ideological marketing to the rest of the world has been aggressively promoted not just through market mechanisms such as the Hollywood film industry but by official organs such as the United States Information Agency, and by direct government action to export specific aspects of the model, as when federalism and the separation of powers were made the basic principles of the post-Nazi Federal Republic of (West) Germany.

Being an exemplar to the world is a general theme in nationalist discourse. For Canada it was once its federalism<sup>28</sup> or its international role as peacekeeper; now it is more likely to be its multiculturalism.<sup>29</sup> Canada has also been looked at from abroad as an anti-model -- an example of technological dependency that has, for example, been invoked during Australian and Japanese election campaigns as a fate to be avoided at all costs. For Mexico it might be the interethnic harmony born of the integration and coexistence of the Aztec, Mayan, and other native civilizations with the Hispanic settler population.

While the United States will continue to be studied for the lessons it has to offer the world, our question here is to what extent the three-state North America created by NAFTA has become an entity describable in its own right.

Identifying the model's characteristics would be an easier enterprise if only commonalities had to be established. Geography would be an obvious candidate because of its sheer size, but great topographical differences between east and west and from south to north are no less striking a feature of North America. Demography could be another element of similarity at a high level of generality, with waves of white immigration from Europe coming to dominate native populations all across the continent. But different settler adaptation capacities from genocide in the United States to marginalization in Canada to cohabitation in Mexico produced significant variations among the three countries. History also offers a point of commonality, this continent being the *tabula rasa* upon which was imprinted particular mother-country patterns of state and church. Nevertheless, in the secular development of its peoples' cultural identities and in the geographic spread across vast distances from the Atlantic Ocean to the Pacific each of the three member states has evolved a federalism harboring major variations in its societal characteristics and profound diversities in its several regions, from Québec to the prairie provinces, from the frost belt to the sun belt states, from the *maquiladoras* to Chiapas.

Superimposed on this overwhelming heterogeneity, North America has developed what can be seen to be three internally distinct national models. As an ideal type, the United States expresses the value of *liberty* in its market society, its extensive agriculture, its mass production Fordism, and its emphasis on individualism, property rights, and liberal political ideas. Although there are major deviations from the archetype in reality -- statism disguised in the military-industrial economy or business-government interconnections through many forms of public policy and private associations -- the U.S. remains the global exemplar of *laissez-faire*.

However imperfectly libertarian the United States may be, it contrasts with the *equality* model that Canada offers as a would-be welfare state. Even though the Canadian reality is growing increasingly distant from popular ideology, Canada sees itself as an egalitarian society in two senses. All individuals should have equal, free access to good education and highest quality health care. A just

federal society also requires its regions to enjoy equal levels of well-being achieved through fiscal redistribution via the central government taking from the richer and giving to the poorer provinces. With its mixed economy featuring substantial crown corporations directed by a meritocratic bureaucracy and its set of positive liberal notions about the social value and economic necessity of a prominent role for the state in the economy, Canada's loudly prescribed, if decreasingly practiced, public philosophy forms a basis for Canadians' national identity distinct from that of the United States.

Mexico has adopted many features of the progressive welfare state in its constitution and legislation including strong trade-union rights, collectivist peasant entitlements, and high environmental standards, but the violation of these norms in practice and the extremely low levels of government expenditures on social services leaves Mexico in another category. The *ejido* component of its agriculture; its persistent, if impoverished, indigenous culture; its corporatist cooptation of labor in a low-wage, secure-employment, low-efficiency, government-union system used to make Mexico the prototype of *fraternity* in North America.

The differences between the Canadian, American, and Mexican models are arguably far greater than the differences within Europe between the Anglo-Nordic, Rhinish and "Club Med" varieties of social welfare. (Indeed, there may be more in common between the British and the American systems than between the British and the Italian.) Still, distinguishing three separate models based on liberty, equality, and fraternity is less easily done in North America after free trade than it was before. Whether directly because of NAFTA or indirectly because of the fiscal crisis of the state and the consequent politics of debt and deficit reduction, the Canadian welfare system has already been bled of a good deal of its social-democratic distinctiveness. Major crown corporations have been privatized and significant functions of the state have been cut back at all three levels of government. Mexico's campaign to gain sufficient credit in Washington's eyes for the possibility of a free trade agreement even to be discussed, plus the concessions made as its part of the NAFTA negotiations, have caused the country's solidaristic, state-dominated political economy to be transformed in little more than a decade's worth of a government-led, neo-conservative counter-revolution. South of the Rio Grande a first-world, market-led economy plugged into global networks of production is emerging alongside a third-world

society of dispossessed peasants and unemployed workers living in conditions of aggravated misery and potential insurrection.

Given the differential impact of NAFTA on its constituent members -- negligible on the United States, considerable on Canada and (as an integral part of a decade's worth of neo-liberal transformations) profound on Mexico; given the increased asymmetry between the hegemon and its partners resulting from the unequal balance in the negotiating process and its outcomes; and given the extent to which NAFTA's chapters express the reigning American public philosophy that maximizes market rule and minimizes state roles, a tripartite North American policy model appears to be steadily harmonizing to the hegemon's ideological standard.

Policy harmonization does not mean societal homogenization. Indeed, one can hypothesize that, for three countries displaying radically different levels of prosperity to achieve a homogenous degree of economic development, they would need differing state regimes appropriate to each developmental challenge. Introducing the same neo-conservative policy model in all three countries may accentuate rather than mitigate socio-economic differences. As long as national boundaries remain obstacles to the free flow of people (and NAFTA has led to barriers against immigration into the U.S. from its peripheries being raised, not lowered), a convergence of governmental models could generate greater divergence among the three political societies. In North America's reconfigured economic space a revised continental division of labor may be crystallizing in which the United States provides the technological, manufacturing and information-based motor, Mexico provides petroleum and cheap labor along with a large, very low-income consumer market, and Canada provides resources, financial inputs, and some manufacturing, along with a smaller, middle-income market.

As a North American continental system comes into the light it seems to be pioneering some aspects of post-modern politics ahead of other continents. State functions are being rapidly appropriated by the market. Civil society is engaging in more self-organization as government privatizes itself, spinning off non-accountable types of regulatory activity to functional organizations that are beyond the reach of the public and further erode state legitimacy. As the continent least constrained by deeply embedded cultures and least limited by hierarchical state practices, North America may also be the site able most quickly to adapt to new technological forces.

### NAFTA as Constitution: an American Mode of Regulation

Adapting to technology-driven market forces gives us the key to looking not just at the new North America in its abstract quality of converging societal models but in the specific form of its institutionalization. "Free trade" was the slogan by which Canada's and Mexico's regulatory frameworks were brought into line with the emancipatory needs of North America's transnational corporations as they faced having to compete in a globalizing context. The imposition of NAFTA's neo-conservative rules on the two protectionist peripheral states permitted these TNCs to eliminate the excess capacity represented by their branch plants' nationally restricted mandates and so restructure their downsized operations to service a single continental market. In other words, NAFTA acts as an *economic constitution* of primary importance to North American enterprises as they rationalize their operations. It provides rights (national treatment) that give capital extra-territorial security and so mobility. It creates judicial procedures for handling trade conflicts in special forums reserved for corporate lawyers and government representatives. At the same time the competition among the three countries for foreign investment makes it more difficult for governments to cramp firms' entrepreneurial style with obligations, taxes, or regulations that increase their costs of operation or decrease their autonomy in deciding in which state to locate, how to operate, and whom to hire -- or fire.

While NAFTA forbids member states to discriminate against each other's capital on the grounds of nationality, it establishes protectionist rules of origin that do discriminate against non-continental suppliers. This 'fortress America' regulatory mode uncomfortably marries an ever-nationalist U.S. Congress's vigorously mercantilist trade policies with quasi-public dispute settlement mechanisms designed to temper the impact of the worst excesses of U.S. protectionism on its two neighbors.

From the point of view of the peripheral states rather than that of their markets, NAFTA can also be understood as a conditioning framework, similar though more binding than the letters of intent that economically troubled countries are forced to sign with the International Monetary Fund in exchange for its support.<sup>30</sup> As a conditioning framework, NAFTA becomes an external addition to each country's *political constitution*: it limits the power of governments; it defines rights for (corporate) citizens; it provides adjudica-

tory procedures for resolving disputes; and it contains means for ratification and amendment of the document. In terms of societal values, it represents an attempt to entrench the practices of neo-conservatism in the United States' neighbors and so permanently to change the balance of political forces within these two countries.<sup>31</sup> This can be seen most clearly in Mexico whose constitution was actually amended by the PRI (Partido Revolucionario Institucional) government to allow the alienation from communal ownership of rural *ejido* lands and the divestiture from state ownership of parts of Pemex, the constitutionally established, publicly owned oil corporation. To the north, the Progressive Conservative government led by Brian Mulroney also made several abortive efforts to harmonize the Constitution Act (1982) with NAFTA's neo-conservative logic. Although unsuccessful in changing the country's constitution *de jure*, the Mulroney Conservative's implementation of CUFTA and their negotiation of NAFTA entailed such *de facto* changes in Canada's policy matrix that they were accepted as irreversible by the opposition Liberal Party which, when elected to power in 1993, proceeded to implement NAFTA's provisions.

These parallel trajectories followed by neo-conservative elites both north and south of the United States followed serious crises in each state during the early 1980s. The fiscal trauma of Canadian governments unable to levy enough taxes to pay for their social programs and so avoid chronic deficit financing signalled the failure of Keynesian social democracy to embed egalitarian values deeply enough to withstand the disciplining power of global capital markets.<sup>32</sup> The repeated convulsions of Mexico's political economy resulted in the PRI elites making an even more radical turn away from state activism to embrace a free market philosophy. In conjunction with these recent shifts we can see declining levels of well-being below the ranks of the super-rich within each society. If the consequent dedication to competition, glorification of consumption, commodification of culture, denigration of community, and blurring of national identities are given freer rein in the new North America than on other continents as the transnational corporation becomes the strongest force defining public values, the North American model will distinguish itself as giving the greatest leeway for the market to produce social norms and discipline governments.

Free trade may mean the removal of some barriers. It does not mean the end of all rules. If labor is to remain immobile across



political borders under conditions of accelerated continental economic integration, each federal state has to build higher, more impermeable barriers to immigration. Even where the boundary is being transcended by cross-border cooperative arrangements, such joint endeavors as Mexican-American border environmental monitoring and clean up require extensive institutional construction specifying new rules of conduct for newly involved local stakeholders.<sup>33</sup>

Rules have to be applied, making dispute settlement the central regulatory activity of the North American model. Even though every effort was made to minimize the capacity of the new dispute settlement processes to impinge on U.S. congressional sovereignty, a certain degree of North American trade law jurisprudence is developing from the precedents set by CUFTA and NAFTA panel decisions and from the experience gained by the panelists. The reach of dispute settlement extends beyond these specific rulings into the decision-making processes of Canadian and Mexican governments as they anticipate future American trade harassment actions and adjust their policies to minimize potential countervailing duties or anti-dumping actions emanating from Washington. Such was the case in the province of Ontario in 1990 when the New Democratic Party was elected. Its electoral platform included a public automobile insurance industry, but the new Ontario government was advised that CUFTA's monopoly clause required that the stakeholders of the insurance industry being socialized had to be compensated not just for the present value of their shares but for their anticipated loss of future earnings. Since much of the insurance industry was American-owned, the NDP chose discretion as the better part of valor: not keeping its campaign promise meant not getting into trouble with Uncle Sam even though this meant forgoing the greater efficiency and lower costs that would have ultimately resulted from a single, province-wide public insurer.

Norm-setting does not only take place in the quasi-judicial environment of dispute settlement. It is a continual process happening both in the complete obscurity of several dozen specialized working groups and in the partial transparency of the environmental and labor commissions established by the NAFTA document itself. Norms negotiated outside the confines of NAFTA also have an impact on the evolving continental regime. Canada's signing of a separate bilateral agreement with Chile has, for instance, established

a new notion in anti-dumping -- no such measures to be taken in sectors where tariffs are zero -- which may ultimately by its very existence develop pressure to be incorporated in NAFTA's own rules.

New neo-conservative norms may spark countervailing social-democratic values. Whereas globalization is an intangible notion that can hardly mobilize the masses, free trade is a symbol that has shown real potential for politicization. In the Canadian psyche, CUFTA became the focus for extensive, heated public debate and the issue that turned the 1988 federal election into a virtual referendum. The polarizing effect that the campaign achieved has etched the "FTA" in the consciousness of Canadians as either the principal threat to their much-needed political system or the talisman of the country's economic progress towards the millennium. In the United States a parallel, though less deeply mobilizing polarization took place when the unlikely combination of trade unions, environmentalists, and the maverick Ross Perot took up the protectionist banner by opposing NAFTA during the 1992 presidential campaign. In Mexico, where party democracy is still muted, the negotiation of NAFTA was generally endorsed as a panacea for the economy with dissenting voices, whether from the left or the right, kept well out of earshot.

While NAFTA cannot be blamed for the growing income inequality within the U.S. economy, free trade appears causally related to the various factors increasing economic disparities within Canada and Mexico: the dismantling of social support programs, the continuing shift of the tax burden from corporations to individuals, the persistently high (Canada) and rocketing (Mexico) levels of unemployment. The young U.S.-trained economists who became the ideologues and policy makers for shifting Mexico's development strategy from import substitution to market liberalization engineered a process that made their associates rich as they profited from the privatization of public entities but has reduced the standard of living of most of the rest of the population by painful amounts.<sup>34</sup> Peasant migration, either to fill the ranks of rural insurgents or to join the millions of urban unemployed, tells us something more. Mexico's social effervescence and political disintegration, proceeding apace under a weak president and his discredited neoliberal technocrats, promises anything but the continuation of the familiar PRI-led status quo in the southern section of the newly constituted continental regime.<sup>35</sup> Thus political alienation and a resulting instability may

become one of the most salient systemic traits of the NAFTA model, at least in its peripheral members.

By signing CUFTA, the Canadian government made a leap of faith endorsed more by business leaders than by the citizenry and generated an intense intellectual as well as political crisis that produced a passionate scholarly debate. The subsequent negotiation of NAFTA extended the debate southwards, provoking still more confused congeries of claims that were put forward in political as well as academic circles about the implications of free trade for Canada, the United States, and Mexico. Sorting through the debris of these contradictory prognostications in the aftermath of the polemical instant books that assembled the policy arguments for and against accelerated trade liberalization yields a host of rival hypotheses whose contrariety reveals how contested is our understanding of the new continental phenomenon. From the economists with their computable, general-equilibrium modelling techniques came precise estimations of increased economic well-being, whether in GNP, efficiency, or employment terms, forecasts whose assumptions can be appraised<sup>36</sup> and whose accuracy can be measured against actual results for Canada<sup>37</sup> and for Mexico.<sup>38</sup> Predictions about free trade's impact on corporate structures can equally well be checked against transnational corporations' investment strategies and actual practices.<sup>39</sup> Beyond the workings of the market, proponents of free trade offered other, eminently verifiable hypotheses: within Canada regional disparities would decline and foreign policy assertiveness would grow.<sup>40</sup>

In the United States, defenders of NAFTA argued it would so stimulate the Mexican economy that the migratory pressures along the border could be stemmed. Explicit in the proponents' public discourse was the prediction that signing a free trade agreement would prevent both the Canadian and the Mexican governments from returning to their errant interventionist ways should left-wing parties come to power again and be so tempted in the future. In Canada this took the form of declarations that there could now be "no new NEP."<sup>41</sup> For Mexico the talk was about "locking in" the liberalizing reforms introduced in the 1980s, and committing to such principles as national treatment that prohibit discrimination against foreign enterprise.

An indication of the unusually polarized quality of the academic literature on North American free trade is the contesting of the scholarly optimists' hypotheses with parallel, but pessimistic, aca-

demic prognostications. In stark contrast to the free trade advocates' expectation of greater well-being is the prediction of decline, particularly in Canada's social support system of public health and educational institutions, which the process of continental harmonization is expected by free trade critics to induce by leveling Canada down to inferior American standards.<sup>42</sup> Preliminary research contesting this scenario in the immediate aftermath of CUFTA has already been published.<sup>43</sup> Complementary to the notion of continental rationalization through TNC restructuring is the literature on the new techno-economic paradigm in which the nation state loses function in favor of sub-national jurisdictions.<sup>44</sup> Confronting the prediction of regional economic leveling is the thesis of uneven regional development not just within the member-states but at the continental level: Canada as a whole would be "Maritimized"<sup>45</sup> as Mexico would be "maquiladorized,"<sup>46</sup> each becoming a low-growth satellite of the high-tech center as the U.S. economy attracts the lion's share of new investment.

The sharp differences between those favoring and those opposing CUFTA and NAFTA only hint at the difficulties inherent in any study of the North American continent. Unlike its more advanced and better integrated prototype in Europe, North America is difficult to describe as a system. The vast region displays great heterogeneity in its history, geography and national characteristics, all of which continue to change in form. There are clear distinctions that must be made between the United States as the dominant power and the two peripheral states. Increasing disparities, political instability, vulnerability to the new dispute settlement mechanism, and continued tensions with the hegemon characterize Mexico's and Canada's positions within a NAFTA which seems to have benefited the U.S. the most through the spread of its legal norms and business practices. Beyond the retreat of the state, the participants in the North American continental regime continue to display few commonalities. NAFTA may act as a supplementary constitution governing the political and economic relations of its three members, but the gaps between their social, economic and cultural realities dictate that their partnership remains fragile.

### III. COMPARING CONTINENTALISMS

Given not just the nascent but the contested character of the new North American "model," it might be thought prudent to resist the

next step: its comparison with other continental systems. If we have trouble describing the nature of the beast, how can we compare it with other fauna? Alas, policy analysts from other multi-state systems who are trying to solve specific institutional problems of integration cannot wait as they check out the North American experience in search of examples to emulate or to avoid.

Comparisons with North America may be an option with which Europeanists may still feel they can dispense, though scholars of European integration are likely to find their own work to be set in a more meaningful context when compared with such analogous aspects of the North American system as the degree of its institutionalization (weak), integration of politics with economics (low), or the relationship between its hegemon and other members (asymmetrical). For their part, scholars of the new North America will be less likely to feel they have such an intellectual luxury. Europe's experience is so rich in every aspect of integration that some comparison with it becomes indispensable, requiring scholarship on NAFTA to be comparative in a way that European integration studies could not be. Indeed the number of topics in which comparing facets of these two continental systems offers fruitful hypotheses to explore is legion, from their historical process of formation to their future prospects of expansion. Almost as diverse are the various disciplinary approaches that can be taken: history, economics, political economy, political science, and sociology each bring competing conceptualizations to bear.

History sheds interesting light on the differences between the two systems. Five decades replete with continual consultations among stakeholders, many elections, several referenda, much controversy, endless debate, and an irregular, two-steps-forward-one-step-back record of deepening and broadening were needed for the European Union to coalesce. No one would claim that this process was without conflict, but a broad consensus developed, and not just among elites, that continental integration was more than an economically valid objective: it was a politically crucial means for eradicating the threat of war and was driven by a socially ennobling vision of inter-state solidarity. North America, for its part, has rejected an overarching political mission and, until fifteen years ago, refused even the notion of formal continental integration. Once it started, the process was fast but secretive, controversial, and divisive, privileging business interests and excluding social partners.

The impact of these differing continent-building processes on each system's sense of identity as a community is palpable. The European Union now boasts a flag, a common format for member-state passports, and many other symbols of a collective existence such as a court and parliament. It has evolved an initial sense of a shared European citizenship, however deep may be its members' linguistic and national differences. North America may have a longer recent history of internal peace, a more integrated business community, and a more homogenized consumerism, yet the conflicted process of NAFTA-building has done little to foster a specifically continental identity outside the TNCs' marketplace. Paradoxically, while U.S. corporations are creating a common North American capitalist culture, U.S. nationalism and protectionism continually rekindle continentally disintegrative responses among its neighbors, as Helms-Burton, California's discriminatory action against Mexican immigrants, and frequent AD or CVD trade actions against Mexican and Canadian exports keep attesting.<sup>47</sup>

This push and pull of U.S. behavior has to be studied in its syncopation with the love/hate attitudes of Mexicans and Canadians towards their overwhelming partner. Whether this contradictory mutuality can generate a continental identity which is more than a further assimilation of the peripheral cultures into the maw of America's mediatised civilization will depend on how the process of integration proceeds. Contrasting the utility of the more deterministic, economics-driven research based on functionalism (quantifying cross-border transactions in the form of mail, phone calls, travel, and trade) or structuralism (determining ownership and control patterns through interlocking directorships of continental corporations) with the more voluntarist, politics-driven approaches based on ideational analysis (measuring the evolution of attitudes towards political borders through survey research) or institutionalist studies of the growth of genuinely continental organizations or behavior should yield greater understanding of each continent's identity-construction. Weak in the theory of culture, Anglo-American scholarship on community-building has much to learn from European work on cultural flows and supranational consciousness formation.

Whereas European integration was inspired from the start by politicians, NAFTA answered to an economic imperative, both in the sense that liberalizing North American trade and investment flows

was the top priority of business and in the sense that TNCs energetically pushed the negotiators to meet their specific corporate requirements.<sup>48</sup> Whether these firms' strategic responses to the challenge of a free trade area are different from their European counterparts' behavior in a common market remains to be seen. Created "from above" by political leadership in the one case, "from outside" by corporate pressures in the other, the EU and NAFTA offer rich ore for comparing the evolution of economic unions and their impact both on their members and on the global economy. The theory of a linear progression from free trade area through customs union and common market to monetary union and then total integration may need to be revised in the light of the actual characteristics of European and North American experience.<sup>49</sup> Whether these economic associations yield the intended benefits for their participants or impose apprehended costs on them and the rest of the world is subject matter for a burgeoning debate among economists.<sup>50</sup>

Some maintain it is firms that compete, not states. If states cannot determine competitiveness, *ergo*, associations of states cannot either. Others believe that it is competitive -- rather than comparative -- advantage that determines success or failure in the global struggle of corporations. Therefore public policies are crucial; *ergo*, super-states can make a big difference. Such is certainly the belief of Eurocrats, whether of the Jacques Delors or of the Leon Brittan persuasion. The former strove for a supranational state with a social-democratic heart (Euro champions, a social contract) and a central banker's brain (monetary union). Even if the latter has an ortho-liberal heart, he still believes that the European super-state has a major role to play as the system's anti-trust referee and as its negotiator of global trade rules. NAFTA, in comparison, has no official advocate with a super-state mandate, whether internal or external. At the most, the negative integration that it is supposed to promote will, *ipso facto*, increase efficiency, competitiveness, and productivity, but these results will flow from liberating the invisible hand in the two peripheral economic spaces, not from any centrally-determined collective policy thrust.

Lack of *intrasystemic* complementarity makes *intersystemic* comparison more difficult. Canada's success in preventing income inequalities from increasing -- at least until neo-conservatism finally took full command in the mid-1990s -- can be directly traced to its federal and provincial governments' labor-market policies which

have been markedly more social-democratic than in the U.S., where, under similar economic conditions, income inequalities have soared over a period of two decades.<sup>51</sup> With Mexico's per capita income being but one eighth of U.S. and Canadian levels, it is even less valid to talk of "North America" as if it were an undifferentiated whole than it is to talk of its three member states as homogeneous entities. With Mexico's statistics having been of dubious quality until recent years, intercontinental policy comparisons requiring sophisticated data manipulation may yield poor returns for some time. Nevertheless, the hypothesis that free trade areas level down social policy to the lowest common denominator, whereas economic unions level it up to a highest common factor, could be examined by comparing how social policies in these two internally heterogeneous systems develop.

Whether they maintain, in the process, their distinctive types of continental capitalism in which the more corporatist, European form gives an honored role to state intervention and the more libertarian, North American variant puts the freely operating market on a pedestal also remains to be seen. Although within each continent there are striking variations in the role played by the state, the corporate culture of TNCs from each system continue to maintain their national distinctiveness.<sup>52</sup> Will these capitalisms' experience convergence, with the EU's moving towards the North American model as its own TNCs lobby for a loosening of its heavier regulatory regime? Every time a European firm establishes a plant in Poland or in Mexico it increases the pressure on member-state governors to reduce their tax burden and so weaken their social safety net if they want to dissuade other companies from following these examples. Here a common external imperative -- the competitive pressure originating from the low-wage, high-tech production capacities of newly industrializing countries which TNCs have learned to exploit as export platforms -- is pushing EU member-states to "level down" their social security systems in order to achieve more "flexible" labor markets. Even if the differences between models are being eroded -- for instance, more competition being introduced into the European economy -- we have to be careful to distinguish how much this is due to U.S. practice being adopted by policy-makers consciously borrowing from Washington or to an indigenous (in this case German) tradition of anti-trust regulation that is being generalized throughout the European system.<sup>53</sup>



An opposing possibility is the defense of the "social Europe" model through a combined broadening and deepening which strengthens the EU's capacity to meet global competition on its own terms. Admitting to full membership favored states from the Baltic, Central Europe, and the Mediterranean and linking other would-be members by bilateral agreements will extend the EU's sphere of influence and create a continental colossus able to defend its carefully constructed *acquis communautaire* against that of its continental competitors. The concerted movement towards monetary union with a politically autonomous central bank is a striking indicator that differences between the two continental systems are increasing as North America somewhat defiantly and condescendingly disparages the ambitious European initiative.<sup>54</sup> Most probably, evidence of both convergence and divergence will continue to appear simultaneously in different domains of these complex systems.

Do the conditions of entry for new members to a continental system necessarily require the radical transformation of a candidate country before admission, or do they depend on the power of the candidate vis-à-vis that of the system? Extensive tariff reductions, privatization, and deregulation by Mexico were prerequisites for its integration negotiations with the U.S. and Canada. NAFTA then required further acts of institutional conformity to neo-liberal norms. The inclusion of Greece, Spain, and Portugal in the EC required major adjustments both in terms of the newcomers' democratic politics and their welfare state practice. The future admission of Central and East European states to the EU will require even greater internal changes as these countries adopt the heavy *acquis communautaire*, whereas admission to NAFTA will depend on the particular mood of the U.S. Congress which may attach its own conditions before granting the administration "fast track" trade negotiating authority. Such trans-Atlantic comparisons can be pursued in many other dimensions. Some economic sectors -- such as financial services-- can be contrasted as they deregulate nationally and integrate continentally. Particular industries will demonstrate varying degrees of exogenous pressures (high for telecommunications outside the U.S.) and endogenous forces (high for transportation in the EU).

The politics of the two systems provides further fields for instructive contrasts. Ideologically, North American free trade was a program of the business and technocratic right enjoying little popular support. European integration was promoted by techno-

crats and politicians from the Catholic right, the free market center, and the social-democratic left, but with broader-based public support and a lofty vision that, in the words of Jean Monnet, "*faire l'Europe, c'est faire la paix.*" Work has already been done on comparing how political leaders on both continents were induced by the realities of increasing interdependence to risk the political costs of abdicating elements of national sovereignty to Maastricht and NAFTA.<sup>55</sup>

Although NAFTA's institutions are weak whereas the EU's are highly articulated, possibly overloaded with its elaborate mechanisms for making, enforcing, and adjudicating policies, comparison of the two systems yields interesting insights into the respective dynamics of negative integration (the reducing of national barriers to the circulation of goods, services, capital, and labor) and positive integration (the creation of common, continent-wide social, economic or cultural policies).<sup>56</sup> Not being a customs union or common market, NAFTA has no common external tariff similar to Europe's. Nevertheless, competitive pressures are forcing Canada and Mexico to adjust a number of their tariffs to U.S. levels. Harmonization is an explicit EU practice for industrial, environmental, and taxation policies in order to achieve the pre-conditions for fair competition among its members. Whether the pressure of actual competition produces the expected *de facto* harmonization among NAFTA's members remains to be seen.<sup>57</sup> What is immediately clear in NAFTA is the extremely modest scope of its trinational dispute settlement system when compared to the constitutional quality and supranational authority of enforceable community law generated by the European Court of Justice.<sup>58</sup>

Whereas NAFTA's deliberately disempowered institutions create a vacuum which facilitates the consolidation of U.S. hegemony over its partners, the EU's countervailing distribution of power among its members systematically mitigates the scope for a great power, particularly Germany, to control the whole system. Already CUFTA had given the U.S. effective control of Canadian decision-making affecting American corporate interests.<sup>59</sup> NAFTA extended this direct U.S. policy influence to Mexico City.

Comparing the politics of Canada's free trade negotiations with those of Sweden's entry to the EU brings out important differences in the politics of continental integration within the peripheral member states. In Canada, the cleavage ran between the business-led right and a broad coalition of citizens' groups led by the trade-union

movement which feared the loss of the state's capacity to run a proactive industrial policy and to protect diverse interests -- pensioners, aboriginals, environmentalists, the poor, the handicapped, the cultural community, linguistic minorities -- from the destructive impact of an unregulated but continentalized market. In Sweden, the left was itself divided, and the opposition to abandoning sovereignty was based less on a fear of negative integration than on a concern that the positive measures of harmonization such as the EMU would doom the Swedish formula for high-wage social democracy.<sup>60</sup>

Canada and Sweden are also illuminating cases to take for assessing the differential impact of free trade areas and economic unions on the foreign-policy autonomy of middle-ranking powers. The cramping effect of Europe's common foreign and security policy on Sweden's distinctive combination of neutralism and activism will be comparable to the junior-partner role that Canada adopted towards the United States by participating militarily in Washington's Gulf War -- in violation of a long-held Canadian norm of peacekeeping. Subsequent Canada-U.S. divergences over Helms-Burton, the banning of land mines and small arms trade, and the establishment of an international criminal court suggest the hypothesis that the loss of autonomy caused by increased continental integration under American control is offset by the smaller power's search for a means to assert itself internationally -- a tendency made possible by the end of the Cold War.

While NAFTA weakens peripheral state powers by enhancing the freedom of the market, the EU sustains member-states by displacing some of their functions to the supranational level where inter-governmental diplomacy and intra-institutional comitology make them represented, empowered, and vibrant.<sup>61</sup> Part of their vitality is generated by their efforts to keep the genuine supranationalism of the Commission within bounds. Across the ocean there is little possibility that NAFTA will gain the supranational heft and juridical personality necessary for it to become a plenipotentiary in its own right, negotiating new treaty obligations on behalf of its members -- although its trilateral environmental mechanism is working on a tentative common North American negotiating position on certain issues.<sup>62</sup>

Nor does NAFTA support development at the sub-national level in the strategic manner adopted by Brussels. Canadian provinces, along with U.S. and Mexican states, are admonished by the

negative, national treatment strictures of the agreement to desist from the same range of home-industry enhancing practices as their federal governments. But NAFTA's few institutions, in which sub-national governments in any case play no role, offer them no succor in case of need. In Europe regional governments are not just affected by the EU, they are supported by it. Cohesion and solidarity funds are directed from the EU's small tax base to stimulate the poorest regions' economic growth. A number of transnational associations, most notably the Committee of the Regions, formally institutionalize their presence as legitimate players in the EU's complex policy process.<sup>63</sup> Investigating the differential capacity of regional and municipal governments to seek solutions to their problems by networking (as opposed to competing) with other sub-national governments promises revealing insights into how dissimilar continentalisms affect the globalization of the local and the localization of the global.

One such impact is the development of regions that straddle national boundaries. This phenomenon, now common in Europe, is occurring in specific ecological systems such as along the Mexican-American border and the Columbia River.<sup>64</sup> Larger groupings of stakeholders such as the Pacific North West Economic Region have been stimulated by the increasing continentalization of trade patterns to initiate policy recommendations for that region's half dozen provinces and states to adopt in order to standardize, for example, weight, load, and length regulations on trucks carrying cross-boundary loads.<sup>65</sup>

The "democratic deficit" in Europe is a question of *demos* (people), not *kratia* (power): power has been shifted to supranational and intergovernmental institutions whose processes are so complex and inaccessible that the people can neither observe, understand, nor affect what transpires in them.<sup>66</sup> In North America the democratic deficit has less to do with *demos* than with *kratia*: institutions have not been erected at the continental level with enough clout to manage the amounts of power that have been shifted out of the hands of governments towards the market.

This degree to which NAFTA responds to the logic of markets, whereas the EU incorporates the logic of governments, can be explored through their contrasting judicial systems. It is true that a quasi-judicial process has been created to mitigate some of the worst commercial conflicts between NAFTA's members. But this

much-vaunted dispute settlement mechanism may well aggravate the system's deficiency in democratic practice since in most cases it is only the federal governments and corporations that can seek redress; sub-national governments, NGOs, and citizens need not apply. NAFTA's environmental regime has made itself an exception by involving non-governmental players in its deliberations and offering them the opportunity to seek redress against governmental turpitude.<sup>67</sup> The supremacy of EU law, the ECJ's judgments' direct effect in member states, and the capacity of individual citizens to defend their human rights against their own governments by seeking justice at the supranational level underline the extent to which the European experiment has disaggregated components of sovereignty along a vertical, state-EU axis. NAFTA, in contrast, makes any member-state government liable to law suits from corporations based in either of the other countries. Not only are citizens' rights not enhanced under NAFTA, but non-national companies have greater property rights than national firms.

Beyond the mediation of conflict, the two continental systems' institutions can be assessed in terms of their problem-solving capacity, about which many questions must be asked -- and answered. Does an elaborately articulated, legally enshrined, top-down flow of authority tend toward such decision-making paralysis as that observed in the EU's failure to respond effectively to the crisis generated by the disintegration of Yugoslavia? Is a market-driven process driven by TNCs operating in highly fragmented federal states, whose free trade area enjoys little legitimacy, condemned to suffer from a lack of leadership and vision? Do losers (whether regions or individual) get compensated more fairly in the EU? Will winners win bigger in NAFTA?

Among the three objects of social science's reflection -- polity, economy, and society -- the latter is the most elusive of analysis at the continental level. Transnational civil society in the Canadian-American relationship is based on over a century of direct association within trade unions, student fraternities, charitable and professional organizations, and continent-wide business operations. The social component of the U.S.-Mexico relationship is primarily a phenomenon of the Hispanic diaspora in the United States. Genuine continental transnationalism has only developed trilaterally among certain businesses, academic, environmental, and trade-union elites sharing a particular concern about NAFTA. In contrast, even if

Europe-level political parties fall short of the Eurofederalist ideal, the evolution of a transnational European civil society can be seen in the Erasmus program and the hundreds of interest groups and non-governmental organizations with an explicitly pan-European mission that have sprung up to lobby for their interests at the continental level.

These prospects for bicontinental comparison -- almost endless in their possible variety -- are seductive, but the methodological pitfalls in the way of valid work are substantial. In many categories transcontinental comparison will remain the study of differences among states rather than between systems. Social policy, for instance, remains the prerogative of the nation state or its sub-national jurisdictions and, while influenced by exogenous, continentalizing factors, is material for traditional comparative political economy. Nevertheless, a comparison of the two regimes' types and levels of social protection reveals some of their most striking differences. On the one hand there is an explicit effort to achieve a policy convergence based on the highest standards in "social Europe." On the other hand, although there is a complete exclusion of social policy from the official NAFTA agenda, a process of competitive adjustment appears to be dragging the higher quality standards and services in Canada down towards American levels which could themselves be threatened by Mexico's far more primitive standards.<sup>68</sup>

We have already seen that the entity called "North America" is unstable in its boundaries. So too is Europe which may broaden considerably to the east, altering its nature slightly with each new addition. Deepening is also a possibility in each continental regime as institutions strengthen and harmonization drives common decision-making, whether formally institutionalized or informally rooted in the market or civil society. The problem this flux poses for comparative work is that the constantly changing scope of the objects under comparison will tend to reduce the shelf life of the scholarly product. A study based on research conducted over several years is in danger of being out of date by the time it is published because circumstances have changed so much in the interim.

The reality of continuing change poses further problems for continental comparisons. The specific moment chosen for the exercise can radically affect the findings. A century ago, before trust-busting populism transformed the U.S. market place, the American political economy was essentially state interventionist and mo-

nopolistic.<sup>69</sup> Had continental models been compared in the late 1930s, New Deal North America would have seemed considerably more progressive than Europe. If the European Community had been compared with North America in the Jacques Delors years, it would have looked much more social democratic than it does in the late nineties.<sup>70</sup>

A more pesky conundrum raised by historiographical considerations concerning causality is the extent to which central elements of what we think of as one continental model actually derive from the other. To a great extent, North America is itself the product of Europe. Whether one takes a very general issue such as the two continents' value systems which are rooted in the Judaeo-Christian tradition, or a very specific epiphenomenon such as the London megamusical adapted from the Broadway musical which is itself an adaptation of popular European lyric theatre,<sup>71</sup> influences have crossed the Atlantic Ocean and returned in such complex patterns that one must beware of facily affixing 'European' or 'North American' labels as if the phenomena they describe were "made in" any single place.

Bi-continental comparisons are but a stage towards tri-continental and even multi-continental studies that include Asian, Latin American, African, and ex-Soviet groupings in their purview. Whereas EU-NAFTA analysis is based on an underlying cultural commonality, the inclusion of Asian continentalism adds genuinely different cultural and historical elements. The contrasts between the three models have been presented schematically in Table 1. But the actual analysis required to flesh out these distinctions with all the necessary qualifications would, of course, be considerable.<sup>72</sup>

Each grouping of states was created in response to a qualitatively different conjuncture characterized by different circumstances, motivations, objectives, and constraints. Each necessarily reflects a different geographical scope, geostrategic significance, and economic integration. As a result, comparisons will need to be circumspectly effected. Accentuated by NAFTA and mitigated by the EU, the hegemonic factor may be less salient in ASEAN where the largest countries are poor and the smallest members are rich. In Mercosur the Brazilian hegemon does not represent a different development model to which its partners must conform. Although comparing the North American model with its South American counterpart is complicated by the preponderant role played by the U.S. even in the

**Table 1**

Systems	Degree of Liberalization	Regional Institutions	State/Market Relationship	Commitment to Harmonization?
Western Europe	High	Advanced	Social market	Yes
North America	Medium	Limited	Neoliberal	Left to market
Eastern Asia	Low	Very limited	Developmental	No

economic zone to which it does not formally belong,<sup>73</sup> and although Mercosur is a shallower, trade-led system than NAFTA's deeper, investment-led process involving the formation of cross-border production networks, these two trade areas may constitute the most comparable pair of the continental systems available for analysis.<sup>74</sup>

Such inter-continental comparison presents a daunting intellectual challenge both because of the great variation of conditions from system to system and because of the interdisciplinary capacity, knowledge base, cultural sensitivity, and linguistic competence required of the analyst who ventures along this path. The top-down, well-integrated nature of the EU which has received its impetus from a desire for peace, a high level of social security, and the enhancement of supranational levels of governance has to be set against the bottom-up, market-driven, asymmetrical, and still highly conflictual and individualistic nature of NAFTA and its three partners. The number of areas for comparison of the two systems is equalled by the extent of their differences. Yet another complication bedeviling the comparative analysis of continental systems lurks in their overarching global context.

#### **IV. CONNECTING CONTINENTALISM AND GLOBALISM**

The same decade from the mid-1980s to the mid-1990s which created the opportunity for serious *horizontal* comparisons among a number of second-wave continental systems simultaneously made that prospect more problematic by giving birth, in the shape of the



World Trade Organization (WTO), to a new form of global trade authority. While elements of global governance had been in place for half a century in the shape of the Bretton Woods institutions, the substantial authority conferred on the WTO<sup>75</sup> has made the analysis of the *vertical* linkages between the global, the continental, and the national levels of governance more dynamic. The imposition of this doubled problematic on the already tangled skein of existing inter-governmental relations and transnational relationships presents a series of new questions for scholarly consideration -- questions that need to be addressed if we are to understand the recent past or the future prospects of the world context within which continental systems are consolidating or unravelling.

#### A. Recent Patterns

The most provocative new hypotheses crying out for careful study are those seeking to establish causal links between the global and the continental levels of the international political economy. Any proposition interconnecting these two tiers, whether as independent or dependent variables, needs to distinguish corporate, market, technological or economic phenomena which we will label *globalization* and *continentalization* from institutional or political developments on these levels which we will call *globalism* and *continentalism*. We must also be aware that the phenomena we are discussing may vary significantly in intensity. In North America, for instance, NAFTA is accelerating continentalization among TNCs while keeping the growth of continentalism among governments to a minimum. Furthermore, we must consider these phenomena in their negative aspects: a lack of development or even blockage at the global level may induce activity at the continental level just as expansion in continentalism may block development in globalism. Let us explore what is entailed by these two hypotheses and half a dozen others that they suggest.

Did continental regimes form up because of the failure of globalism? This question cannot be posed in the same terms for the more senior European Community, which took shape in the shadow of a third, ideological World War, as for NAFTA, which was born in the post-Cold War era. A strong case can be made that the consolidation of western Europe was stimulated by the failed globalism symbolized by the Berlin Wall and the threatened westward push of Stalinist power through the central European "people's democracies."

The proposition that failed globalism stimulated continentalism is compatible with the idea that continentalism bred more continentalism. The defensive solidarity of the western European states sheltering under NATO caused the Soviet bloc further to consolidate in its own political-military Warsaw Pact system. The division of the world into two economically separate spheres was an additional force pushing forward market integration in the western part of Europe. In other words continentalism bred continentalization. The development of this integrated capitalism further reinforced the autarchic Comecon system on the eastern side of the Iron Curtain: one continentalization provoked another continentalization. Building a worldwide security network of regional groupings to contain the apprehended spread of the Soviet or Chinese Communist system induced the United States to support other continental and sub-continental associations of states. Eastern Asian economic co-operation was encouraged by the U.S. in part for geo-strategic reasons. Even North American integration was favored in the Cold War decades by Washington which gave Canada special consideration through sectoral trade agreements in auto, defense production, and agricultural machinery industries. It also replaced its seasonal labor migration (*bracero*) program with Mexico by a border industrialization (*maquiladora*) scheme.<sup>76</sup> In this way non-globalism engendered continentalism.

In the post-Cold War era interbloc rivalry appeared to feed on itself. The fear of an exclusionary fortress Europe helped nudge North American states into formal association. The consolidation of the new continental regime in North America was also the product of a double set of fears linked to an acceleration of globalization: apprehension by the dominant of losing ground in the global competitive race and anxiety by the weaker about falling completely behind as the economic superpowers fought for supremacy. The U.S. hegemon feared it was losing its global economic dominance. Its protectionist responses to Asian and European competition caused its two dependent neighbors, Canada and Mexico, to fear for their own prospects.

### **B. The Hegemon's Fear of Failing**

In the late 1970s the United States was suffering from a collective sense of depression. The gloomy cold warrior was obsessing bitterly that, having expended colossal resources on its military might to win

the Cold War, it was facing hegemonic decline by losing the peace to its ideological allies whose economies it had helped build up at its own expense. These allies in Europe and Asia were exploiting their free ride under the U.S. security blanket in order to win in a different, economic game. Their use of industrial policies, public monopolies, and other versions of government support for national enterprises resulted in American firms losing market share not just abroad but, more ignominiously, at home where they were outsold by lower-cost, higher-quality products exploiting technologies often of U.S. invention. One way for the United States to deal with such state-led competitive behavior was to flex its superior muscle and lever access to its market into pressure on foreign governments' policies. Congress toughened its protectionist trade measures so as to enable U.S. producers to deprive a successful foreign rival in the U.S. market of the government-provided "subsidies" which had helped produce its competitive advantage. Such unilateral actions became increasingly popular in Washington in the early 1980s but they contradicted the United States's long-standing advocacy of multilateral, rules-based solutions for international trade problems through the General Agreement on Tariffs and Trade (GATT).

Many in Washington believed that a better way to deal with unacceptable foreign-government practices was to expand the scope of GATT's rules both to address the most egregiously trade-distorting subsidy programs (such as the European Community's common agricultural policy) and to establish new rules to deal with related issues needing regulation (such as financial services). This objective was reluctantly accepted by GATT's member states in 1986 when agreement was reached in Punta del Este to launch a new, "Uruguay" round of negotiations. But reservations in Europe about subjecting state subsidies to international control, when combined with hostility in leading Third World countries about accepting intellectual property rules concocted to reinforce the dominance of the industrialized giants, made the prospects for a comprehensive global trade-rule deal highly dubious.

There was a third way. A significant component of Ronald Reagan's appeal to have America stand tall in the saddle again was the "North American accord" he had called for in his 1980 presidential campaign. An economic integration pact with Mexico and Canada offered an intermediate strategy between using Congress's unilateral trade weapons and waiting for the uncertain results of the

Uruguay Round. Given its competitive advantage in the information, telecommunications, and entertainment industries, the United States wanted to have services and intellectual property brought within the discipline of international trade rules. The continental option offered a step towards achieving that objective. What better way to force a new proposal onto the multilateral negotiating table than to create a *fait accompli* by first writing these rules into bilateral deals with neighboring countries so compliant that they could hardly refuse Uncle Sam's commercial offer? Continentalism would engender globalism.

The Reagan administration's North American project was in effect a strategic retreat, a classic *reculer pour mieux sauter*. In order to strengthen its capacity to take up the economic challenge coming from across both seas, the U.S. wanted to broaden and deepen its hemispheric hegemony by shoring up its competitive disadvantages with a defensive system based on continentally defined rules of origin. Seen in this light, the emergence of North America as a continental system appears as the United States's clear-headed response both to accelerating globalization and to a stalled process of globalism which it could no longer control. In sum, continentalism was a product both of globalization and roadblocks on the path to globalism. Had the United States been able to get its way with the GATT, it is most improbable that it would have bothered to divert its energies into bilateral negotiations with secondary players. The American *recul* of the late 1980s created the set of trade rules, investment norms, and embryonic institutions known to the world as the North America Free Trade Agreement. When the GATT logjam ultimately broke and it came time to *sauter* into the new era of the WTO, a continental regime was in place in North America. Whether or not it was losing global hegemony by the mid-1990s, the U.S. had used NAFTA to enhance its dominance on its own continent and was poised to extend this through the hemisphere.

### C. Fear of Failing in the Hegemon's Periphery

If a defining characteristic of hegemony is acceptance by the led of the leader's leadership, the bilateral agenda of the United States's immediate neighbors is also relevant to the hypothesis that globalization furthers continentalism. While a complex of factors is needed to explain how Canada came suddenly to abandon its decades-long, if often half-hearted and contradictory, effort to develop a national

mode of regulation driving a national regime of accumulation, the conversion of its governing elite to a neo-conservative mind set was pivotal.<sup>77</sup> Here too, fear of failing constituted a prime motivation to act. A century-old development model that combined exporting staple resources with import substitution industrialization via U.S. branch plants which serviced a tariff-protected national market seemed to be on the ropes by the early 1980s, particularly after world commodity prices fell along with GATT-negotiated tariff levels. Growing global competition was threatening Canadian markets at home and abroad. More ominous still, the largest, nearest, and still most sophisticated market to which it looked for its continuing export hopes seemed to be closing its doors to Canada as Congress turned ever more protectionist.

The best way to deal with a bully is to exert the collective discipline of the whole community, so Canada's preferred option was, not surprisingly, to support a strengthening of GATT's rules in the hope they could temper American high-handedness. This preference was consistent with a traditional strategy of trying to offset the overwhelming asymmetry of its relationship with the United States by participating in the multilateral fora offered by the post-war set of specialized international political, military, cultural, and economic institutions.

"If you can't beat them, join them." When the Uruguay Round seemed unlikely to provide relief from the Americans' increasingly aggressive trade harassment within the foreseeable future, then a second-best solution might be a direct deal with the bully. Ottawa's objective in 1985, when it proposed trade negotiations with the U.S. government, was to obtain a bilateral pact that secured and even enhanced Canadian exporters' already very open access to the American market. "Enhanced access" was code for reduced tariffs, a fairly easy objective for Ottawa to achieve if it were itself willing to give up tariff levels which, though low, were twice the American average. "Secure access" in Canadian trade discourse meant gaining exemption from exposure to such U.S. trade remedies as countervailing duties (CVD) and anti-dumping actions (AD) -- a naïvely ambitious objective, given how jealously Congress guarded its economic sovereignty. When it became evident that Congress would not consider such an exception, the Canadian negotiators nevertheless agreed to abandon substantial fields of policy autonomy in exchange for a palliative dispute mechanism mainly created to review the most

egregious CVD and AD cases brought by U.S. protectionists against Canadian exporters. Hence for Canada not only did the competitive pressures of globalization and the specter of failed globalism produce continentalism but existing high levels of continentalization led to further continentalism. The new orthodoxy in Ottawa and the business community which lobbied for change predicted that a new continental deal would, in turn, intensify the continentalization of the Canadian economy. U.S. branch plants would be restructured to service the continental market as a more productive component of their TNCs. In short, continentalism encouraged continentalization, while continentalization – it was hoped -- would lead to Canadian enterprise becoming globally competitive.

A parallel analysis of Mexico's motivation for a trade deal with the U.S. would put less emphasis on the global (blockage at the GATT) than on the national (the aftermath of a severe economic crisis and the governing elite's ideological transformation). If the PRI was also to abandon import substitution industrialization as its growth strategy, then it needed foreign direct investment to develop an economy that would become defenseless in the face of fierce global competition. To attract choosy productive capital required a complete restructuring of economic policies that would replace deep networks of corporatist interventionism with high levels of *laissez faire*. NAFTA, which enhanced Mexican access to the U.S. market, implicitly declared that globalization without globalism was too dangerous for a Third World economy in a First World economy's backyard: continentalization via continentalism was preferable. For Mexico, as for Canada, this hypothesis had a rider: not only did globalization spur continentalism but continentalism was expected to induce further continentalization.

While this inverse relationship between faltering globalism and resurgent continentalism can be documented convincingly for the North American case, testing the hypothesis with other continental systems poses a number of questions for researchers. If continental coalescence in ASEAN was driven less by a defensive, tactical concern for loss of position within the globalization process and more by an offensive, strategic expectation of greater trade muscle, we may be able to distinguish a defensive North American variant (where continentalism was the result of faltering globalism) from a proactive Asian version (where continentalism provides a cooperative support for engaging with globalization).

NAFTA reinforced a paradigm shift, pushing Canadian and Mexican governments from their social-democratic proclivities to adopt the hegemon's neo-liberal formulae. If the consolidation of subcontinental regimes entailed value changes in the Asian and Latin American political economies, was their new paradigm mediated from above by technocratic elites schooled less in neo-liberal than in state-interventionist beliefs? The prime motivation for member-state concertation in Mercosur may have been responding to the inter-continental challenge proposed by the United States' territorial regrouping with NAFTA rather than to the intra-continental leadership of Brazil. In these cases the hypothesis that continentalism feeds on itself would carry more weight than the hypothesis that the obstructed process of globalism led to continentalism.

Even if continental regimes were strengthened because of globalism's dysfunctionality in the late 1980s, we can still posit that continentalism was functional to globalism thereafter in the sense that "minilateralism" has served as a testing ground for multilateralism. This hypothesis suggests that the rules innovated in CUFTA and then NAFTA acted as pilot projects that facilitated their acceptance by the participating members in GATT negotiations. Services first found a place in a trade agreement in CUFTA, as did intellectual property rights in NAFTA. Both were successfully incorporated within the WTO as GATS (General Agreement on Trade in Services) and TRIPs (Trade-Related Intellectual Property Rights) not just because the United States could use these precedents as trump cards in its negotiating, but also because the world community had already been given a chance to observe them in practice at the continental level. This contagious effect of "open regionalism" is also illustrated by the proposed Multilateral Agreement on Investment (MAI), the basic principles for which were first put into trade rules in NAFTA's chapter 11 on the insistence of the United States which then pushed for their insertion in the global system via the OECD.

This rule building was not just a product of the United States shifting from a bilateral to a multilateral tactic and pressing for its trade agenda to be generalized from the continental to the global level. Canada also used the experience gained at the continental tier to press for the new norms it wanted to be adopted globally. For example when congressional pressure caused CUFTA's bilateral dispute settlement mechanism to be weakened in NAFTA's trilateral

procedures, Ottawa's negotiators suggested improvements which they proposed with great effect to turn GATT's anaemic, consensual system of conflict management into the more authoritative governing and dispute settlement body ultimately incorporated in the WTO. For a broader understanding of this learning effect it would be necessary to know how participation in ASEAN and Mercosur helped their members to develop their negotiating strategies vis-à-vis GATT.

Beyond the evolution of new norms by member-state learning and strategizing, the continentalism of NAFTA may have contributed to the globalism of the WTO through both a demonstration and an intimidation effect. When Mexico entered a formal trade and investment regime with the highly developed states to its north, other developing countries saw a concrete example of a Third World - First World relationship that made it easier for them to contemplate accepting the disciplines of the new global agreement.<sup>78</sup> Even the United States may have been nudged towards accepting a more powerful conflict resolution process in the WTO by its experience with the dispute settlement system set up by CUFTA and NAFTA.

There was a negative as well as a positive observation curve in the difficult years of the Uruguay Round's negotiations. The emerging continental trade blocs presented an implicit threat to non-bloc states, raising the concern that, if a global settlement was not reached by the GATT, then they would be stranded on the outside facing a world of continental fortresses. India's decision ultimately to join rather than to boycott the WTO seems to have been largely influenced by feeling intimidated: exclusion from ASEAN made membership in the WTO more valuable. Exclusion from APEC also helped the European Union agree to the WTO's heavy disciplines which would reduce the possibility of European capital being excluded from Asia. Second generation continentalism fosters other continental regimes. The fear of a more autarchic fortress North America pushed ASEAN in the early 1990s towards consolidation. The same kind of concern about their competitive dilemma in a hemisphere dominated by NAFTA induced Brazil, Argentina, Paraguay, and Uruguay to join forces in Mercosur in 1995.

Continental systems do not grow only out of tension with each other. They also try to strengthen themselves through cooperation. In some cases competition and cooperation are forces struggling with each other in the bosom of the same continental phenomenon. APEC



was first proposed by Australia in 1989 as a strictly Asian grouping that would keep out competitor states from North America, but U.S. and Canadian fear of exclusion along with Asian concerns not to be excluded from NAFTA led to APEC's becoming an intercontinental institution, which in turn created fears in the European Union that it was being left on the outside. In 1995 a formalized meeting process called ASEM was initiated between the Asian states and the European Union, which hoped to offset thereby its exclusion from APEC. Organizing themselves to dialogue with Europe in ASEM brought the states of Southeast Asia and Northeast Asia closer together. Another formal interbloc agreement was signed between the EU and Mercosur in the same year. The proliferation of links seems never-ending; the creation of some continental blocs has encouraged other multi-state groupings to coalesce and then form alliances with each other in a dizzying number of combinations.

Inter-continental coalition building is not the exclusive preserve of super-states. Collaboration among business associations is an increasingly important factor in the development of international trade norms. Lobbying by U.S. business in collaboration with Japanese and European TNCs was the force determining the adoption in the WTO's General Agreement on Trade in Services of TRIPs – an agreement to defend the interests of global pharmaceutical, biotechnology, and information technology corporations in securing long-term financial returns from their intellectual property.<sup>79</sup> A corporate-led Trans-Atlantic Business Dialogue (TABD) directly caused significant policy changes to be made when the European Union and the United States agreed to the mutual recognition of business-related standards.<sup>80</sup>

#### **D. Future Prospects**

Even if the formation of continental trade blocs has contributed to the creation of the global trading system in the past, it does not follow that continentalism and globalism will be mutually reinforcing in the future. Indeed, there are three obvious variants of this possible relationship: globalism will strengthen at the expense of continentalism; continental trade blocs will strengthen at the expense of the global order; and the global and continental orders will co-vary, waxing and waning together.

To the extent that the development of universal rules by the WTO preempts their formulation at the continental level, growth of

global governance could take place at the expense of continental development. The argument is straightforward. A more authoritative WTO with wider jurisdiction could reduce the importance of continental membership. The global trade order certainly reduces the level of protection that continental groupings of economies can use to offer their members preferences. Much will depend on each continental system's maturity as well as its position in the global balance of forces. Unless its own centrifugal forces cause it to self-destruct, none but the weakest continental regime is likely to be superseded completely by the WTO. As for the strongest, the European Union's prospects as a coherent political-economic system will surely depend more on its internal dynamics than on the success or failure of the WTO. Still, if the WTO effectively expands its global competence from trade matters to include investment rules, competition law, human rights issues, and even environmental and labor policy, the EU would *ipso facto* lose equivalent amounts of policy-making sovereignty with a consequent erosion of the European fortress's walls. This super-subidiarity in which continental regimes lose function to the universal level of governance could attenuate the strength with which the EU broadens its membership and deepens its political integration. This would cause the resulting European powerhouse to be more porous.

ASEAN represents one of the weakest continental groupings and suggests a further nexus of cause and effect. The round of crises experienced by a number of ASEAN's member-states in 1997 was located nationally, to be sure. The prime global effect was to strengthen the International Monetary Fund (IMF) as a lender of last resort and, more significantly, as dictator of restructuring policies. The continental regimes of ASEAN and APEC have been incapable of offering more than optimistic exhortations to those in dire financial straits. One can infer that they have in practice been found wanting. Hence discombobulation at the state level worked to support the hypothesis that globalism further dilutes the process of continentalism.

With its deliberately weak institutions and minimally supranational mechanisms, NAFTA's prospects in the light of WTO's aggrandizement are much more murky. It is open to new members. Chile, the Caribbean Basin, post-Castro Cuba, and an independent Québec head the waiting list of future members. The danger of premature broadening is to preclude the deepening required for NAFTA to become a significant instrument of continental integra-

tion.<sup>81</sup> Such prudent institution building is likely to be sidelined in the rush to expand continentalism to the whole western hemisphere as envisaged by the 1994 Miami Declaration on a Free Trade Area for the Americas (FTAA) which would overlap the various trade zones in Latin America and the Caribbean basin. If the U.S. administration remains in a multilateral mood despite its 1997 failure to get fast-track authorization from Congress and maintains the pre-negotiation momentum, an FTAA could arrive as envisaged by the year 2005. On the assumption that exports create jobs,<sup>82</sup> Canada wants to keep the process aimed at hemispheric free trade in motion, having already negotiated a separate agreement with Chile in 1996. This free trade zealotry may mask a desire to mitigate the excessive constraints of formalized bilateralism by a proliferation of multilateral arrangements. Mexico mirrors Canada's desire for some counterweight to its NAFTA noose by seeking to establish bilateral accords with partners in Latin America and Europe as well as Asia where some kind of free trade agreement is envisaged for APEC by 2010 for its industrialized members and by 2020 for its developing associates.<sup>83</sup>

Continental regimes could become more complicated and intertwined over the next few decades, proliferating rather than strangling under the WTO umbrella. Some wonder whether there is a point of diminishing returns in the multiplication of states' participation in continental, sub-continental, and inter-continental systems. The more groupings a state belongs to, the more confusion develops about which rules apply to which players, and the less value each association may have for its members.

The more it expands its membership, however, the less value an organization may have for its members. North America's geo-strategic value has already declined for Washington which has experienced a substantial attitude shift in the space of a decade. From its defensive, Monroe-Doctrine stance of the mid-1980s, the U.S. has again become buoyant and aggressive. Its strategy to entrench in the global regime its own approach to policies on intellectual property, services, investment, and even telecommunications deregulation has succeeded brilliantly. Its neo-liberal economic model appears to be proving superior in job creation and technological progress to the social-democratic model still in vogue in Europe and to Asia's more communitarian state-centered models. While this American disillusion with continentalism is due in part to lessened need in the shape of the U.S. economy's resurgence vis-à-vis its Asian and European

rivals, it is also because the troubles in Mexico -- corruption, drugs, emigration, and general political instability -- have made NAFTA anathema for many members of Congress as a path to pursue. In effect, Washington can reap the benefits of continentalization without bearing the costs of continentalism, thanks to a globalism which has now tamed the tiger of globalization.

Paradoxically, it is Uncle Sam's partners -- those who made the greatest concessions by giving up broad fields of policy-making sovereignty -- who cling to NAFTA's clauses as drowning swimmers grasp at straws. Canadian and Mexican diplomats use the document every day as they fight in the corridors of the American capital against protectionist moves by U.S. lobbies. Over thirty working groups mandated by NAFTA are beavering away on specialized intergovernmental issues focused on harmonizing regulations. These task forces give both officials and private sector representatives from Mexico and Canada highly valued leverage in the American political system.<sup>84</sup> Business continues to support NAFTA as a depoliticized constitution which, positively, guarantees it rights of investment and establishment from the Yucatan to Tuktoyaktuk and, negatively, provides insurance against more activist politicians in the future wanting to take ambitious, government-led initiatives that get in the way of free market decision-making.

Far more important, the successful establishment of a broad subsidy code by GATT's Uruguay Round has put substantial pressure on NAFTA members to incorporate this missing component in their agreement as the standard by which future trade disputes should be regulated.<sup>85</sup> This is not just because, as members in good standing of the WTO, Canada, Mexico, and the United States have each had to adopt this code in its own legislation. It is also because of the evident superiority of the WTO's procedures for resolving trade disputes among its members. The international rules, the lower legal costs, the more disinterested panelists, the strict time limits, and the retaliation-sanctioned weight of decisions suggest that disputes among NAFTA members will increasingly be taken for resolution to the WTO.<sup>86</sup>

Beyond the confines of ongoing intergovernmental relations and corporate strategizing, NAFTA does not seem to have built up much momentum. Bilateral relations between sub-national governments are not spontaneously transforming themselves into trilateral state-province-state relations.<sup>87</sup> Even business has difficulty practic-

ing continentalism in North America: the EU-US TABD excluded Canadian TNCs from this pathbreaking transatlantic business dialogue. There are some indications that elements of civil society are developing a continental praxis in what has been called "continentalism from below" as trade-union leaders and environmental activists, for example, learn about their comrades' struggles in the other countries of North America.<sup>88</sup> Since these cautious moves towards increased transnationalism do not endow NAFTA with either a political center or a popular base, it seems destined not to evolve into a sophisticated, institutionally complex, politically participatory supranational system analogous to the EU and able eventually to challenge the WTO in importance. On the contrary, if the WTO manages to maintain its early momentum and becomes the effective locus for regulating trade conflicts and developing a global economic regime, NAFTA could continue to lose its geo-strategic centrality in the minds of its member governments. If "use it or lose it" is a valid way to summarize this argument, then the global order will affirm itself at the expense of continental regimes if it is found to satisfy member states' trade needs and is used by them more actively.

Should continental regimes continue to offer their member-states faster, more responsive problem-solving geared to geographically contained needs, the two levels of inter-governmentalism will continue to coexist, if uneasily, for years and even the less robust continental regimes will not self-liquidate. Only if the WTO's growth is stymied -- whether by persistent obstruction of its dispute settlements, by failing to admit China and Russia, or by not dealing with new trade policy issues such as anti-trust -- could continental associations be expected to consolidate at globalism's expense. This would bring us back to the proposition that a failure to develop globalism stimulates continentalism.

While the constant renegotiation of the rules and the continual addition of new items to the agenda is seen by some as proving that linear progress is being made towards a more rational, liberal, and universal order, such an interpretation conceals the extent to which global negotiations have become the forum for a significant clash of values among competing continental power systems. The U.S. trade representative Charlene Barshefsky, proudly claimed in the wake of the WTO's telecommunications agreement that, "the United States has effectively exported American values of free competition, fair rules and effective enforcement."<sup>89</sup> American efforts to export U.S.

values can provoke reactions. Other countries and continental blocs can play the game of negotiating rules, but in order to constrain American norms. Brazil's efforts to build up a counterweight to the United States through Mercosur confronts the American vision of a Washington-led FTAA. Collective resistance to American pressure has been most obvious in APEC, which refused to adopt a U.S.-style, rules-based, litigious regime in favor of an Asian-style, consensual, mediatory approach to working out its trade and investment norms. Indeed the Asian system of capitalism may be so different in its normative base that conflicts in future rounds of global negotiation may become intractable.<sup>90</sup>

More likely is a growing acceptance of differences as the United States realizes that it can no longer export its values unchallenged. This change of consciousness is most apparent in the U.S.-EU relationship, which has moved towards parity in size and influence as the European Union has consolidated its single market with its steady movement towards a monetary union and asserted its sphere of influence throughout eastern Europe, the former Soviet Union, and the Mediterranean basin. Its fifteen member states already exceed the U.S. in population, GDP, and share of world exports. The EU's trade with the U.S. is in near equilibrium, as is the amount of foreign direct investment that each economy controls in the other. The impact of this new equality at the level of global governance could be seen both in the negative dynamic of the Uruguay Round when either the U.S. or the EU could block progress, and in the positive dynamic when such agreements as the one on telecommunications and financial services were jointly achieved, with Brussels pushing Washington as much as the latter hectored the former. The institutional recognition of a new EU-U.S. parity came with the 1995 Transatlantic Agenda and Action Plan. What was significant about the resulting transatlantic business dialogue was not just that it was driven by corporations rather than government but that its major accomplishment, the Mutual Recognition Agreement of 1997 (MRA), was based on the EU norm of mutual recognition of standards, not the American approach of harmonization. Equally significant for the prospects of continentalism in North America, the MRA was *not* negotiated by NAFTA. Indeed, Canadian and Mexican TNCs were actually excluded from the transatlantic corporate negotiations.

These observations suggest certain paths that research might take in studying the evolution of continental regimes in their global

dialectic. Some of the most fruitful avenues for monitoring this dynamic would appear to be observing the locus of conflict settlement, the type of decision, the extent of compliance, and the locus of norm-setting.

*Locus of dispute resolution.* If Canadian-American conflicts are taken for resolution more to the WTO than to NAFTA panels, this would imply that the constitutional weight of the former is more robust than that of the latter. If, on the other hand, inter-governmental conflicts in Europe continue to be resolved by the European Court of Justice rather than in Geneva, the EU's constitutionality would be seen to be continuing to prevail over that of the emerging WTO.

*Type of decision.* When Canada proceeded to tariffify its agricultural protection in accordance with the WTO's new regime, Washington challenged Ottawa for violating NAFTA's injunction against increasing tariffs. A NAFTA panel found the WTO to be paramount, showing NAFTA's provisions to be subordinate to those of the WTO. Japan is initiating a WTO dispute settlement panel against Canada over its tariff on the importation of Japanese automobile parts which remain a relic of the Auto Pact. If it wins, then North America's continental system will have lost still more sway to the global trade order.

*Extent of compliance.* If the United States or the European Union refuses to adopt trade dispute judgements that go against their interests, then the WTO's constitutionality will be proven to be weak. The EU's reluctance to launch a panel against Helms-Burton for fear that the U.S. would boycott the proceedings and so de-legitimize the whole WTO dispute mechanism is a clear indication that the WTO's constitutional legitimacy is still precarious.

*Locus of norm setting.* Many issues on the agenda of the Uruguay Round escaped resolution. Of these, two have already been negotiated since the WTO came into force. If new norms -- on cultural protection, human and labor rights, or environmental protection -- are successfully worked out under the aegis of the WTO, the latter would be seen to be expanding the scope of its constitutionality. If these efforts fail and the regulation of these issues falls more to continental (as is still the case for authoritative environmental measures) or inter-continental agreements (as is still the case for anti-trust determinations), then the latter's scope would be seen to be in the ascendancy.

The message for comparative research on continental systems seems clear: in an era of regime pluralism and fragmented sover-

eignty, the continental level's importance can only be determined on a case-by-case basis with great attention being paid to the locus and nature of the issues being dealt with and their interconnections with the global system and its sovereign state members.

The difficulties of studying NAFTA and the EU comparatively are formidable enough when undertaken as an exercise in static horizontal analysis. The trouble increases exponentially when the dynamic links connecting globalization and globalism with continentalization and continentalism are added to the intellectual agenda, because these are multi-causal situations so that the directions of causality are neither consistent from one time period to another nor uniform across a given phenomenon. For instance, in the late 1980s globalization could enhance continental systems in North America, Latin America, and East Asia while undermining the continental systems in Eastern Europe and in the Soviet Union. All four phenomena have affected the development of specific continental regimes both positively and negatively and will continue to do so. The interactions between continentalism and globalism in turn impinge on our efforts to understand the federal state's evolving role.

## V. GLOBALISM TO THE RESCUE OF NATIONAL SOVEREIGNTY

Contemplating the interaction between continentalism and globalism from the viewpoint of federal states,<sup>91</sup> one can see several reasons why they may wish to enhance the remodeling of international economic institutions rather than that of their continental system. The same states, which took collective action within their continental land mass to counter their economic weaknesses by forming a larger market in which to increase their competitiveness, have jealously defended their prerogative to represent the national interest at the global level in the context of their declining military *raison d'être* in the post-Cold War era and their loss of function internally once sub-national levels of government became more active in micro-economic policy-making. For the federal government in Canada, which is suffering a drastic loss of legitimacy, the trade representation role abroad is a precious bulwark against its challenged credibility at home. This compensatory response is somewhat pathetically illustrated by highly publicized "Team Canada" commercial missions to Asia or Latin America in which the prime



minister leads a gaggle of provincial premiers and hopeful entrepreneurs through a long itinerary of contract signings and photo-ops.

Confusingly, the new North America's reality reveals both decreases and increases of sovereignty resulting from continentalism, depending on which state and which policy area is chosen for analysis. Of course, state sovereignty was never an absolute. Everybody knows that, well before free trade, Canada's was far from total. That country's capacity for military self-defense, its ability to satisfy its population's economic needs from its own capital sources, its cultural and even its technological self-sufficiency were always severely limited. While the continentalization of the economy accelerated by NAFTA entails a further loss of Canadian governments' capacity to run their own economic and cultural policies, it has not constrained the country's ability to raise its political barriers to immigration. Mexico, while weaker in military, technological, and economic muscle, could be considered more fully sovereign because it had resisted, rather than fostered, dependence on the United States. Both states have taken on such binding commitments by entering NAFTA that their already attenuated autonomy has been significantly curtailed. In contrast, the United States's sovereignty remains largely undiminished by CUFTA or NAFTA: Article 103 of the U.S. implementing legislation for CUFTA specifies that, where there is a conflict between the bilateral agreement and American law, the latter will prevail.<sup>92</sup> In actual degrees of power, the United States has increased its hegemony by gaining an increased ability to monitor, review, and influence its neighbors' policy-making activities.

Globalism has turned managing sovereignty into a three- or even four-level game in which the federal state tries to outmanoeuvre its constituent regions, some of which are also pressing for standing in international fora. Having lost sovereignty on the state/continental axis, the federal state may actually have regained some along the state/global axis. The WTO is just one of the international institutions where even as vulnerable a country as Canada finds its powers continually reaffirmed as it engages in collective agenda-setting and deal-making with other states on an ever-widening set of issues. Further displacement of activity by federal states to the global level can be seen in the continuing process of establishing new rules in trade-related sectors not yet covered by the 1994 GATT agreement. The telecommunications agreement of February, 1997 and the finan-

cial services agreement of December, 1977, are harbingers of other sectoral agreements being negotiated interactively by states at the global rather than at the continental level.<sup>93</sup> True, the WTO's members agree to have their trade behavior scrutinized by an international dispute settlement jury. But they retain the formal right to refuse to implement a WTO judgment even though such a refusal would give the grieving trade partner the right to retaliate against it. This interactive global governance may be preferable for economic sovereigntists to the development of a continental-level process which reduces the power of the federal state while increasing that of its subnational components.

The threat of national fragmentation raises further questions. Paralleling its permeability in the direction of global governance, the continental model also appears fragile in the direction of national and sub-national governments in North America. We would expect that movement towards continental integration would further increase centrifugal forces weakening the member states at the federal level and strengthening their provincial or state jurisdictions.<sup>94</sup> There is some solid evidence that this hypothesis remains valid. Québec is not alone in pushing for more autonomy within the Canadian federation. Long the central motor of the Canadian federation, Ontario is now becoming so autonomous and dismissive of the federal government that it is on the way to becoming a "region state."<sup>95</sup> As the federal government's capacity to implement industrial policies declines, provinces have moved in to fill this vacuum. But the NAFTA factor here appears conjectural. Its provisions concerning national treatment, public monopolies, the deregulation of foreign direct investment, and restrictions on two-price systems for energy constrain provincial almost as much as they do federal policy makers. If Ottawa is vacating the field of micro-economic policy, this may have less to do with NAFTA's strictures than with deficit cutting (which deprives the government of the cash) and an anti-government consensus among governing elites (which deprives the government of the will) to support industries in need of public support.

But provinces are becoming more pro-active because a shift in the techno-economic paradigm towards post-Fordist, flexible, and knowledge-based innovation and production systems encourages governments to collaborate with private sector networks in order to maximize inter-firm learning and innovation.<sup>96</sup> This privileges the local and regional rather than the federal level of political action.<sup>97</sup>

Similarly, if American states are becoming more aggressive in courting foreign investment, this has little to do with NAFTA itself. Both phenomena represent regional responses to those organizational changes in transnational corporate behavior that are often associated with globalization but are more accurately seen as driven by the nature of information and communications technologies.<sup>98</sup> Nevertheless the development of continentalism is enhancing the autonomous role of border states in dealing with local issues such as environmental measures. In Mexico, decentralization is more connected with a continentalization that is forcing states to respond to new economic forces than with the continentalism enshrined in NAFTA. If more Mexican states and cities are electing governments not controlled by the PRI, this is evidence of a gradual democratization that has to do with broader forces of which the signature of NAFTA is but one. As continentalization has sucked the Mexican north into the American economy, particularly through the *maquiladoras*, Mexico's northern states have had to grapple on their own with new urgencies in providing infrastructure and regulation. In the process they are demanding more autonomy from Mexico City.<sup>99</sup>

Populist anger at political elites' trade-liberalization responses to globalization pressures may shake the cohesion of the ruling political group but should not necessarily be interpreted as nationally fragmenting. In Canada, elite efforts to make the constitution conform to the logic of continental free trade met defeat at the hands of the public on two successive occasions, adding "Meech" and "Charlottetown" to the Canadian constitutional lexicon with connotations of popular resistance to neo-liberal decentralization. Nevertheless, populism in Canada can support continentalism, a reality reaffirmed by the federal election campaigns of 1993 and 1997, which witnessed the rise of a Québec separatist and a Western protest party but which left Canada's participation in NAFTA virtually unchallenged. The White House's failure to obtain fast-track negotiation authority to expand NAFTA is a measure not of fragmentation but of nationalist populism. In Washington, NAFTA remains a lively issue, linked by its critics on the right to a fear of narcotics, corruption, and illegal immigration and by critics on the left to a concern about Mexico's labor rights violations, environmental degradation, and other manifestations of "unfair competition" threatening U.S. jobs.

Fairer electoral processes and reduced repression have allowed opposition party victories at all three levels of Mexican politics, but

the PRI's shattered dominance does not necessarily entail national dissolution. Political reactions to the social and economic catastrophes that can be blamed on NAFTA and neo-liberalism may result in a reaffirmation of more traditional revolutionary Mexican nationalism. Public wrath may, in a perverse way, do much to define the characteristics of North America in its sub-national dimension. It was entirely deliberate that the uprising in Chiapas was timed to break out on the day that NAFTA came into effect. Its leader, sub-comandante Marcos, was signalling an explicit connection between the expulsion of peasants from communal lands privatized under the restructuring of Mexican agriculture, and NAFTA, itself a symbol of the larger and historically more momentous transition to neo-conservatism which the PRI initiated. When the peso crisis struck in 1994 and economic catastrophe ensued in 1995, NAFTA became a more generally contentious issue, symbolizing for Mexico's many losers the cause of their misfortune and, for the few winners, the way ahead. The shift in the public discourse of the late 1990s to the rhetoric of debt and deficit reduction in Canada and to the language of economic mismanagement and political turmoil in Mexico has tended to obscure continentalism as a factor in the public debate.

As students of federalism know perfectly well, every extra level of autonomous government creates further conflicts of jurisdiction and contradictions of policy. Member states engage in forum-shopping calculations as to whether it is to their advantage to take their disputes to Geneva or deal with their partners according to the norms of their continental system.<sup>100</sup> A recent example will make the point. Bridling at the vaunted cultural exemption that CUFTA offered Canada, the United States went to the World Trade Organization with its complaint about Ottawa's action barring the magazine *Sports Illustrated* on the grounds that it was a dumped split-run edition. Not only did Washington's success in the resulting WTO panel decision largely nullify the value to Canada of the putative cultural protection obtained in CUFTA's Article 2005 and so undo a deal Canada had "paid for" by specific concessions in its original negotiations with the US.<sup>101</sup> The WTO decision also reached back into Canada's legislative history and declared invalid cultural policies long established by democratic procedures. Countries will be reluctant to negotiate agreements in which they make concessions at the continental level if they can be invalidated at the global level by other provisions being turned against them.

This conundrum suggests a number of questions. Will the codes embodied in the WTO's rules prevail over incompatible continental norms to determine national practices? When Canada proceeded to tariffify its agricultural protectionism in accordance with its new WTO obligations, the U.S. launched a dispute action alleging a violation of CUFTA, which committed Canada to desist from raising its tariffs. This complaint was deemed by a CUFTA dispute panel to be illegitimate on the grounds that the WTO's norm prevails over NAFTA's. Will precedents created at the global level by the WTO's panel decisions continue to be recognized as authoritative in disputes adjudicated by a continental dispute process? If criteria for anti-dumping and countervail determinations are articulated differently in NAFTA's procedures, will countries become involved in a never-ending game of jockeying between one regime and the other, causing destabilization and delegitimation?

Coherence is not just an issue between the global and the continental levels. To the extent that continental regimes overlap -- NAFTA and APEC have common members, as would Mercosur and FTAA -- variations in the deals struck will cause a confusion that is multiplied every time a new bilateral agreement is signed. Dissonance between norms at the continental and global levels will not only cause problems for states; it will not be tolerated for long by a corporate community which considers uncertainty to be among the worst of all possible evils. Eliminating such discrepancies will likely become a high if elusive priority for the global trade order. Global TNCs will likely favor global consistency over continental divergence, but such a triumph of universal norms is not a forgone conclusion. States retain enough sovereignty to respond in highly idiosyncratic ways to the exogenous pressures they experience, as continuing diversity among national social welfare systems confirms.<sup>102</sup>

As the traditional locus of power, the federal state is thus facing new threats from the continental and global forces which have altered the environment within which it operates. The pressures to resolve problems at the global and continental levels exemplified by the WTO, EU, and NAFTA aggravate internal strains promoting internal decentralization and national fragmentation. Challenged sovereignty, increasing complexities in multilevel governance, and the proliferation of links between states and trade zones are only some of the complications bedeviling our understanding of the state

within the context of comparative inter-continental research. The state is not necessarily disintegrating under these pressures but it is certainly being re-shaped as it strives to control its own destiny and maintain its legitimacy in the eyes of a citizenry now highly conscious of the interplay between the global and the local.

## VI. CONCLUSION

With a new political economy reality arising, can a new academic discipline be far behind? Several continental systems have catalyzed since the end of the Cold War, bringing various groups of states into formal associations which sport varying levels of complementarity and cohesion. Clearly, scholars are already attempting to keep pace with the changing face of both continentalism and globalism without having the luxury of agreeing in advance about the scope of the problems or the methodology to be used in analyzing them. Rather than a call for more resources to be devoted to comparative continentalism, this paper urges circumspection. It is too late to urge that we look before we leap, but even if many have landed on their feet, we still need to look before rushing on. The prospects are daunting since all the methodological difficulties inherent in carrying out static or horizontal comparisons of continental systems are compounded by the vertical dynamic set up by the interaction of global, continental, federal, sub-national, and even municipal levels of government.

Intra-continental scholarship will necessarily be more extensive than inter-continental comparisons; the costs of the former are far lower than the latter, and the benefits of the resultant learning are likely to be superior. It is not so much that contiguity is the mother of familiarity. Rather, it is that in intrasystemic analysis, the greater degree of contextual similarity allows research to proceed with fewer variables to be considered. However, intra-continental analysis needs to be supplemented by an inter-continental comparative capacity. Problems that may seem *sui generis* when only studied in their own context may turn out to be less than unique when compared with the same issue in other systems. What is truly distinctive may only appear when elements common to both have been recognized.

Given the effervescence of the global trading system and the mutations of its national and continental components, we need to be cautious in our conclusions. North America can be acknowledged as a continental system because of the proximity of its three members

and the interdependence of their three economies. In practice it is really two overlapping, asymmetrical sub-continental systems, the Canadian-American and the Mexican-American with the United States as central hegemon and Canada-Mexico relations remaining marginal. This is the configuration that CUFTA and NAFTA have "constitutionalized," to use the concept popularized by Ronald Reagan when he called free trade an "economic constitution for North America." The politics of NAFTA suggests that it has not achieved that legitimacy, sense of community, or commitment from its member-states that would give it a momentum towards further consolidation, whether in the direction of deepening or broadening. Besides, now in the shadow of the WTO, NAFTA appears doomed to secondary importance, whether as an enforcer of old norms or as a generator of new ones. Whether other new continental systems outside North America are even more fragile remains to be seen.

A final note of caution is in order. We must be careful not to reify the continental entity. There is little that is permanent, still less that is sacrosanct, in the membership or boundaries of a continental regime. To the extent that the new continentalism is basically the creation of transnational markets, continental regimes are vulnerable to the ever-changing organizational, technological, and managerial needs of capital. And to the extent that federal states remain the chief repository of democratic legitimacy, we must remember that they will continue to play the decisive political role in the new global architecture. But to the extent that North America and Europe remain locked in their reciprocal obsession, comparative continentalism is likely to be weighted towards the NAFTA-EU axis, providing new grist for the voracious mills of transatlantic social science.

## ACRONYMS

AD	anti-dumping actions
APEC	Asia Pacific Economic Council
ASEAN	Association of Southeast Asia Nations
ASEM	Asia-Europe Meeting
CUFTA	Canada-United States Free Trade Agreement
CVD	countervail (tariff) decision
EU	European Union
FTAA	Free Trade Area for the Americas
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
IMF	International Monetary Fund
MAI	Multilateral Agreement on Investment
Mercosur	southern (LA) common market
MRA	Mutual Recognition Agreement
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NEP	National Energy Policy (Canada)
OECD	Organization for Economic Cooperation and Development
PRI	Party of Revolutionary Institutions (Mexico)
TABD	Trans-Atlantic Business Dialogue
TNCs	transnational corporations
TRIPS	Trade-Related Intellectual Property Rights
WTO	World Trade Organization



## NOTES

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<sup>2</sup> Turner, Frederick J., "The Significance of the Frontier in American History," American Historical Association, 1893.

<sup>3</sup> Garreau, Joel, *The Nine Nations of North America* (Boston: Houghton Mifflin, 1981).

<sup>4</sup> Mackintosh believed that Canada was a nation created in defiance of geography. For him the continent meant Canada plus the USA. "Our economy," he wrote in 1959, "is closely, increasingly closely, geared to that of the United States. We need United States markets. We need United States capital. We need United States industrial 'know-how.' Clearly our economic policy will be shaped by our needs." Cited in Gordon Laxer, *Open for Business: The Roots of Foreign Ownership in Canada* (Toronto: Oxford University Press, 1989), p.25.

<sup>5</sup> Harry Johnson, the dean of Canadian economists in the 1960s, once famously wrote "I believe that closer integration of the two economies into one continental economy would be beneficial to both countries and would involve no loss of any Canadian nationalist objectives worth pursuing." For him, too, the continent did not include Mexico. Cited in Stephen Clarkson, "Continentalism," *The Canadian Encyclopedia* (Edmonton: Hurtig, 2nd. ed., 1988), p. 511.

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<sup>23</sup> de Castro, Rafael Fernandez, and Claudia Ibarguen, "Emerging Cooperation: The Case of the NAFTA Commissions," in Charles F. Doran and Alvin Paul Drischler, eds., *A New North America: Enhanced Cooperation and Interdependence*, (Westport: Praeger, 1996), pp. 113-130. See also Judith Hellman, *Mexican Lives* (New York: New Press, 1994).

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<sup>25</sup> Granatstein, Jack L., "Free Trade between Canada and the United States," in Denis Stairs and Gilbert R. Winham, eds., *The Politics of Canada's Economic Relationship with the United States* (Toronto: University of Toronto Press, 1985), pp. 11-54.

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<sup>38</sup> Weintraub, Sidney, *NAFTA at Three - A Progress Report* (Washington: Center for Strategic and International Studies, 1997).

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<sup>72</sup> Helleiner Eric, "Regionalization in the International Political Economy: A Comparative Perspective," (University of Toronto-York University Joint Centre for Asian Pacific Studies: Toronto, 1994), 46a-ii.

<sup>73</sup> Deblock, Christian, and Dorval Brunelle, "De l'ALE à la ZLEA: le régionalisme économique dans les Amériques revisité." Unpublished paper. n.d. 26 pages.

<sup>74</sup> Palacios, Juan J., "El nuevo regionalismo latinoamericano: el futuro de los acuerdos de libre comercio," *Comercio Exterior* 45:4 (April, 1995), pp. 295-302.

<sup>75</sup> Winham, Gilbert R., "International Trade Policy in a Globalizing Economy," *International Journal* LI:4 (Autumn, 1996), pp. 638-650.

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<sup>77</sup> Clarkson, Stephen, "Disjunctions: Free Trade and the Paradox of Canadian Development," in Daniel Drache and Meric S. Gertler, eds., *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's University Press, 1991), pp. 103-126.

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<sup>79</sup> Kent, Christopher, "The Uruguay Round GATT TRIPS Agreement & Chapter 17 of the NAFTA: A New Era in International Patent Protection," *Canadian Intellectual Property Review* (1994), pp. 711-33.

<sup>80</sup> Stern, Paula, "The Transatlantic Business Dialogue: New Paradigm for Trade Expansion and Regulatory Harmonization." Testimony presented before the House Committee on International Relations, Subcommittee on International Economic Policy and Trade, Washington, Sept. 10, 1997.

<sup>81</sup> Doran, Charles, "When Building North America, Deepen Before Widening," in Charles F. Doran and Alvin Paul Drischler, eds., *A New North America: Enhanced Cooperation and Interdependence* (Westport: Praeger, 1996), pp. 65-89.

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<sup>83</sup> Palacios, Juan J., "The Dual Logic of Trading Bloc Building in the Pacific Rim: Mexico vs South East Asia under NAFTA?" mimeo, 1994.

<sup>84</sup> Jacek, Henry J., "Public Policy and NAFTA: The Role of Organized Business Interests and the Labor Movement," *Canadian-American Public Policy*, 19 (Oct. 1994).

<sup>85</sup> Morici, Peter, "Resolving the North American Subsidies War," *Canadian-American Public Policy* 27 (September 1996).

<sup>86</sup> Howse, Robert, "Settling Trade Remedy Disputes: When the WTO Forum Is Better than the NAFTA," *C.D. Howe Institute Commentary* 111 (June 1998).

<sup>87</sup> Munton, Don, and John Kirton, "Beyond and Beneath the Nation-State: Province-State Interactions and NAFTA," paper for the International Studies Association, (San Diego, April 1996).

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<sup>89</sup> *New York Times*, Feb. 17, 1997, p. 1.

<sup>90</sup> Stubbs, Richard, "ASEAN's Distinctive Capitalism: Implications for International Trade Rules," in William D. Coleman and Geoffrey R. O. Underhill, eds., *Regionalism and Global Economic Integration: Europe, Asia and America* (London: Routledge, 1997).

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<sup>96</sup> Bob Jessop, "Post-Fordism and the State," in Ash Amin, ed., *Post-Fordism: A Reader* (Oxford: Blackwell, 1994), pp. 251-79.

<sup>97</sup> Wolfe, David, *op. cit.*

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<sup>102</sup> Banting, Keith, "The Internationalization of the Social Contract," in Thomas J. Courchene, ed., *The Nation State in a Global/Information Era: Policy Challenges* (Kingston, Ont. John Deutsch Institute for the Study of Economic Policy, 1997), pp. 255-85.

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## CONTENTS

I. CONTINENTALISM AND POLITICAL SCIENCE: A LOOK AT THE LITERATURE .....	4
II. IN SEARCH OF A NORTH AMERICAN MODEL .....	8
NAFTA as Constitution: an American Mode of Regulation .....	15
III. COMPARING CONTINENTALISMS .....	20
IV. CONNECTING CONTINENTALISM AND GLOBALISM .....	32
A. Recent Patterns .....	33
B. The Hegemon's Fear of Failing .....	34
C. Fear of Failing in the Hegemon's Periphery .....	36
D. Future Prospects .....	41
V. GLOBALISM TO THE RESCUE OF NATIONAL SOVEREIGNTY .....	48
VI. CONCLUSION .....	54
ACRONYMS .....	56
ENDNOTES .....	57

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