

In Search of North America - Do Borders Still Matter? Wuz Up?

Daniel Drache

“...crossing the border is like ripping the continent, tearing its invisible casing”

Clark Blaise, from *The Border as Fiction*

Their homes were worlds unto themselves. The fishermen were not nationalists of any sort, defined themselves as neither Newfoundlanders nor colonials, but as residents... sprung from the earth of whatever little island or cove they had grown up in.

Wayne Johnston, from *The Colony of Unrequited Dreams*

Dieu...n'a mis aucune barrière naturelle pour nous séparer de nos voisins; c'est en vain que nous essayons d'y suppléer par des barrières artificielles”,

François Langelier, Homme d'état et juriste Canadien, dans un Discours à Boston, 1891

Introduction

In an obsessively commercial age, North America is a powerful laboratory to chronicle the effects of borders and to determine whether borders matter any longer economically, culturally and politically for North Americans.

With the vitality of the continent anchored in its leading economic regions – the northern parts of Mexico, the American south-west, the Great Lakes region and New York, the American mid-west and the Los Angeles hub, no wonder border effects seem to matter less and less. Culturally too most of our ideas are not single-sourced from Canada. We can read newspapers from anywhere, surf the net, or watch television that is programmed and beamed across the globe. Many of our loyalties are no longer nation-centred in the way they once were. We can be for or against globalization; for cosmopolitan democracy, against regional free trade; for a stronger democratic society and for global free trade. To be Canadian, American or Mexican is only one of our identities. We can opt into our national community or opt out. As the border has opened up and barriers come down, the protective fortress-like-skin of the nation-state seems to be receding at a record pace.

Compared to other borders in the world the Canada-United States great border is one of the least contentious on the planet. It is well managed, hundreds of thousands of people cross it annually and the value of goods and services exported exceeded \$800 billion in cross border trade. Our common frontier is a telling example of an 'imagined community' of common interest, need and co-operation that transcends all of our many differences. Culturally two of the world's wealthiest countries speak and breathe English, the imperial language of the world despite Canada's official bilingualism and multiculturalism. Still more than ever, borders excite the passions of who we are and the identities that we hope to maintain.

The question which has eluded any definitive answer is, are these two close neighbours, joined not only at the hip through geography but also attached at the head with their elites sharing similar mentalities, similar or parallel societies despite the border? Are we separate and unequal people? Twins or merely look-alikes? Defined by differences of degree or more fundamentally of kind? Joined together by manifest destiny of the continent or kept apart by parallel, incompatible national fortunes? These pressing issues deserve some frank answers.

The Space Above and Beyond the Border

It is often forgotten that where the US northern Border with Canada is today was established long ago by 1846. No Canadian or American celebrates this signal date. The border has just been there. It has never moved since or been at the centre of any blood-letting. Unlike Europe or Asia, Africa and Latin America, the two countries did not go to war to defend it or extend it since that time. For more than 150 years Canada has been a post-national state without having its territory to defend from its imperial neighbour.

Canadians like to repeat the adage that good fences make for good neighbours as though repetition will make it come true. Contrary to national myth, joint management of the forty ninth parallel has never been insurance that the peaceable kingdom of the vast continent has been well shared. The border is not simply a line imposed on a map but represents the real and symbolic manifestation of power where two unequal sovereignties have quarrelled and skirmished. They have clashed most often about the space above and

beyond their common undefended border for resources, access to markets, security needs and the integrity of the cultural visions of the two countries.

In the best Canadian tradition, we have certainly been confounded and often perplexed by the great boundary that divides the continent into two unequal countries and have not very often devised a long-term strategy to defend it forthrightly. Instead as we shall see Canadians have fashioned an awkward compromise between their nationalism and their realism about the place of the border and its spatial importance in national life. Compared to the Republic, we are minimizers of its legal and strategic effects. The contrast could not be more striking. Our good southern neighbour did the very opposite and elevated the border to the same imperial rank as the flag, the constitution, national interest and the presidency. The difference with Canada's mythology could not be greater.

Yet Canada's spatial concept of the border has always had a compelling quality. Theorists tell us that social space, in particular, gives place a local definition. The nature of a spot or a place is part of the material reality that structures human existence in endless number of ways nationally, locally and regionally. Public places, markets, cultural centres, safe streets, clean cities, hospitals, universities, day care centres need to be paid for and supported. But even more importantly, in the Canadian version social space is the result of collective endeavour. Canadians have invested heavily in social space and the rights and obligations this entails. Americans do not see the need for such a commitment of their resources. It is this singular difference that makes Canada have a strong preference for the collective 'we' rather than the individual 'i'. It also is one of the enduring small differences that make us so different from the US. It also explains Canadians' attachment to the positive role assigned public authority in society. Here is where the forty-ninth parallel properly can be said to divide the continent irrevocably in two.

This notion of the public domain in which public interest, the public sphere and public sanctuaries furnish society with its democratic impulse and solidarity helps us understand the way spatial dynamics are doubly important. It enables us to identify political agency, the way politics is moving towards or away from democracy in a continental setting. Economically these diverse spatial effects also help account for the sharply contrasting and observable reactions of people and communities to the emergent North American market. Divergence is a powerful indicator of border effects and there are so

many indicators of divergence that it is impossible to speak any longer about North America in the singular as the benchmark consequence of the continental market.

Ex Pluribus, Pluribus: Out of Many – Many

There is no longer a NAFTA dominant North America but many competing ones for the honour. Instead there is the North America of the poor and the excluded. 18 percent of Canadians; 25 percent of Americans and 60 percent of Mexicans live at the margin, below the poverty line without access to housing, food, services, education. There is a North America of toxic dumping, the despoliation of the continent from open-pit dumping of hazardous wastes. Ontario and Quebec are prime sites for disposing of toxic materials. There is the North America of one way streets of energy exports and electricity shipments from the Canadian north to the US south or to the American south-west or north-east. North America is a continent of vast infrastructure development with little regard for the environmental costs of pollution emissions and wasteful consumption of energy.

There is a North America of affluence and gated-communities of the capital cities of the continent who live behind security walls in ease and security. They are largely untouched by the crime, squalor and homelessness that this world of privilege, consumption, vacation getaways, bestows. There is also the North America of security arrangement and homeland defence. Security spending is one of the fastest growing employment sectors employing over 20 million (?) people. Security is big business and even more than the information economy is increasingly an integrated industry organized on a continental footing by US transnational security firms. Defence of the homeland is the other public face of security, the large security agenda now at centre stage in US defence circles. Washington sees the border as porous and a high security risk. The militarization of the southern border is already advanced and now stretches thousands of kilometres across Texas. Integrating Canada into American homeland defence needs is the next step in creating new frontline security boundaries.

Finally there is the North America of the public reconnect and market disconnect. The need to restrict the intrusiveness of markets and to rebuild the public domain in all its many aspects has emerged throughout North America as the new agenda with many different voices and iterations. Popular and national sovereignty is back and borders

matter to local and regional communities. Meeting new citizen expectations and demands has changed the face of North America. By comparison NAFTA is far too narrow an economic agenda to move North America in all of its diversity and complexity out of the current impasse of NAFTA logic.

The story to be told is that the prospect of closer ties between the imperial republic, the great federation and the democratic revolutionary republic has always captured the imagination of an elite group of historians and social scientists. North America has never been a popular idea with thunderous support for it. It has neither a automatic future waiting to happen nor is it a continent where unity is bred in the bone by geography, mentality or markets. Vast imperial North America is simply there as an intangible, one marginally interesting idea in a crowded and busy intellectual market place.

So far the twelve regions of North America have not been able to transcend the power and influence of the nation state in North America. Nor has the Southern and Northern US boundary lost any of its significance and muscle. Planned integration between the three NAFTA partners has geared down and there is little support to take the next, giant-sized step of deep integration. Deregulation has likely run its course and the North American asset bubble will not come back. Economically there is no over-arching vision for North America in the heyday of free trade. As for the resiliency of the great boundary frontier, in 1999-2000 Canada alone collected close to \$22.5 billion in border fees, taxes and duties from it. In the US the take is greater. Washington, like Ottawa and Mexico City know the value of the border as a revenue generator. Borders don't matter? Think again.

Ten years after Canada and the US signed the first free trade agreement 'the expanse above and beyond borders' has become, in a way few predicted, a strategic site of conflict to preserve the social bond not of the continent but of each domestic entity. Few North Americans should be surprised of the resiliency of identity politics and the pull of territory in North America. The growing interest in the contemporary relationship between the peoples and the regions of North America feeds the historical and political imagination and raises again the most basic of questions in what sense do territory and identity matter any longer if at all?

The most persuasive response is that large and small differences persist between the two countries in so many spheres of public and cultural life that both defies and

overrides the intrusive market intelligence of free trade. It's time that we understood the full importance of the strongly divergent responses to the North American idea in our values and practices. We do not share a common purpose because we share a continent. We remain curious about each others' ideas, thinking, habits and customs as we always have. Will a distinctive North America emerge politically or economically? Can it? We gotta see what the evidence reveals.

D.D.

Part I: A Good Decade for Borders

The nineties have been a very good decade for national frontiers. Over forty new borders were created or about 4.3 a year! Consider only the last ten years how many more countries have emerged on the world's stage from the breakup of the communist bloc, the Balkans and the de facto borders set up by the warring factions in the developing world. Add also to the list the US, its tightly watched border is now the most heavily fortified demarcation line among industrialized nations.¹

Beyond this, countries with long established frontiers are trying to patch the 'leaks'. They are trying to reinvent the border to reflect new technologies and management practices. Never have so many small nations been as successful in using their borders to generate revenues. While people from Quebec to Shri Lanka are aspiring to establish new borders, other countries from the big trade blocs want to make their shared border crossings frictionless, virtual frontiers for multinational business to buy and sell at will. The paradox is that even where state-erected tariff walls are falling to the spread of free trade and open markets, the goal is not to weaken the nation-state but to strengthen it.

For good reason we are obsessed with the border in an internationalist age. With goods, e.commerce, money and services able to move almost effortlessly across the legal frontier of nation states, people everywhere want complete freedom of movement from state-imposed border controls. Today, boot up the worldwide web and you realize immediately that mass culture knows no border nor is respectful of any frontier. With all this newfound interconnectedness, we need to rethink the future of borders in an innovative way if ideas and policies are to have any power and relevance to reality.

Yet there is a dangerous tendency to see the end of borders, the end of the nation-state and the rise of the global economy, as all of a piece. Some policy experts have

¹ A very early version of this paper was presented at the *Fourth International Congress of the Americas*, UDLA, Puebla, Mexico, September 1999, organized by Professor Isidro Morales and more recently at *Rethinking the Line: The Canada-US Border*, Vancouver Oct.22-25 2000 organized by the Policy Research Secretariat, Government of Canada, Ottawa. Seth Feldman, *The Distinguished Robarts Chair 2000* early on provided materials and ideas on Turner's frontier thesis and has been a constant critic and a well-spring of ideas. Harry Arthurs gave the paper a close, critical read that challenged many of its assumptions and his feedback made a crucially important difference. Michael Adams and Daniel Latouche were persistent, supportive critics of this extended essay. Stephen Flynn, Jim Rosenau and Keith Banting have been very helpful in different ways. Charlotte Lambert-Drache helped too at different times. Kyle Grayson and Laura Taman were particularly helpful throughout its preparation and in its editing. The paper is still a work in progress. This book is dedicated to Norman Feltes (1932-2000), academic, social justice activist, patriot, Innis scholar and friend.

reached the erroneous conclusion that some countries or blocs of countries, facing deep integration pressures, might dissolve because of high levels of integration. This is precisely the Canadian case and its relations with the United States. It shares a common border, language, culture, direct investments and many other crucial aspects of economic life with a more powerful neighbour. The startling implication is that, if the present high-levels of integration continue, Canada might not exist in twenty-five years. Again, is there any truth to the underlying assumption that integration spells disappearance?

Think about this immanent prospect in comparative terms. No American believes that the US is going to disappear because the US faces unparalleled integration with Canada and Mexico. You will not find any articles in the *New York Times* or the *Washington Post* on a similar theme. Italians who have as shaky and rickety country as Canada in many important respects do not make this sort of claim. Nor do French intellectuals rush to line up to declare solemnly that 'the possibility of France not mattering has to be taken seriously.' Nor do countries that are infinitively poorer with few of Canada's resources become obsessed with the possibility of wholesale assimilation by a powerful neighbour. The case is hardly airtight from a logical point of view.

Conformist thinking like this only leads to dangerous policy errors that Canada and the US are converging across a broad front in so many areas of public life from tax burdens to state spending. As we will shortly discover, integration between the two countries has followed quite a different path. We are forging a North America where the three nations are increasingly separate, parallel and unequal. Yet irrevocable damage has been done and costly mistakes have been made when the alarmist thesis is seen to be the benchmark for the future. In democracies borders have rarely functioned like a kind of backward looking Maginot Line of the nation-state to isolate people from each other. Even when markets are so powerful as now the economic and political skin that defines who we are is not unimportant. Such loose talk is based on hasty generalizations, half-truths and falsities masquerading as critical thought. It is important to get all this out onto public record. Why should perception be everything and the facts largely irrelevant?

In this globalized world what is different is that borders are no longer important for tariffs, but for all the other aspects of international economic and cultural life, they are from

food standards to financial due diligence. Why is this so? The unelaborated answer is that borders are points of entry for people as much as goods. They are an index of raw economic power, gateways controlling market access and much more. They ring-circle the national frontier, the marker of national sovereignty, fixed by law and geography. Most of all frontiers are the concrete manifestation of real and symbolic power.

If any further evidence is needed, consider these two recent headlines: “[US] Steel sector urges restrictions after surge in foreign imports” (*Financial Times*, October 2000); “Bush threatens import curbs to protect US steel producers” (*Financial Times* June 6 2001). The call came from US steel producers and their congressional supporters to rescue an industry from overcapacity and low-priced steel imports. “Its in our nation’s intrerest to make sure that if there are unfair trading practices...we address those in an aggressive way,” said Bush. The US, the most powerful country in the world, has the toughest trade rules in existence to protect its industries when it deems necessary. Protection takes many forms that have nothing to do with the beggar-thy-neighbour high tariff policy of the thirties. Just before the elections in Canada and the US the American ambassador to Canada proposed the creation of a security perimeter covering Canada and the US because the US is alarmed by its highly visible northern border which they now think of as a sieve and a source of national insecurity.¹ Free trade made borders supposedly a thing of the past; security concerns are making the border the high priority for the future and the new border priority conveys the singular message that American border management requires tightening and closing from real and imagined threats posed by illegal exit and entry. Currently there are now twelve bills before the Congress calling for new sweeping proactive measures to tighten border procedures.² The US is not alone in rediscovering that its security matters as much as economic opportunity. So what exactly is the future of borders in a global age?

Borders, Frontiers and Checkpoints

Every border is fixed by geography and statutory administrative practice. It has a personality too. Some look like an armed camp; others minimize the police presence that

¹ Homeland Defence and Security Perimeter: Implications for Canada, Glendon College, York University 25 May 2001.

² Steven Flynn, 2001

you see. No one goes to the border to chat with the custom's guard. Rather a border crossing is never a place of amicable passage. It is a place of tension, unease and uncertainty because it is a place of administrative surveillance, a security checkpoint and often militarized. Each visitor has to fill out a customs or immigration card. These seemingly insignificant instruments of border management convey a lot about the reality of the border and particularly the way public authority views the borders of Canada, US and Mexico. Canada's authorities have made the border almost imperceptible for regular entry; Americans have not dropped their guard but politicized theirs and for Mexico, the border has a strong commercial and security bias. What is the significance of these sharp differences?

Anyone who wants to understand how the Canadian border compares with the US better read the customs declaration card that has to be completed upon arrival. Canada Customs asks rather straightforward and obvious questions about firearms and other weapons, and goods that have commercial or professional value that may require inspection. As an agricultural country, customs officials demand that visitors declare anything that might threaten Canada's resource bounty including animals, birds, insects, plants, plant parts, soil, fruits, vegetables, meats, eggs, dairy products, living organisms and vaccines. There is a 'good citizen' quality about the Canada Customs form. Customs only want to know if you have purchased any articles made or derived from endangered species. The Canadian border is not presented as a defence perimeter nor a political boundary like it is to the South. It is almost unseen to the visitor, a quick administrative inconvenience; something that matters only for immigration purposes.

For a country with one of the longest borders in the world, Canada's customs officials have succeeded in reducing what might have been an heroic representation of its border into a mundane set of questions. Canadian officials convey the impression that, except for wrongful entry and illicit transshipment of goods, the border operates as a kind of administrative necessity in which its physicality is almost rendered indiscernible. It is as if you don't remembering crossing the frontier.

Should you plan to spend time in the United States, a visitor understands immediately the difference. Its border is highly politicized and that American law applies to any alien coming to the United States. The custom border official that greets you is armed

and the border card for a visa waiver is an in-your-face kind of questioning that demands truthful answers to a long list of difficult questions. A wrongful answer and you can be detained and expelled and have your car impounded or seized. The card asks whether you have been a drug abuser or addict, or are infected with a communicable disease. It asks whether you have ever been arrested or convicted for a crime involving moral turpitude or a drug-related violation. It wants full disclosure on whether you have ever been arrested for two or more offences for which the aggregate sentence was five years or more. The United States is taking no chances because it also expects full disclosure to the question, are you seeking entry to engage in criminal or immoral activities?

American authorities have a long memory and a massive computer data bank to ensure that your answer is truthful and forthcoming. They want full disclosure regarding any acts of espionage or sabotage, terrorist activity or genocide with no time limit imposed. But it has a particular interest in whether you were involved in any way with Nazi Germany and its allies and whether you were prosecuted as a war criminal. Other questions are just as probing. United States customs officials want to know if you have been excluded or deported from the United States or refused a visa by fraud or misrepresentation. Visitors who have detained, retained or withheld custody of a child from a United States citizen granted custody of that child would be barred. Finally, the form asks whether you have ever asserted immunity from prosecution, which is one's right to do so. For those who are intending to stay for more than a day of shopping and have serious business in the United States the border is the demarcation point that separates the American from the non-American.

The Mexican customs declaration is largely a functional matter of record. Its customs form fits to the 't' its status as a modern developing country. As a nation with such a long history of currency devaluation and recurring capital flight, its public authority wants to know whether a visitor is carrying more than \$20,000 USD or its equivalent in other currencies. The form is quick to point out that it is not an offence to carry such a large sum of money but not to declare it is. Mexico, too, asks the standard kinds of questions about firearms, goods subject to taxes, the dangers that produce, vegetables and fresh fruit pose to Mexico.

But it is more sophisticated than Canada because its prohibited list includes certain kinds of chemicals, pharmaceuticals and biological products for agricultural use. The most powerful reminder of Mexico's development status is seen in the way Mexican officials encourage and permit Mexican residents to buy consumer products – cameras, video cameras, cell phones, sporting equipment, laptops etc. – provided that duty is paid and the appropriate permits are obtained. And for returning Mexicans, who are residents abroad, they too are allowed to bring mass consumption goods into the country. The intent is to allow Mexicans to buy sophisticated electronic and other equipment abroad and thus improve the technological capacity of Mexico.

The bureaucratic administrative rules are only part of border reality. Every border needs regulation; it is required by law. The border may appear a relic of the old nation-state but is it? For day tripping, cheap eats, family outings, visits to Niagara Falls and bargain-based shopping borders seem unimportant and anachronistic. Millions of cars, trucks and boats cross with little difficulty. These are the 'soft effects' of the border. The frontier is a gateway to let people in and keep others out. In the former Soviet Union, a few countries have even privatized their border controls.¹ Like many other dubious experiments in today's Russia, no major power is following this isolated example. Experts will tell you that the trend is for countries to share costly border management operations.² For instance, in the EU member countries will pre-inspect each other's cargo. Canada and the United States are looking at ways to facilitate the movement and streamline some of the customs procedures for the hundreds of thousands of trucks that criss-cross the border daily bringing goods to market.

But, if you get stopped at the border by one of the thousands of tough armed border officials you feel the anxiety mount. The invisible border is transformed into an immediate tangible reality; these are its 'hard effects'. You know that you are entering another country where you have few rights and no protection. You can be questioned, detained, have your car confiscated and personally jailed. You can be barred forever from visiting your family and friends.

¹ Reported by Robert D. Kaplan, "Where Europe Vanishes", *Atlantic Monthly*, November 2000

² Stephen E. Flynn, "Beyond Border Control" *Foreign Affairs* 79:6 November-December 2000

So what then is a border, any border? The most authoritative answer is that it is the concrete manifestation of political sovereignty and power, both symbolic and real.¹ Where borders meet, the asymmetry of power reigns supreme. The great irony of open borders is that they are loosened only for the self-interest of the individual parties. Borders make a lot of money for public authority. They are a permanent money machine. Canada collected over \$22 billion in customs, duties and other special fees in 1999.² The US take was in the hundreds of millions. In 2000 the Northern Border generated \$397,895,873.00 in tariff duties; \$206,600,632.00 in taxes; and \$62,868,551.00 in administrative charges, users fees and product duties. Canada and the United States employ a small army of border guards, customs officials, the border patrol to police, inspect and regulate the border.³ These 'hard effects' continue to define the basic relations between the two countries. They are zones of conflict and exclusion and they stop people from entering. They operate as security walls, not only as gateways for commerce.

Beyond the power of the state and the lucrative business of market commerce, the Canada-US border has quite another purpose. It is a primary marker of collective responsibility as well as individual opportunity for Canadians no less than Americans. You go to another country because you believe you can get a better job; be challenged in ways that are not possible at home.

The other side of the question touches on something quite different; the way we collectively function. Borders are about the things which matter, namely our different identities and the organization of daily life. Think about it. Toronto and Buffalo are close neighbours but they are worlds apart for health care, taxes, job security, garbage collection, road maintenance, culture, job creation as well as for the poor and the wealthy. New York and Toronto are capital cities and share a similar cultural universe but why are there twelve newspapers in Toronto publishing five or more days a week and only a couple

¹ For an examination of the way borders are managed in such different fashion including the Canada-US, US-Mexico, NAFTA-EU, Russia-China among others, see Demetrios Papademetriou, Carnegie Endowment for International Peace research findings from their 'borders project', <http://www.ceip.org>.

² Personal Communication with Canada Customs and Revenues, June 15 2001, Canada Customs Accounting Document 3 1999/2000.

³ The exact numbers are difficult to obtain. Officially on the northern border there are 700 Customs Inspectors; 500 Immigration Inspectors; and 310 Border Patrol Agents. These figures do not include intelligence and other police engaged in border surveillance.

in New York? What is it about our culture that makes us such avid readers of the *Globe and Mail*, *The Toronto Star*, *The National Post* and *The Sun*, as well as *Eye Weekly* and *Now*, in addition to ethnic dailies? Two million Canadians chose to watch *CBC's "A People's History"* rather than the tremendously popular US thrill seeking "Survivor" programme. The point is simple but worth stressing. Who we are cannot be separated any longer from where we are from. The spatial dimension is critical. We are Quebecers, Californians, Albertans, Newfoundlanders because we are from those places. We speak and think in different languages and varieties of languages; our values reflect locality; and our well-being depends on the prosperity of the region. Tie it all together and these regional identities are part of a national community's bounded space in the new North America.

Arguably the only new highly visible imperative at work in North America today is the same that which is observable across the world. Any country joined at the hip by geography and bound by the relentless commercialism of the economy will have to adapt and change their practices; there are smart ways to do this as well as dumb strategies. Popular commentary once claimed that North American economic integration would bind national governments so tightly that public authority would expire as autonomous entities. Raising anxiety about the porous border has created the space for new thinking that is increasingly nation-centric. The pressing question from a North American perspective is whether the pressures for integration continent-wide will eventually lead to a general leveling up the public interest in many spheres, the provision of new public goods, an intensification of cultural contacts and exchanges between the three peoples and the need for a larger role for public authority on both sides of the 49th parallel.

With so much focus on the emergence of North America as an incipient reality, still there are pressing questions to address: is there a point where the nation-states of Canada, US or Mexico might, dissolve into a North America of regions? What would a North of regions consist of? Are the regions viable and distinct entities independent of their national economies? Are there identifiable border effects that are important to who we are and what we produce? What (if any) organizational functionality does the Canada-US border have on our identity? Even more importantly, what impact does it have on

contemporary economic life? Why do borders remain such powerful signifiers of our identity culturally, socially and politically even when they are so porous?

We need to know the compelling truth about the primary importance of borders in a global age. Where does political responsibility and obligation lie? Does the Canada-US border matter any longer? With so much turbulence, change and continuity in borders and our understandings of popular sovereignty worldwide, in North America the stakes are high. How will the continent's resources be mobilized and shared?

By the close readers will come to discover a simple, if optimistic, truth. The story that will be told is not a lament for the absence of any such incipient North American identity and the death of Canada. Rather the three countries of North America are tightly joined by a vast empire of trade exports and the ever-optimistic prospects of a continental wide system of e-commerce. Yet, in the critical areas of public policy, taxation, identity, social policy, intellectual thought, labour markets, cultural policy and state spending -- the critical yardsticks to measure the compelling, if elusive dynamics, of a new kind of North America, one that is to a certain degree free-standing and inclusive, the three countries remain as distinct as ever.

In some areas policy sovereignty is in decline particularly with respect to the environment and foreign investment. Canada's use of social space is so different from that of its American cousin that it sustains a large amount of system fiction, renews and reinforces Canadian values that are critical of markets and American individualism. While the writers and musicians of North America have always had a lively and acute interest in other cultures, this curiosity hardly begins to create a positive environment within which to formalize North American space as a distinct entity along European or even novel North American lines. So we are at an impasse where in the near future national symbols and sovereignty are likely to become more not less important.

The two countries will remain very different because their values and institutions are in fact so distinct that the end result will be much like the present. The small and big differences will keep them on separate, unequal but parallel tracks well into the future. In the words of Charles Doran, "the two countries can choose the path of economic

interdependence without fear of loss because of the 'path not taken'.¹ Separate, unequal but parallel. Not absolutely divergent and certainly not overwhelmingly convergent in so many ways. For policy-makers as well as citizens this important truth has immediate implications to claim our autonomy and reshape our values, institutions and practices.

Psychologically and politically Canadians have never come to terms with the idea that they can be separate, increasingly unequal but remain a parallel society autonomous, independent and innovative by design. Even so Canadians have been willing to pay for these differences and so far they have despite the pressures of the elites and media to convince them otherwise. Values are deeply held beliefs and are quite different from opinions, our surface attitudes on any issue of the day that captures our immediate attention. If values, those first principles are the front-line of national difference the viability of the Canadian community values tell us what precisely? That the collective we in Canada is stronger the individual 'I'. That the goals and practices inescapably public matter. That are sense of obligation is a more powerful magnet than rent-seeking behaviour. These broad differences between Canada and the US are much in evidence. On such a primary issue such as health care, Canadian and American opinion are far apart. The figures reveal the depth of the cleavage. Only 14 percent of Americans identified health care as the most important issue facing the country today.² In the most recent election a huge majority of Canadians ranked health care as the top issue.

So as economic borders are being redefined everywhere, we can see that Canadian society has maintained its distinctiveness within North America in many areas. Evidently we are bound together in Robert Reich's evocative term, "by something more than the gross national product?"³

The new consensus is that we can still be a society even with a much weakened economy. It is not an easy idea to live with or accept. Keith Banting gets it right when he observes that "each country continues to move along similar paths the result of past

¹ Charles Doran, "Convergence or Divergence", *Canada Watch*, Sept-Oct 2000, Special Issue on Canada-US Relations At the Millenium, www.robarts.yorku.ca.

² The Mellman Group, April 2000.

³ Robert Reich, *The Work of Nations*, New York: 1991, p.9.

decisions and policy choices.”¹ For him and many like him, convergence is not the big story. Instead countries have degrees of freedom to choose policies most fitting to their needs. So with this important margin of manoeuvre Canada has to learn again how to balance global pressures with domestic demands. Globalization and continentalization are second level effects. Small value differences often produce big policy effects and create new space for different kinds of policy choices.

So the convergence argument that we will be driven irreversibly to the American model and have to adopt its practices is fundamentally wrong. Significantly North America has not moved quickly towards a ‘seamless’ market structure that is ‘governed by a single set of rules’ administered by the two governments.² Even with all the belt-tightening cutbacks in Canada and the US, state spending is up and not down as once confidently predicted. Washington and Ottawa are spending more each year as a percentage of GDP on a wide variety of programs.³ By comparison with its powerful neighbour Ottawa remains a high spender with program spending accounting for roughly 40 percent of GDP compared to the much lower figure of 30 percent for the US.⁴ Obviously the numbers do not begin to tell the whole story of why government spending in the two countries is on such a different trajectory. But it is and in this key aspect it parallels the European Union experience. The UK and France have very different state structures and expenditures with no convergence in sight.

The inability of markets to force marked convergence in state spending and be effective disciplinary agents has meant that cross-border integration continues to be resolved by a piecemeal, issue-by-issue approach and that policy convergence remains a distant goal rather than an immediate reality. To think critically and intelligently about borders and identity requires much more precision on the part of governments and civil society to confront the ever increasingly bounded space of North America.

¹ Keith Banting, Vancouver, Rethinking the Line: The Canada-U.S. Border, October 22-25, Vancouver, 2000, Policy Research Secretariat, Ottawa.

² Michael Hart, “Reviving Regionalism? Canada, the United States and the Next Steps to Deeper Integration,” in Roger B. Porter and Pierre Sauvé eds. *Seattle. the WTO and the Future of the Multilateral Trading System*, Harvard University, Centre for Business and Government, June 2000, p.112.

³ Vito Tanzi and Ludger Schuknecht, *Public Spending in the 20th Century A Global Perspective*. London: Cambridge UP, 2000.

⁴ OECD Country Survey 2000.

As we will see in the pages that follow there is no economic determinism integrating the two countries; no single logic at work. Bilateral relations between states and provinces have not automatically transformed themselves into trilateral state-provincial-state relations. There is no sign that continentalism in North America has emerged as a robust trend-line and a defining reality. It is wrong to describe the new integration reality as a full-fledged continental system. The NAFTA inspired continental trade regime is so partial and incomplete that such an intrepid commentator as Clarkson has had to admit, after much probing of the new architecture of North America that there is no momentum “towards further consolidation” either for broadening or deepening. The much vaunted continental system is “doomed to secondary importance.”¹ If the forty-ninth parallel is not being erased, there are other forces at work that are bearing down on us.

The Canadian-American-Mexican complex will always remain “a unique amalgam” because in this era of regional integration sharp differences in political cultures have ensured that Canadians, Americans and Mexicans continue to inhabit this continent in a thousand different ways but not as North Americans with distinctive values, common institutions and shared rituals. Most Canadians have not visited New York. A majority of Mexicans have never travelled outside their own country. As for our neighbours, Americans’ grasp of the North American idea is also scant. They don’t know where most Canadian cities are or have any inkling about the country’s diversity. Their closest reality check is their nightly weather report. All they see is that Canada is a vacant place that brings them the bad news that another Canadian cold front is on the way.

Beyond so much ignorance and misinformation, what we will discover something else. Borders are defining realities as always but, also, that political culture and economic space in North America have become more complex, demanding, elusive and unstable than most of us realize especially at a time of intense globalization.² So far our theories have not caught up with the new realities. The only imperative about the contemporary certainty of the border is that it remains a site of interaction, economic exchange, a point of

¹ Stephen Clarkson, *Fearful Asymmetries: The Challenge of Analyzing Continental Systems in a Globalizing World*, *Canadian-American Public Policy*, no.35 September 1998, p.55.

² It is impossible of course to speak about globalization, the most discussed topic of our times, in the singular because we have already lived through not one but several quite contradictory understandings of this economic phenomena both by policy experts and in popular usage.

entry for day-trips and trans-national networking. Seen in this light it is hardly a commanding and irresistible movement to alter the power and political authority of the Congress or the House of Commons.

At best we remain a continent of many solitudes and sub-cultures curious but not passionate about each other. Practically a regular three-way flow of ideas between the peoples of the continent is still not an everyday occurrence but a rare event. If this is to be a future possibility, it is disturbing that NAFTA's pressures for economic integration have created a powerful backlash and a deep scepticism in the civil society of all three countries against the North American idea. There are few cheerleaders in Canada (or Mexico) for a North American community or common market. This demonstrates again that there is no mobilization in the making for a North American identity of peoples, one that is substantive, popular and practical .¹ Neither elites nor leading civil society actors are ready to support it. In the meanwhile, we are a continent of many solitudes formed by language and history first and foremost. Beyond the border cities, the notion of North America barely exists in the popular mentality. If the pursuit of such an identity is to occur, it would need to take a different direction based on another kind of framework, one that is not premised on the crude venal commercialism of regional free trade. For this to happen, we would need a better theory to explain why no singular North American identity has been possible or desirable to the present, nor is likely in the future.

All of these contrarian conclusions raise difficult questions about whether Canadians and Mexicans have ever shared the common North American destiny that many leading North Americanists wrongly assume as an article of faith. From a Canadian perspective, it seems unlikely that Canadians from any region would easily relinquish the cosmopolitanism of a Michael Ondaatje, Alberto Manguel or Alice Munroe for something so limiting as a North American outlook. At the very least, there is no room for any misunderstanding on one fundamental point: political responsibility and obligation lie with each partner of the continent and their competing and often conflicting notions of political and popular sovereignty. In this corporate global age, no one should be surprised that

¹ Nafta's impacts and effects are examined in Daniel Drache, "Happy Fifth Birthday Nafta: Thinking Outside the Box", published by the Robarts Centre for Canadian Studies, 1999 and available from www.robarts.yorku.ca.

national borders and domestic markets show a marked resiliency to survive and that borders far from being erased or diminished remain fixed by geography and law.

The border and the state remain of primary importance and the vast number of border blurring transactions has not altered the fact that we separate, parallel but unequal destinies for a principle reason. At the boundary where sovereignties clash and vie for power they represent the real and symbolic manifestation of sovereignty, self-knowledge and the obligations of our communities.

We need to decode the amalgam of North America into its primary parts: the first issue is to examine the American idea and its long history celebrated by many and contested by others. Is there any validity to this powerful idea? Can it sustain a political movement of North American integration?

It is thus necessary to retrace, in schematic fashion, the important counter-movements in Canadian intellectual and political thought both for and against the North American idea. At the very least, we should come to understand that the North American idea is premised on three erroneous propositions: the tendentious idea that the North American people share a common future destined by geography; the equally contested idea that the economic integration is automatically and starkly convergent and the wrongful idea that public policy fits a narrowly economic vision or model driven by irreversible market pressures. This part examines the way the North American idea and ideal has been framed by the magisterial contribution of Frederick Jackson Turner, one of the great American historians, father of the frontier thesis in American thought and the equally powerful analysis of Harold Innis, Canada's most innovative and original political economist of a generation ago, on the notion of North American development. These two pivotal thinkers, more than any other, continue to have profound influence on the Canadian and US perception of our common North American destiny.

Secondly, we test for the continent-wide convergence of state policy and market behaviour to see whether we are moving towards a more fully-fledged North American economy. The uniqueness of the North American model of integration lies in the fact that it comprises a prototypical example of integration type without political union. More surprisingly we see that economic divergence between the two countries has grown in recent times in key areas of economic management of the economy including tax policy,

social spending, trade union representation, the distributive federalism and poverty levels. The latest and most comprehensive empirical evidence from a range of sources is examined. The key indicators are reviewed. Contrary to the predictions made, either by pro-free trade experts, or the critics, political borders matter. When NAFTA was signed many experts and sections of the public wrongly predicted that trade would render borders porous and unimportant. How wrong!

These assimilation fears need to be rethought. There has been no dismantling of the Canadian or Mexican State as predicted. Canada's political culture and institutions have not crumbled and the divergence in tax rates, collective bargaining, redistribution and the like raise the most fundamental of questions about values and practices that are inescapably public in two countries that are most similar in history and outlook. Most importantly, outside of business circles there is no social support for a new, integrated identity.

Many geographers insist that a North America of regions already exists and we construct a North America of its twelve regions. A third line of thought explores why the regional dimensions of North America remain strongly rooted in the national developmental trajectory of the three countries with, the exception of the auto industry. The continental axes of economic integration link the twelve regions of North America together which Newfoundland, New England, New York, Quebec, the Atlantic Foundry, the Mid-Western Breadbasket, the Western Resource Hinterland, Dixie, Silicon Valley, West Coast Ecotopia, MexAmerica and the Islands of the Caribbean. These regions constitute a network of one-way streets of economic activity with erratic and uneven flows of people, capital production and technology. This particular configuration of economic activity constitutes an important structural reason why deep integration is not on the radar map of public policy making.

But there is a new North America emerging, one comprised of a vast energy network of gas and oil pipelines, hydro grids and road networks, a strategic infrastructure that is a US invention financed by its energy and government sectors. Here is what can be called a new continental undertaking of enormous significance.

So while irresistible continental forces are again redrawing the line between the state and the market, between the public and private domain, in the workplace and

beyond, the spatial dynamics in North America remain culturally and socially asymmetrical. Culture raises a spate of very real questions about the meaningfulness and relevancy of border and boundary lines. Border lines are not boundaries drawn on a map but boundaries that are mental, cultural, personal markers of choice. They are places of exchange and interaction up and down the border lands in our imagination and in sectors that are not necessarily territorial. These indeterminate sites of intensity and interaction respect no traditional territorial line of the map but they are not indifferent to national borders. Borderlands, the spaces between, are embedded in the geography of culture and power of Canada, US and Mexico. Listen to the words of Bruce Chatwin.

Cultural theorists focus on the ambiguity and indeterminacy of the border as almost fated to disappear. Others are more sceptical of the post-national state in which the state shrinks in importance to its own citizens. If Canada has the capacity to resist and recode American cultural imports, then, we will need a national cultural frame of mind. Popular sovereignty is the most potent expression of border effects if Canadians are to control their fate.¹ Canada's geo-political management of one of the longest borders in the world does offer some practical lessons to the world. Seventy percent of successful border management depends on the mind-set of its elites more than on the asymmetries of power. The fact that Canada is able to turn its disadvantage to advantage periodically demonstrates that borders become more important in periods of globalization for commercial reasons as much as for security and cultural ones. This too suggests that the imbalance between the pull of territory and the needs of identity must be very large. For Canada and Mexico the message is unmistakable that in policy and cultural matters they have more autonomy and room to be innovative. Under these circumstances, the preconditions for any sort of an incipient North American citizenship, a convergent public policy or a common social and political thought are non-existent. The tangible proof is that beneath the surface no strong movement is building in defence of the North American ideal. For all intents and purpose North American integration can only be considered as a shallow form of inter-regional trade in goods and services. We are left to ponder the

¹ Allan Smith, *Canadian-American Public Policy: Doing the Continental: Conceptualizations of the Canadian-American Relationship in the Long Twentieth Century*, Canadian-American Public Policy No.44 December 2000, University of Maine, p. 21.

question of why there is no visible trend towards any common system of economic management furthering a broad social purpose. What is missing is the capacity to generate a genuine regional identity of North America beyond the economic bloc. Wuz up?

Part II: North America: A Larger Than Life Conviction

Since the earliest times, the most celebrated writers on the North American experience have never wavered in their larger-than-life conviction that North America was an entity waiting to happen. The evidence drawn from so many sources seemed irrefutable. Settlement and development had always followed the grooves of geography that created a common continental destiny. Transportation links in the era of the railway and later the highway again brought the peoples of North America ever closer in a vast network for travel and commerce. Later, the footloose corporation spread south and north laying the foundation of a North American regional political economy. Later still, the advent of film, radio and television also played a decisive part in the collective imagination diffusing and then reinforcing the idea that economic and cultural integration would eventually lead to the political integration of North America. The defining moment came with the signing of the two Free Trade Agreements in 1989 and 1994 when the idea of North America as a fully integrated regional bloc became part of the political reality of policy-makers.

As we enter a “post-national” age, the evolution of the new North America requires a fresh effort to untangle the contradictory consequences of these continent-wide innovations. The most important possibility to examine is: the distinct prospect of a North American state with its own institutions and resources, the emergence and consolidation of a North American political economy, dominated by US interests, with sufficient internal discipline to function coherently; the continued rise and rapid spread of North American civil society and its transnational mass culture; and finally the much noticed consolidation of North American markets, corporate strategies and financial institutions dominated by US multinationals. More than anything else, these latest developments demand our attention as we stand on the threshold of unprecedented social and economic change. Some

experts are convinced that Canada may not even exist in another twenty-five years and that Canada is becoming indistinguishable from the US.¹

In the last three decades the more immediate threat to Canada's national survival did not come from this quarter. The focus of attention used to be concentrated on the highly politicized objectives of Quebec nationalism that had Quebec leaving Canada. In recent times Quebec nationalism has largely been contained at least in the short term. In Ottawa's vision, if Canada and the US have found a way to share their sovereignty and rise above the petty irritants of the border, it provides an object lesson to Quebec nationalists to settle their border with Canada in no less a co-operative framework.

Now public concern is trying to come to terms with a new certainty. The seamless market of North America has the power to force Canadians finally to embrace some form of political and economic union.

The possibility of the end of Canada ought to be taken seriously if for no other reason than the threat of North American assimilation figures as a perennial undercurrent in Canadian intellectual life. Until now Canada experienced the swells of continental drift and survived. In a border-less world a much more potent form of assimilation is looming and Canada could be, for all practical purposes, indistinguishable from the US. At the very least such a possibility can no longer be dismissed out of hand.

NAFTA and the continental flow of trade is only one part a much larger process. When we compare the two countries... Border-effects require a larger framework if the spatial dimension of North American interdependency and its crucial, if somewhat ambiguous relationship to a transnational North American identity is to be rethought.² It needs to be said immediately that space is par excellence is a factor to be confronted

¹ No other country is subject to such a litany of self-doubts about the immanent end of Canada. The idea is overlaid with a fundamentalist esprit of economic determinism. One wonders why, in the words of Maude Barlow, the most lucid and sophisticated voice of Canadian nationalism, that "the fight for Canadian distinctiveness is fundamentally over." These kinds of sweeping generalizations are really about trends, similarities and an anecdotal reading of the evidence that inevitably remains at a high level of generalization. All such talk that Canada has become 'an empty shell of its former self', at a time of globalization, unquestionably fans the flames of morbidity politics. See Stephen Pearlstein, *Washington Post*, O Canada! A National Swan Song?, September 5, 2000.

² Visually the two countries are so marked by in their social geographies. See *Between Friends/Entre Amis*, produced by the National Film Board of Canada, Ottawa, 1976, Toronto: McClelland and Stewart, a collection of magnificent photographs embodying the golden age of Canada-US friendship. The insignificance of 'difference' is celebrated by John F. Kennedy's words, "we share common values from the past...common aspirations for the future, our future, and indeed for all mankind." p.185.

because it generates so much of our social identity and is the source of so much human conflict. We are Californians, Quebecers, British Columbians because where we are from tells us who we are with our own values, history, language, accent and idioms, ideas and economic arrangements.

THE SPATIAL DYNAMICS OF INTERDEPENDENCY IN NORTH AMERICA: A SCHEMATIC VIEW OF THE PRINCIPAL ISSUES AND SOCIAL SYSTEMS

	STATE	SOCIETY	SPACE
US	A Laissez-faire Public Authority. The Benchmark of Less State, Less Taxes Public Authority Combined with A Very Low Social Welfare Policy. A minimal Commitment to Redistribution	Strongly Individualistic and Driven by Self-interest and Reinforced by a Legal System Premised on an Individual Seeking Recourse by Legal Means. A Weak Notion of Collective Responsibility, Highly Polarized With Rising Income Inequality. Very Nationalistic And Protectionist. 300 million people	The Moving Restless Frontier Today Symbolized By Personal Freedom, Democracy and Individual Opportunity. Strongly Border Conscious in US Public Policy-- US Citizenship v Aliens. One of the Most Heavily Policed Borders in The World
Canada	A Hybrid Public Authority Committed To Social Market Protectionism and A Redistributive Model of Federalism That is Weakening. Constitutionally Remains Highly Decentralized and Ottawa Supports A Free Trade Business Culture Strongly Pro-US. A Messy Tension to Manage	A Multicultural Immigrant Society With A Fragile Compromise of National Unity. A Growing and Increasingly Difficult Tension To Sustain Between Powerful Provincial Rights Socially Conservative and Strongly Embedded Social Democratic Values. Canada is Experiencing Growing Inequality as Social Policy Spending Cuts Take Effect. A Self-Image of the 'Middle Power' Global Citizen vs US Self-Image as Hegemon 30 million people.	Sparsely Populated, A Vast Continental Territory Mostly Concentrated Along The Canada-US Border. The 'North' large in the imagination but no functional presence. Canada 'Created' Because and/or 'Despite' Geography - An 'Open' Border With Restrictions But Relatively Easy Entry for Immigrants and Political Refugee
Mexico	A Developmental, Large Public Presence, both 'Dirigiste' and has been Highly Centralized Dependent on an Authoritarian System of One Party Rule. Both Democratic And Repressive.	Multiracial, Multicultural Society. Modern Mexico is Heavily Concentrated in Dense Urban Settings. Deep Economic Cleavages and Cross-cutting Social Tensions – The Modern vs. Traditional, The Open vs. Self-Reliant Economy and Democratic vs. Authoritarian 100 million people.	A Constant Fear of Internal Disorder And External Threat from the US. Space is Guarded and Managed All Along the US-Mexico Frontier. The Militarization of the Border on the US Side and the Building of A Fortified Fence Prevents the Outflow of Illegal Immigrants.

The cross-border movement of foreign investment, technology, immigration, the 'flow factors' that are often taken as proof that integration is rapidly ascendent on many fronts, generate very different kinds of social space in the three countries. They provoke sharply contrasting social identities and national antagonisms that impede the spread of the North American market as a single structure. In terms of high politics, Canada and Mexico must be on constant alert, always finding ways to contend with the intrusion of US markets, ideologies, corporations and trade policy in all their guises. In the coming years they will have to rebuild their sovereignty; not ignore it. Despite all the dense 'comings and goings' along our common borders, these do not add up to anything more than millions of day trips to find a good restaurant and to buy inexpensive consumer goods, wherever the price is lowest.

So what does this preliminary examination of the evidence of the idea of North America reveal?

North America: An Elusive Social and Political Ideal

Conceiving North America has always been a compelling, if elusive, idea for one single reason. A people's identity does not happen but is constructed through a million experiences and events. It has its own proper institutional dimension with assorted aspects or characteristics such as national broadcasting authority, a farm subsidy program, national medicare. Identity is also about place -- the sense of belonging to a local community; a region and a national community. As well, identity-growth requires both social programs and networks of engagement from public authority, particularly those that support the group identity as a collective good. Identity-building also needs security measures which protect it from market failure and threats to its survival. Finally, identity is about the differences of race, ethnicity, gender and class that separate us from one another. It is about those ties that bind and often distinguish individuals from each other, such as language, culture and history.

Since the 1920s, Canadian North Americanists have worked diligently, though unsuccessfully, to create an ideal of North America as a coherent, emerging cultural space and region. Early social historians, in Canada, like Creighton and Lower, looked first to the environment and the physical structure of North America as the singular force binding together the peoples of the continent in a common economic and political destiny. Each

was convinced that the two nations were joined together by the economic grooves of North American geography. This was a natural world, one that was not bounded by the “past politics” of any one nation-state. Their story-line was compelling and beguiling to the uninitiated. In a wealth of specialized studies, often destined for a larger public, they recounted how geography was the pivotal formative event that transcended national need and how economic development followed the dictates of the plains, the river systems and the physical characteristics of the greater continent. Their scholarship raised geography to the status of a metaphysic developing an understanding, which has lost little power even to this day.¹

The greatest exponent of this kind of geographical determinism was the brilliant and influential Canadian economist, W.A. Mackintosh, who shaped not only two generations of state economists but was also the principal theoretician of Canadian economic policy within the Department of Finance for a long period after World War II.² His message was as natural as it was direct, namely, that the “simplest features of American geography are of primary importance to understanding the developing life of the people of this continent.” Canada was not simply a land of British people, rather, “its entire existence was defined by the structure of American barriers, plains and waterways.”³

What preoccupied other Americanists of the time was the spatial dimension of the continent. There were, then like now, always two, diametrically opposed spatial interpretations of the frontier. In the US variant, the frontier moved north triumphantly driven by the unstoppable march of progress, the latest technology and modern ideas like

¹ Some of the key studies are: A.M.R. Lower, *The North American Assault on the Canadian Forest*, Toronto: 1938; Donald Creighton, *The Empire of the St. Lawrence*, Toronto: MacMillan, 1956; Marcus Hansen, *The Mingling of the Canadian and American Peoples*, New Haven: Yale UP, 1940, Frank Underhill, *In Search of Canadian Liberalism*, Toronto: MacMillan, 1960; Toronto: F. Landon, *Western Ontario and the American Frontier*, Carleton Library, 34 Toronto: McClelland and Stewart, 1941, A.S. Morton, H. Marshall, F. and K. Taylor, *Canadian-American Industry: A Study in International Investment*. The Carleton Library, no.93. Toronto: McClelland Southard and Stewart, 1976 (first published, 1936). Initially a critic of US policies, later Underhill became an exponent of closer Canadian ties with the US. For a review of who is who in Canadian history, see Carl Berger, *The Writing of Canadian History*, Toronto: OUP, 1976. An important re-examination, see Marlene Shore, “‘Remember the Future’: The *Canadian Historical Review* and the Discipline of History, 1920-95”, *CHR* 76:3, September 1995. Her thesis is compelling – as Canadian history evolves, so goes the nation!

² For a discussion of the importance and originality of Mackintosh’s influence in Canadian political economy, see Daniel Drache, “Rediscovering Canadian Political Economy”, and his Introduction to *Staples Markets and Cultural Change the Centenary Edition of the Collected Essays of Harold Innis*, Montreal: McGill-Queen’s UP, 1995.

³ W.A. Mackintosh, “Economic Factors in Canadian History”, 1923:2

workplace scientific management of Taylorism. In the Canadian version, the US border remained a constant menace, from which US business culture spilled into Canada's national space and Canada would have to fight like hell to share the continent with the great Republic.¹

Harold Adams Innis vs Fredrick Jackson Turner and Their Great Confrontation About Space : Whose Border is it?

It is not insignificant that the Canadian story was most fully developed in the work of Harold Innis, Canada's most innovative political economist. More than any one else, he transformed the compelling notion of the Canadian frontier into a study of metropolitan-hinterland dynamics that shaped not only Canada's developmental and social trajectory but the entire continent's. Innis had a quintessentially global view of frontier dynamics and by the late twenties, his work and influence made him the principal opponent to Frederick Jackson Turner's view that the frontier represented the defining moment of American individualism, anti-statism and popular democracy.

Innis had seen the way Turner's ideas on the uniqueness of American civilization had attained mythic proportions in the US.² Quickly he became a Turner sceptic both for reasons of geography and his theoretical perspective that markets and the state had conflicting trajectories north and south of the forty-ninth parallel. So unlike Turner Innis was one of the first Canadian scholars to grasp the full significance of North America as a vast hinterland of staples production and settlement. In his theoretical treatment of North America, space would be defined as a set of immutable power relations between the powerful centres of technology, trade and ideas and the dependent hinterlands. These hinterlands were rich in primary resources and fuelled by the movement of pioneer

¹ In his report to the *Canadian Historical Association* 1930, A.M. Lower concluded that " [the Turner thesis] must be modified or adapted ...which can be fitted to Canada." quoted by J.M. Careless in his marvellous and richly documented article on "Frontierism and Metropolitanism" in *Approaches to Canadian History* ed. Carl Berger Volume 1, Toronto: U of T Press, p.72, 1967. Careless details the importance of the debate between Canadian historians and the Turner frontier thesis. He demonstrates that without exception Canadian historians have been critical of it. Certainly it did not turn Canadian history on its head!

² For a review of the Turner thesis and the views of contemporary leading US historians including William Cronon, Richard Slotkin and Jane Tompkins about its problematic interpretation of US history, see Seth Feldman's *Ideas Program, 1893 and the Idea of Frontier*, transcript December 14 and 15 1993. As early as 1945 A.M. Schlesinger Jr, in *The Age of Jackson* had refuted the core of the Turner thesis arguing instead that Jackson democracy was far more based in the urban masses of the East than among Western landholders as Turner had claimed.

peoples. It was this monopoly form of development that prevented a hinterland economy from gaining independence from distant metropolitan centres.¹

In rejecting Turner's thesis, Innis was doing little more than following the lead of contemporary Canadian historians. They too unanimously believed that the history of Canada was not one of triumphalism but one of continuity with Europe and Britain. Unlike the US, Canada had not turned its back on Britain and Europe. The uniqueness of Canada, as a modern nation-state was that Canada was the synthesis and extension of Europe in the New World. In Norman Feltes' view, one of Canada's best Innisian scholars of recent vintage, the uniqueness of Canada was found in the staple itself: "The staple trades were structured for the east-west interplay of the geography, institutions and technology, the Lakes and canals, boundaries and treaties, railways and elevators". The logic of local mercantilism and the emerging American mode of capitalist production had the readily observable contradictory effects in pulling Canada closer to both the US and Britain. This developmental trajectory had always been difficult to manage because it collided head-on with Turner's larger-than-life thesis.² Turner's notion of the frontier was a

¹ Innis' pioneering research on economic settlement, national development and world markets from the 16th to the 20th centuries established his pre-eminence as, a scholar without equal, among his contemporaries. His most important achievement remains his exhaustive archival research on Canada's place in the global economy that gave him the impetus to demonstrate that economic life in British North America did not conform to a facile model of laissez-faire frictionless development. His technique is important to recall. As an economic historian, he charted the underlying currents, whose larger significance only emerge over a great span of time. He started with furs and cod, working his way through the staple trades of the nineteenth century including square timber, agricultural products and wheat. He ended with the present day energy staples of oil and gas. In the process Innis discovered the extent to which the power of commerce left its mark on each phase in the evolution of Canada's social structure from a developmental perspective. With a minimum of theory, he developed a practical approach to the larger issue of how frontier economies evolved in the international system despite the triumphalism of the global economy. Politically he believed that Canada's link to Britain and Europe offset the power of markets to trump the incipient Canadian identity.

² For an unusual and powerful analysis of the distinct social forces of Canada in the nineteenth century, see Norman Feltes, *This Side of Heaven Determining the Donnelly Murders, 1880*, Toronto: U of T Press, p.107. As an intellectual movement, Turner's account of the mythic frontier was a powerful force and it became equated with a self-confident rise in US cosmopolitanism. During the nineteenth and early twentieth centuries, Turnerites published *the North American Review*, a New York-based magazine that caught the "Turner Wave" that was building at this time. It presented articles on a wide variety of social, scientific, religious, economic, political, artistic, and literary issues. However, the "North American" part of the title was a complete misnomer. Almost no mention was made of the "other" countries of North America, Canada and Mexico. For example, for the years 1900-1902, only two articles made reference to Canada and one to Mexico. Instead, the *Review* focussed on US domestic issues like immigration, division of legislative powers, commercial expansion, the "Wild West" as well as presenting articles on countries subject to direct American imperialism such as Cuba and the Philippines. It provides us with an early example of the fragile and often absent North American perspective on the continent, its contributors and editors being more interested in events in the Pacific and west of the

non-starter in Canada given the conditions of the Canadian frontier which was vaster, its climate harsher and the role of government greater than south of the border. For Canadians, nothing could be more preposterous than Turner's key idea that the Canadian wilderness, like the American, was conquerable. Canada's wilderness remained defiant to both human endeavour and the state.

It was this conclusion that struck Innis and his generation with such force. How much of Canada's pattern of development remained unaltered by the era of nation building?

Innis' answer remains the most prescient and powerful that Canadian scholarship has ever found. The foundations of modern Canada were weak because it was designed to fit the ebb and flow of commercialism. Where ever the elites did business, they, not geography, defined Canada's "natural boundaries". Historians who think that Innis was a kind of crude environmental determinist have got it all wrong. It was the pivotal role of structures and agents that were front and centre in the shaping of modern economic life. Canadian elites were not loyalists of the nation. Thus there could be no replay of Turner's frontier thesis in the northern half of the continent. Instead Innis provided a brilliant and ironic study of the way economic space was shaped by the most powerful actors in the global economy – the Anglo-American elites, who controlled the flow of technology and capital to the vast territory that would one day become Canada.

In the Innisian' view, the key to unlocking the Canadian story was the manner in which market forces and geography had combined to support a massive state presence in the economy, sharply differentiating it from the US model and political culture.¹ Innis had no shortage of examples to illustrate his basic proposition that, powerful economic actors, such as the British and American state, as well as, big business monopolies had a powerful grip in setting the course of Canada's political life. From this angle, it is not difficult to grasp just how tendentious the idea of a culturally integrated North America was, then and now, for Canadians, who were struggling to build an integrated country on the northern half of the continent. Unlike today, at the end of the nineteenth century and again in

United States than to those occurring in their northern and southern backyards.

¹ Mexico never produced a front-ranking magisterial figure like Innis or a bench-mark historian such as Turner, who established the border as an integral part of Mexico's national consciousness. The very absence of such a mythic figure is significant and reflects the deep ambiguity that Mexico harbours towards its northern border with the US.

the twenties, during the heyday of Canadian nationhood, few needed persuading that the relentless advance of the US frontier westward collided with Canada's national undefended space.¹

Some of the best and brightest of American historians, those canary-like guardians of the American national consciousness, created the canon of the North American idea. They produced by the twenties a magisterial fifty volume history of North America that was entitled *the Chronicles of America* and published by Yale University which also would be the future publisher of the Carnegie Endowment Series on Canadian-American relations (1936-1945). It was this later very influential research project on the close, tightly drawn Canadian-American relationship which would have a major impact on Canadian thinking.

The Chronicles were bold and comprehensive in their vision. By the end of the undertaking American historians had appropriated the idea of North America as part of American destiny. The story it told began with the Morning of America 1492-1763 which it described in ten volumes as the 'struggle of nations for the possession of the New World.' The conquest of New France and the Red Man's Continent received separate and special attention. Part II covered the Winning of Independence 1763-1815 that transformed the geopolitical reality of the clash empires into an essentially an American history with the birth of Union. The Vision of the West 1750-1890 and the Storm of Secession 1830-1876 covered sixteen volumes with only a single volume devoted to the Spanish Borderlands by Herbert Bolton and nothing on Canada or British North America. American intellectual achievements in literature and education were singled out and two volumes were published. Thirteen more volumes were commissioned on the American Epic of Commerce and Industry as well as US government and diplomacy. Volumes forty nine and fifty were devoted respectively to Canada, *The Canadian Dominion* by the distinguished economic historian Oscar Skelton and a single volume on 'the Hispanic peoples on the south' written by a non-Mexican William R. Shepard. The series claimed that its originality lay in not its path-breaking use of primary sources but "rather in new ideas and new combinations of old facts."

¹See Michael Bliss, "Canadianizing American Business: the Roots of the Branch Plant", In C.I. Lumsden ed. *Close the 49th Parallel ETC*, Toronto: University of Toronto Press, 1970.

There was precious little in it that was pan-American. This single most important thread had been dropped. Picture North America in the 1800s. Afro-North America stood at its southly-easterly corner that in a oblong shape included Curacao, Cuba, Jamaica, Florida and New Orleans in the West with Bermuda its Eastern boundary. British North was a vast territory running to Hudson's Bay in the North butting up against Russian America in Alaska and being bounded by the enormous territory of Louisiana in the south. On the West Coast, New Spain had claimed California and New Mexico as its own and its territorial ambitions collided with British North America in the North West. On the political map of the time, the United States appeared as the least promising among equals. Expansion, conquest and the thirst for moving the frontier in all directions made Americans forgetful of the geopolitical diversity of the continent.

Instead the series celebrated another myth of the US as the successor to three hundred years of European settlement and expansion in North America. Meinig's *Shaping of America* has given us the definitive explanation. "Americans read the geography of the continent in terms of their own interests, as any nation might be expected to do, but they then translated those interests into a moral claim of "natural rights" superior to those of other people and thereby gave to nationalism a new dimension and portent. By using such rhetoric promiscuously to promote their special mission to command the continent, they put the full force of nationalism behind American expansionism."¹

The magnetic attraction for territorial expansion was unprecedented and infused American nationalism with a fearsome energy in support of the single-minded idea that the world had to be become 'accepting' in the words of John Quincy Adams to his cabinet "the proper dominion [was to be] the continent of North America." Spain had its possessions to the south and Great Britain had its to the north. In a logic fueled as much by geopolitical reality as a leap of faith, it was only a matter of time that these lands and territories "would be annexed to the United States". The important idea here is not his predictive powers to foretell the future but the fundamental conviction that the United States and the continent were identical and one. By mid-century the terms America and Americans had been appropriated in popular usage and referred to the citizens of the Great Republic, "an

¹ D.W. Meinig, *The Shaping of America*, op.cit. vol 1, 1986 p. 417

internal vigor and expansiveness that were utterly unmatched.”¹ Thomas Hutchins, the Official Geographer to the United States 1784, summed it all up when he boasted that all political boundaries were alterable, there were no barriers to expansion. There were three and half million square miles of inhabitable land and “ I warrant it will soon be ours he bragged in 1800s. The Canadas, New Brunswick, Nova Scotia, Florida, Cuba and Louisiana were all potential additions by what he called natural right. What nature had decided, political will could correct.”²

Canadian and American historians have long maintained that the vast potentiality of the unexhausted west would be the moment of decision. Americans would find their destiny in the westward movement of the frontier. American trappers feared that Hudson’s Bay Company, the greatest mercantile empire in the world would defeat their efforts to penetrate and lay claim to land beyond the northern Rockies. The struggle for economic domination of the North West took on heroic dimensions because Jefferson’s original vision that the entire North America would be peopled by descendants of the original English colonists.

But Americans had failed to establish claim to the trans-Mississippi area and Alexander Mackenzie had reached the Pacific by 1793. The British sphere of influence extended continent-wide. The Lewis Clark expedition at the beginning of the 1800s established in the minds of Americans the reality of the idea “of a highway across the continent.” It would take another four decades to dislodge the British for the contest for Oregon and control of the Northwest. These seemingly second order events importance are now forgotten but they cannot be underestimated. When the frontier farmer was able to push the American agricultural frontier to the West coast the vast flood of migration tilted the battle against the British in the Northwest. The balance of power began to swing to the American side and a government in Oregon was established in 1844. Once the American settlers flooded into Oregon, the great mercantile colossus of the Hudson’s Bay Company admitted defeat and quit. In the eyes of American historians it was this complex series of events that established American dominance of the West and of elevating the United

¹ Meinig, vol II, op.cit. 1993, p.211-212

² Ibid.vol II, p. Quoted in Henry Nash Smith, *Virgin Land:The American West as Symbol and Myth*, Cambridge: Harvard UP, 1950.

States above all other nations. In the busy decades of Manifest Destiny, the border between Canada and the US was established where it is today at the forty-ninth parallel by the Treaty of 1846.¹ Here was definitive proof, if any was needed, that Turner's powerful central notion "that the existence of an area of free land, its continuous recession, and the advancement of American settlement westward" was indeed a plausible interpretation of American history. If the facts did not make perfect sense and many of its claims were stylized generalizations which later American historians would demolish, its hypothesis came to dominate American life because it expressed the beliefs and aspirations of the singular power of the frontier to the growth of American democracy.² The frontier was to be the unique American gift "to the garden of the world" and the triumph of Westward expansion defined Canadian-American relations for the next one hundred years.

In the rear-view mirror of history a single idea has stood out. Canada's West would be the US's north! The establishment of the 49th parallel as the legal border between Canada and the US by the 1840s would transform the political of the Canada-US border for ever. It was the space above the border that would change forever the character of the Canada-US border. Sovereignty and power, the two staple determinants of geo-political power, would take a decisively North American character, largely spatial rather than territorial. There was to be no land seizures by the US on its northern boundary. The spatial control of the continent became focused instead on the space beyond borders, namely, resources, access to markets, security matters. The United States would be a continental nation at its core; when Canada became a nation in 1867 in the American mind it belonged to the old world order as a North Atlantic country that maintained its ties, values and connections with its British masters. Thus it would remain an un-American nation in its essence.

Canada had one of the longest borders in the world but the US defined it as their frontier. In being both separate and unequal capital, entrepreneurs, ideas and people poured over the border continually. Many Americans believed that planting the US flag on Canadian soil was not just destiny but simply a matter of time. Canada had always been

¹ Henry Nash Smith, *Virgin Land*, op.cit. 19

² Henry Nash Smith, *Virgin Land*, op.cit.293

partly an American nation, as expressed by a simple equation where F is France, GB Great Britain, USA as hegemon.

$$C = F + GB + USA^2$$

We can see the broad contours of Canadian history in sharp relief. Where France had no role, after the eighteenth century, in the development of Quebec or Canada and with the declining power of Great Britain, Canada was drawn irreversibly into the US orbit. The constant movement of peoples across the permeable borders of the New World created both real and imaginary communities of like-minded peoples on both sides of the Canada-US border. The defining moment arrived when more than one-third of Americans opposed the American Revolution and more than sixty thousand sought a safe-haven and a new home in Canada. The Loyalists who arrived changed Canada's political culture forever. Political culture refers to the values and ideas that define the dominant traits of any society. The presence of so many Loyalists, who opposed the liberal republican values of individualism and liberty, made it appear that at its founding, Canada was by choice and heritage an un-American people.

The main claim of political scientists has been that Canadian democracy took a different route in the northern provinces. In time, it also created the loyalist myth of the innate superiority of British North America's conservatism compared to the crude democratic experiment of Canada's southern neighbour. In the words of one of the refugees from the US revolution, "By heaven we'll be the envy of the American states..."¹ These kinds of mental and psychological differences, often more imagined than real, have left an indelible stamp on Canadian culture that one ignores at one's peril. Whether dictated by geography or mandated by the political needs of one party or another, the geopolitical dimensions of Canada forming a formal or even the much less-threatening idea of an informal federation with its Republican neighbour have worked against the development and tangible realization of the North American ideal. Instead, it has made Canadians suspicious and critical of the Turner's idealization of North America.

Political culture theorists remind us why Canadians have been so suspicious of closer Canada-US ties. It should not be forgotten that the fathers of the American

¹ Quoted in David Bell and Lorne Tepperman, *The Roots of Disunity*, Toronto: McClelland and Stewart, 1979.

constitution had always anticipated Canada joining the Republic, an uncanny anticipation of the relentless moving line of Turner's future frontier thesis.¹ As early as 1775, Jefferson expected that "the delegates of Canada will join us in Congress and complete the Revolution and Article XI of the articles of Confederation provided that "Canada shall be admitted into and entitled to all the advantages of the union."² Later in the nineteenth century the US Congress renewed calls for extending the American flag over the northern half of the continent in the aftermath of the American civil war. *The Chicago Tribune* wrote that as soon as "Union was restored" the US should devour Britain's North American colonies "as quickly as a hawk would gobble a quail."³ There were no shortage of incidents, statements, threats and border disputes that repeatedly drove home the lesson to Canadians that the border mattered. They only had to look to the rest of the continent to ascertain whether co-existence with a rising US hegemonic power was possible.

What Canadian historians discerned from the forty-ninth parallel was that, Turner's epic history of the frontier had already assumed imperial proportions. Nor should it be forgotten, that there has always been a rush of people at the border looking for better work and employment opportunities. In much the same way powerful transnationals have never stopped roaming the continent looking for cheap production sites. In the corporate headquarters of North America since the early 1900s and before border-jumping became the competitive strategy of choice. Border-hopping by US multinationals did little to reassure Canadians that closer ties with the American half of the continent was in their best interest.

By the twenties, the US had invaded Cuba and made it a protectorate and the later punitive military expeditions into Mexico changed hemispheric and Caribbean politics and culture for ever. The Pratt Amendment of 1902 granted the United States the right to intervene in Cuba's internal affairs whenever public order or US interests were threatened.

¹ See Donald Creighton, *The Empire of the St. Lawrence*, Toronto: Macmillan 1956, see chap.2 and 3 as well as 12.

² John Herd Thompson and Stephen J. Randall, *Canada and the United States: Ambivalent Allies*, 2nd ed. Athens: University of Georgia Press, 1997, p.11.

³ *Ibid.* p.37.

In the words of Jorge Castañeda, “ the island experienced a sort of national purgatory”⁴ because the Amendment gave the US a permanent presence in Cuban domestic politics.

The belief in continental destiny had long been a principal ingredient in developing American nationalism. In the 19th century over a quarter of Mexican territory was seized or lost to American authority. Texas was annexed in 1845 and this also included part of New Mexico, and a very large finger of Colorado. California was ‘acquired’ from Mexico by treaty in 1848, a vast territory that included Utah, Nevada, Arkansas and California. The land-hungry Americans backed by the Texan cavalry concluded the Gadsden purchase in 1853, which gave them valuable territory in southern Arizona. United States title over Oregon and Washington had been established in 1846 by the Spanish-American compromise. In 1819 Spain had ceded Florida under United States pressure. The pacification and “enforced settlement of Nomadic Indians to remote and rugged lands least coveted by their conquerors” involved open warfare in the Mexican southwest and forever reshaped Mexican relationship with the newly formed American states.²

Modern Mexico has never come to terms with these land seizures and territorial losses. Few modern countries have ever lost so much of their territory so easily and so quickly. The losses were so enormous, so brutal and so devastating to Mexico’s future development that it is not surprising that modern historians continue to designate the annexation of its territory as the ‘open injury’ that festers down to this day. There is an obvious parallel between the Conquest of Quebec that supported a legacy of loss, shame and political tenacity and modern Mexico’s understandably bitter view of the principle of ‘squatter sovereignty’, the doctrine that justified land seizure in the name of future

¹ Jorge Castañeda, *Compañero, The Life and Death of Che Guevara*, New York: Knopf, 1997, p.80. From a hemispheric perspective the idea of a North American identity has always been problematic for Latin American countries because of the US dominance of the hemisphere. It would be false to think that this historical baggage is any less present today, even if the more virulent forms of ‘yanqui imperialism’ that played such a central factor in the Guevara era of radicals seems like a relic of yesterday. Many aspiring Americanists have forgotten that the Pratt amendment was not abrogated until 1934 but this kind of thinking was again in evidence during the US Bay of Pigs invasion. The fact that the US has maintained an embargo against Cuba for almost as long as the Pratt Amendment cannot be ignored. Anti-Americanism on the right or the left, in its different political iterations, remains a powerful force just underneath the surface of many of the countries in the hemisphere. In reality, there have been few expropriations of US assets. The evidence is found in Charles Lipson’s detailed examination of US direct investment abroad, *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Century*. Berkeley, University of California Press, 1985.

²D.W. Meinig, *The Shaping of America. Transcontinental America 1850-1915*, Vol.3, Yale University Press: New Haven, 1998, p.125.see chap. 5,6,7 in particular.

economic progress and a grand vision of the world that America that justified the way American frontiers would need advance.

Under the charismatic influence of Teddy Roosevelt, a critical new element was added, the idea that the US frontier would never end but would be reinvented again and again as the US made new conquests. Later, other US presidents would rely on more traditional forms of state-craft, such as extra-territorial legislation, which was passed, when needed, by both houses of the US Congress. As Lipson documents in his authoritative history of US foreign direct investment, these kind of extra-territorial measures protected US multinationals from expropriation and encouraged them to go north to Canada and south to Mexico, as well to the Caribbean, where US influence has remained largely unchallenged to this day.¹

The Spontaneous Movement of Peoples and Capital: Constant Elements in the Narrative

This unorganized flow of migratory capital, ideas and people did have an unintended consequence. For ever hopeful Americanists, it reinforced the idea that North America was an incipient entity waiting to happen. It is not unimportant that American institutions, such as the Carnegie and the Rockefeller Foundations, were the principal source of funds for the North American idea. None other than Innis, long-time icon of Canadian nationalism, was their chief point of contact in Canada in the 40s and subsequently.² This long-term investment in the belief that Canada and the US had more in common than the differences that divided them took flight and flourished within the federal government and in Canadian universities, where American ideas in the social sciences became the dominant scientific paradigm.

Outside the ivory tower, this view not only found favour but quickly became the benchmark in official as well as in media circles. Canada's frontier could never be rendered invisible but what had transformed it was that for most of the twentieth century it had been depoliticized by Canadians out of fear that they would not get access to the US

¹ Charles Lipson, *Standing Guard: Protecting Foreign Capital in the Nineteenth and Twentieth Century*. Berkeley, University of California Press, 1985.

² See Mathew Evenden "Harold Innis, the Arctic Survey, and the Politics of Social Science During the Second World War." *The Canadian Historical Review*. V. 79 No.1 (March 98): 36-67.

market. It never became a hot political subject as it did in Mexico under Cardenas in the 30s or later again under Zedillo in the 90s when he pushed Mexico into its modernist liberal free trade phase.

In Canada sovereignty was addressed unexceptionally most often as a pragmatic matter between elites rather than of great symbolic importance to the nation. This irrevocable step appeared to be relatively cost-free and seemingly natural to take because Canada's border wars with the US over territory were all but settled by the twentieth century. In Europe it would take the continent better part of the short twentieth century to resolve their territorial differences. For much of it nation-states looked to expand territorially; France wanted Alsace and Lorraine returned; Germany claimed its right to regain its territories lost in the 1919 peace settlement; the Soviet Union regarded its borders as inviolate. At the other end of the globe, China and later India have invested heavily in their borders without any positive resolution.

None of this geopolitical national aggressiveness had a role to play in twentieth century North America. The fundamental difference was that Canadian authorities downgraded the border while American elites have constantly used the border and Canada's anxiety about gaining access to their domestic market to extract on a regular basis crippling concessions from its northern neighbour.

In the thirties at Ogdensburg New York, Mackenzie King, then Prime Minister had established the principle that Canada was part of the US security principle and had signed the first of many joint defence undertakings to institutionalize co-operation between the two country's military establishments. For King the logic was unassailable. Military, defence, foreign policy and ultimately commercial policy had to be of one mind if Canada was to broaden its access to the US market.¹ Successive Canadian governments were prepared to give up much in defence of this principle. Instead of building stronger Canadian industry, they preferred to enhance and secure access through bilateral agreements.

Judged by their skills as negotiators, there was a large and growing deficit between their stated broad philosophical goals and practical outcomes. There was no positive

¹ The prototype continental bilateral institution was NORAD for the defence of North America, largely paid for and manned by US personnel.

correlation between the idea and the ideal that the border could be administered for the North American common good. Washington viewed the forth-ninth parallel through the lens of self-interest for crudely commercial objectives. Successive bilateral agreements established a pattern trade-offs, the more precise term would be called today wholesale concessions of the national interest. For instance, in the 1940s Ottawa signed a free trade agreement in agricultural implements that ended up destroying Canada's dominance in farm implements and limited Canada's ability to rival US producers. This bilateral agreement opened the Canadian market to US agricultural interests and Canada's deficit in agricultural implements soared. American producers like John Deere cornered Canada's market but Canadian producers quickly lost market share in the US.

In film distribution, too, Canadian authorities looked the other way as they sought to reach a special understanding with the major American film producers. Regulatory authorities did little to enforce Canada's competition rules that would have led to the break up the American film monopolies that had established a stranglehold on Canada's incipient industry.¹ Faced with a cultural invasion the St. Laurent government of the period appointed the high level Massey-Levesque Royal Commission on Canada's cultural identity.

However strategic many of its recommendations were, by the mid-fifties Canada's elites had given up much ground and had many fewer economic building blocks to anchor Canada's cultural needs. Canadian authorities agreed to privatize all the nationalized war-time industries particularly, the high tech sectors of that they had created during wartime including plastics, airplanes and optical equipment. Later the Diefenbaker government abandoned the Avro-Arrow that destroyed Canada's aerospace capacity and a permanent purchaser of US military hardware. Canada's fifteen engineers went south to Cape Canaveral to work on the US space program and Canada's defence dependency was secured through the US defence sharing agreements of the period.

In the early 60s, Ottawa negotiated the Auto Pact which renounced the option of an independent auto industry in favour of its participation in a continentally organized auto industry. On this occasion, Canada received production and investment guarantees that

¹ Feldman,

secured Canadian auto workers and their family a share of the North American auto industry. The discernible pattern had already been written not in stone but in diplomacy; the inevitable trade-off, trading off industrial capacity for market access.

If the Canadian perception was that the border between the two was reducible to a 'boundary of convenience' neither the US Congress nor the Executive arm shared the idealistic framework that Ottawa brought to the table. For American experts the official record told another story. Washington did not reciprocate Canada's good neighbourism nor did it accept that the border could be administered for the North American common good. Washington saw it through the US lens of a single-minded pursuit of utilitarian self-interest for crudely commercial objectives. What this meant for practical purposes was that American diplomatic interests continued to play hard-ball to extract major concessions from Canada in almost every major policy domain.

Later in the 1960s, when US academics were hired in record numbers, the North Americanization of Canadian public policy and cultural life still did little to convince Canadians of the virtues of a transnational North American culture. Many were anti-American but even more were attracted to the idea that the institutional and other differences between the Republic and the Federation were more important than their being look alike societies. Or was it the other way around? That the similarities between Canada and the US had become more important, as Canada had industrialized and had become more of a bi-national society? This debate on whether our differences were more important than our similarities never produced a definitive answer nor could it. But identity-concerns continued to dominate public debate as economic integration deepened that have echoes down to this day.

The idea of formalizing North American integration in a free trade union gained much currency and a wide following among Canada's economists. The brilliant, if bombastic Harry Johnson, Canada's most distinguished mainstream economist in the 50's and '60's, became an early proponent of a global free trade, which went under the acronym NAFTA- the North Atlantic Free Trade Alliance. The model predicted lower production costs that would make Canadian firms more competitive. Early 1960s he argued that the efficient operation of markets required that Canada commit itself to free trade with the US because of the benefits for companies from specialization and economies of scale. A

dominate figure in US and UK academic circles and a passionate voice for free trade nonetheless Johnson's had little immediate influence on Canadian policy-makers. They were not ready to support his radical direction of unfettered free trade with the US. His policy work was important in highlighting the idea that the Canadian exporters needed greater access to the US market and that it was inevitable that Canadian national sovereignty would have to accommodate the powerful pressures of economic integration.

In this crowded field of thinkers, there were others such as Hugh Aitken who advanced the bold counter-thesis that the creation of a national economy in Canada was as much a political as an economic achievement. He explained that the powerful presence of the Canadian state in building a transnational economy was due to the fact throughout Canadian development state expansion has been necessarily defensive and part of a strategy for containing a more aggressive US economy. Sustaining this policy was critical to an emerging sense of national identity and analogous to the American doctrine of manifest destiny. Aitken also published a significant study on Canadian capital and resources which foreshadowed many of the resource concerns of the Trudeau government in the 1970's.

Canadians remained largely convinced sceptics of the proposition that North America was an entity waiting to happen. In theoretical terms there was no powerful economic evidence that Canada would be better off in a borderless world from the investment practices of US multinationals. Kari Levitt, daughter of the legendary economic thinker Karl Polanyi and who had come to Canada as a child, published what remains one of the most important anti-integration critiques of the elusive benefits from closer ties with the US. She was an early theorist of globalization, who examined the role and impact of multinational corporations in Canada and explained Canada's slide into a position of economic, political and cultural dependency on the United States. Her most powerful argument was to focus on the processes which eroded national entrepreneurship and political unity as part of the new mercantilism of direct investment and the ascendancy of continentalist economic forces.

Levitt argued that the takeover of the Canadian economy was being financed from the internal savings of foreign-controlled firms and the loans that they were able to obtain from Canadian banks at the lowest interest rates on offer. She countered the claims of

geographic determinists who asserted that closer integration with Canada was due to proximity to the largest market in the world. Instead she demonstrated that Canadian sovereignty was at risk because of the high degrees of economic integration and the power of US multinationals

The most powerful advocates of a coherent plan for full economic integration have come from as much from Canada's state institutions as private sector organizations. The *Economic Council of Canada* was mandated to give government expert advice on economic and social issues and devoted much effort and attention to the case for close Canada- US relations. The cornerstone of its theoretical approach was to advocate the advantages of free trade, particularly economies of scale, that would accrue to Canadian industry. Initially the case for free trade was derived from the econometric models originally developed by Paul and R.J. Wonnacott, among others. In theoretical terms, access to a larger market meant that Canadian firms would have to specialize and become more efficient producers. Access had to be broadened if the economies of scale from larger production runs were to be realized. But above all else, governments had to be brought on side and the elites needed the political will to change the institutional environment that shaped the way markets operated and industries organized themselves.

The Business Council on National Issues, that grouped the largest Canadian corporations under its organizational umbrella as well as the *Royal Commission on Canada's Economic Future*, chaired by Donald Macdonald, gave new legitimacy to the idea of continental free trade as the new macro-economic policy and under Prime Minister Mulroney, elected in 1984, Free Trade became an official part of the government agenda. Significantly, the social and specialization effects, as well as, productivity gains have not materialized to the extent predicted. Certainly tariff cuts have not translated into increases in annual earnings for production workers. Earnings inequality have not been compensated by tariff concessions.¹ The new trade economics founded by Paul Krugman, and others, have called into question the empirical and theoretical underpinnings of standard free trade theory.

¹ Daniel Treffler, The Long and Short Effects of the Canada-US Free Trade Agreement, *Industry Canada, Perspectives on North American Free Trade Series, Paper No.6* Ottawa, www.strategis.ic.gc.ca, December 1999.

If there is a story that emerges from this brief review of economic integration as a contested notion, it is that much of Canadian scholarship now understands that the foundations of Canada remain at risk because the country was designed to accommodate the ebb and flow of commercialism, rather than a singular and dedicated project of nation-building. The rule of thumb is that wherever the elites did business, they, not geography, defined Canada's "natural boundaries".¹ Of course, it was not a literal truth but the assertion contained the core idea that when borders matter less, people matter more. Then they would be freer to evade the border and build transnational publics.

With a much diminished nation-state, so the argument goes, Canadians, Mexicans and Americans would have more in common through the internet and the growth of border communities than what had divided them in the past. But while the similarity between Canada and the US may be inescapable in some respects, the cultural and value differences between Quebec, Newfoundland, Mexico and Ohio have not been eliminated in the least. Michael Adams has constructed a socio-cultural map of shared Canada-US values with an individuality-conformity axis on one hand and hedonism and morality on the other. Unlike economist who assumes that values follow the market, Adams gives us a totally different view of the way institutions and political culture produce sharply contrasting sets of values on each side of the border.

If we assume that a mid- Western Canadian shares the same values and perceptions as a mid-Western Americans, Adams disabuses us of this idea. He compared the responses of Winnipeggers with those living in Kansas City. When mid-Westerners were asked should there be welfare for those who need it, only 20 percent respond in the affirmative. When the same question is asked of Winnipeggers, 42 respond positively. Again the contrast on bearing arms could not be greater. Close to 50 percent of US respondents answered yes while only nineteen percent of Winnipeggers believed it was their right to do so.² At the national level he also found significant differences between the belief systems of the two countries. On the issue of whether the father of the family must be master of his own house, Adams found that only nineteen percent of respondents replied

¹ See Daniel Drache's extensive introduction to Innis' thought, *Staples, Markets and Cultural Change*, Montreal: McGill-Queen's U.P.1995

² Michael Adams, *Environics Survey Material 1990 and 1999*.

affirmatively compared with forty-four percent in the US. In the area of redistribution the chasm in political cultures could not have been greater. Sixty-seven percent Canadian participants maintained that everyone should get the same health care and education no matter how rich or poor they were. In the US only forty-six percent strongly agreed.¹

There are all kinds of perverse assumptions that values are converging in the email age and that social protection is harmful to identity forming moments. In fact, the so-called 'small value' differences that emerged in the post-Vietnam era between the two countries became more noticeable and pronounced with each passing decade as Canada's long-time special status relationship with the White House has been put to the test.

Canadian Border Nationalism: An Unanticipated U-Turn

For most of the modern period the majority of Canadians have been 'soft' nationalists, as an instinctive response to the growing US influence in Canadian life, even though the elites largely were not. Politically though, Canadians from all regions voted for policies that seemed to contradict their commitment to an independent Canada. In economic policy they supported governments that rode the back of the US business cycle, made Canada the leading investment site for US investors and shipped Canada's primary resources south for processing. In return, every party in power delivered social programs, such as universal health care, old age insurance and a system of unemployment benefits. Such trade-offs, though, would do nothing to curb continentalism – the embodiment of the North American idea, as understood in the corridors of power and representing the official state policy throughout all the period when the Liberal Party of Canada was the government of the day. At significant times, Quebecers too shared this visceral opposition to US control of its economy, feelings, which crested in the Duplessis era as well as in the heady years of the Quiet Revolution during the sixties.² They had their own nationalist program, which put sovereignty and independence at the centre of their political agenda.

Nonetheless, it is not difficult to understand the source of this incipient culture of English Canadian nationalism despite its opposition by most of the policy and economic

¹ Michael Adams, *Sex in the Snow*, The 3SC Social Values Monitor, Environics Research Group, 1999. The annual survey began in Canada in 1983 sampling 2,600 Canadians over 15 measuring values, motivations and socio-cultural characteristics. Also conducted in the US, Europe and other countries.

² Daniel Drache, *Quebec Only the Beginning. The Manifestoes of the Common Front*, Toronto: New Press, 1971.

elites. Unlike in the United States where government increasingly followed a laissez-faire policy in promoting internal growth and development, any reading of Canadian history assigns the Canadian State, in the words of Hugh Aitken “a major role in guiding and stimulating development.” Government policies were decisive and Canadians supported the ‘defensive expansionism’ of the Canadian state to build the economy, provide the capital and expertise, as well as, deliver a whole range of state-delivered services from marketing wheat to broadcasting and public broadcasting. In time, a pattern emerged out of all these ad hoc initiatives requiring even conservatively-minded provincial governments in Ontario, Alberta and British Columbia to play an active role in the economy and the promotion of an East-West national economy.¹ So despite the official position that the Canada-US border could be quietly and effectively managed and that Canadian sovereignty was not a priority, border issues and sovereignty were a potent duo that always came back from the edge of the envelop. Each of these issues raised a whole host of other concerns that were to make Canadians more nationalistic, not less.

The most fundamental one was the way Canadians liked to perceive themselves as being different from their Republican neighbours. What made Canada unique was that it had gradually acquired an economic culture with a highly visible ideology of its own. With its own distinct mix of policy instruments, Canada had developed ‘outside of the American ethic of economic liberalism’. If General Motors and Coca Cola symbolized the American way of life, “the great public enterprises [of Canada], in transportation and communication, symbolized the independent, creative Canadian spirit.” At the regional level, public enterprises in electrical power embodied this same innovative genius. Hardin’s essential point was that Canada had an unAmerican ‘transactional mode of redistribution’, compared with the American counterpart of market exchange.² Canadians looked to the state to lower transaction costs while the Americans believed in the efficacy of the price system. It is a paradox that these powerful narratives of Canadian nationalism reached the

¹ Aitken, “Defensive Expansionism”, *The State and Economic Growth in Canada*, *The State and Economic Growth*, New York: Social Science Research Council 1959 and reprinted in W.T. Easterbrook and M.H. Watkins eds. *Approaches to Canadian Economic History*, Ottawa: Carleton Library, 1967.

² Hardin, Hershel, *A Nation Unaware. The Canadian Economic Culture*. Vancouver: J. J. Douglas, 1974.

zenith of their appeal in the Trudeau era, himself a visceral anti-nationalist by conviction and a self-proclaimed cosmopolitan.

The 'great u-turn' which transformed soft nationalism and made much of state policy border-conscious for the first time in recent memory came in the 70s. Trudeau, the anti-nationalist by conviction, introduced more nationalist legislation in the 70s including the National Energy Program (NEP), creating Petrocan and the Foreign Investment Review Act (FIRA) went further than any other in the postwar period to strengthen the East-West axis of the economy. His administration was particularly effective in the areas of foreign ownership, energy, cultural and social policy.¹ Canadian social policy under Trudeau was eventually transformed, along European lines, so that it was no longer a pale imitation of its US counterpart. Like most accomplishments Canadian, scratch beneath the surface and it is evident that, to a very important degree, Trudeau was pushed into high gear by the political success of Johnson's war on poverty and the Great Society programs. This reform push gave second wave welfare rights to the many US citizens who had never been part of the postwar growth coalition.

Johnson and Kennedy paid for these large expenditure increases by cutting taxes by ten percent.² Canada's political culture found a very different solution. Canadians who had never been tax shy understood that they would have to pay higher taxes for an expanded redistributive model of Canadian federalism. Thus Canadian Unemployment Insurance benefits were increased dramatically, a universal health plan was established, family allowance support was enriched and social assistance benefits overhauled. Many of the reforms raised Canada's social program benefits well above their US equivalents. Even though Canada's social democratic party was never elected to govern nationally, something more important occurred. Canada's social democratic traditions transformed modern Canada into a strikingly unAmerican nation on the northern half of the continent.³

¹ Christina McCall and Stephen Clarkson, *Trudeau and Our Times, Vol 2: The Heroic Delusion*. Toronto: McClelland and Stewart, 1994.

² Robert Skidelsky, *The Road From Serfdom The Economic and Political Consequences of the End of Communism*, London: Penguin Press, 1999, p.11.

³ For a detailed examination of changes to Canada's social programs in the mid-nineties, consult Daniel Drache and Andrew Ranachan, *Warm Heart, Cold Country. Fiscal and Social Policy Reform in Canada*, Ottawa: Caledon Institute, 1996.

Redistribution rather than narrow gauged -American individualism became emblematic of a Canadian nationalism that had finally come of age.

In its most developed form, Canadian nationalism had a strong economic bent that aimed at reducing US control of the economy. Partially inspired by similar legislation in the European Community, The Foreign Investment Review Agency (FIRA) was mandated to review foreign direct investment, to determine whether it was in Canada's interest to permit such takeovers of Canadian firms, mainly by US investors. Ninety-five percent of all US investment decisions reviewed were given the green light but the very fact that a review agency had been established led Washington to believe that Canada had erected significant barriers to US investors. The National Energy Policy (NEP) was the most forthright attempt to Canadianize an energy sector which was over 80 percent in foreign hands, mainly American. The NEP taxed the US multinationals and guaranteed Canadians a made-in-Canada energy policy that set domestic prices below those paid by the US consumer. Finally, through the creation of Petrocan, Trudeau gave Canadians a fully integrated public enterprise committed to Canadianizing this entire sector from the oil field to the pump at the local filling station.¹

For Washington, these kinds of Canadian initiatives seemed to be a dramatic break from the traditional economic role that had defined Canada-US relations, for most of the century. Economically, Canada had been a classic resource-based economy supplying US industries with pulp and paper, iron ore, nickel and forest products. It had an abundance of resources that were shipped largely unprocessed to US factories. But Canada-US economic relations were always more complex than simple export trade because Canada was also an investment frontier for US capital. More than a third of all US foreign direct investment was in Canada and US interests controlled over 50 percent of Canadian manufacturing; over 75 percent of oil and gas and over 90 percent of the auto industry. Canada was also the most important trading partner of the US, who in turn supplied Canada with most of its consumer, capital and high-tech goods. So it is not

¹ The Chretien government is planning to sell off its remaining shares in Petrocan and it marks the definitive end of the Trudeau era in nation-building.

startling that Canada would eventually choose to formalize its regional standing in a series of free trade agreements in the mid-80s.

Part II: Integration Without Convergence: The Unique North American Model?

All of these different forces for and against North American integration have opened a new chapter on North America with the signing of the two free trade agreements in 1989 and 1994. NAFTA reflects the conventional wisdom of most industrialized countries that there is no alternative to monetarism, lower taxes, deregulated global and continental markets and radically diminished social welfare programs.¹

In the NAFTA re-invention, North America is not conceived of as a social fact – an entity collectively seeking to exploit its identity -- but in very different terms. Principally it is a commercial opportunity for “self-aggrandizing individuals pursuing their interests in an open market”, in a North America without borders.

This regional trade agreement gives new impetus to the drive to embed the assumptions and values of neo-conservatism as the new political consensus. Harry Arthurs, Canada’s best legal scholar, captures the magnitude of the change underway in the following passage. “Canada’s geography joins it at the hip to the United States, a vastly richer and more powerful country which happens also to be our major supplier of foreign capital, the head office of half our largest corporations, our best customer, our supplier-of-choice, our military and foreign policy ally, the dominant intellectual influence and inspiration for our know-based elites and for grassroots and emancipatory movements, and a virtual cornucopia of pop culture, science, technology, intellectual property and much else.”... “We are now trapped in North America”.² Today more than ever, it is not geography but the allocative failure of markets and their

¹ For a review of NAFTA’s effects on state policy, trade, dispute resolution and labour market performance, see Daniel Drache Happy Fifth Birthday NAFTA, www.robarts.yorku.ca

² Harry Arthurs, “Constitutionalizing Neo-Conservatism and Regional Economic Integration: TINA x 2, in Thomas Courchene (ed.) *Room to Manoeuvre? Globalization and Policy Convergence*, The Bell Canada Papers on Economic and Public Policy, John Deutsch Institute for the Study of Economic Policy, Kingston: McGill-Queen’s UP, pp.18-19, 1999. For Arthurs, NAFTA operates as a virtual constitution, thereby, seriously compromising Mexico’s and Canada’s capacity to respond to the forces of de-centralization, juridification and populism. Long after the United States rethinks the ‘Washington Consensus’ principles, Canada’s public policies will continue to be shaped by this combative juridically based ideology of a conservative kind that has been incorporated into Canada’s system of public policies and first principles.

powerful dynamics that are redrawing the map of the continent in a thousand different ways.

The question is, with economic behaviour and culture so transformed, does all this traffic of people, goods, ideas and beliefs establish North America as some kind of partnership in the collective consciousness of places other than border cities such as Windsor and Detroit, San Diego and Tijuana, El Paso and Juarez, Vancouver and Seattle and Brownsville and Matamoros? Since the turn of the century, these border communities have been privileged sites of shared identities.¹ Trade union formation in the nineteenth century was also tied to strike activity in many of the resource communities on both sides of the Canada-US border. They contain some of the most populated areas of the country and they are the archetype of 'loose space'. In these cross-border settings loose space is defined in a very precise way. Neither markets nor the communities themselves need any incentive structure to build dynamic family, labour, cultural and business links across the border.

What has been always curious about these border communities is why they so easily share a dual identity. The obvious answer is that these cross-border micro-identities make no special demands on kids and adults who play hockey or baseball in Detroit or Windsor out of a well-defined sense of civic curiosity. Border identities, so far, are little more than extensions of American and Canadian identities. Significantly these kind of super-local micro-identities are a poor breeding ground to launch a North American movement of heightened integration.² To achieve a new North America something qualitatively superior would be required. It needs an integration process of 'tight space', characterized by highly organized institutions, values and a political culture that would bring these border communities and regions together for a larger social purpose.³

¹ See Jacob Spelt classic study of the importance of US to south central Ontario development, *Urban Development in South-Central Ontario*. The Carleton Library, no.57. Toronto: McClelland and Stewart, 1972. (First published 1955.)

² For a powerful and very persuasive discussion of the issues of the border as 'borderlands', see Victor Kronad, "The Borderlands of the United States and Canada in the Context of North American Development", *International Journal of Canadian Studies*, 4(fall) 1991, pp.77-95.

³ Compare the cultural identity of the capital cities of North America to their economic embeddedness in their own national culture.

Significantly this has not happened and there is no evidence of an emerging trend line. Despite the importance of their immigrant communities and multi-cultural mix, the cosmopolitan cities of the continent Mexico, Montreal, Toronto, New York, Chicago and LA are, first and foremost, national capitals notwithstanding their multi-cultural city populations with large enclaves of Canadians in Los Angeles; hundreds of thousands of Mexicans working permanently in Southern California and over 100,000 US draft dodgers in Toronto and the environs. The only question is, can a North America of the regions with a distinct identity and with sufficient internal discipline to function coherently ever evolve?

The continents' geographers have long studied the North American variants of 'tight space', where the demographics and the industrial structures between the three countries are so markedly different. No one should underestimate the continuing importance of this single issue. Canada continues to have a small population (only one-tenth of the United States), eighty percent of whom live within one hundred and fifty miles of the border but with an east-west axis greater than that of the US. S. D. Clark, the one-time doyen of Canadian sociology, some years ago captured the essential relationships between geography and state structure that have pushed Canada, Mexico and the United States to adopt such profoundly different models of state-market relations. He never explained why the continent's political bureaucracies chose to exploit geography so differently but it is significant that they did with many long-term consequences for the development of each society. In part he reduced the differences to the following:

Geography, which favoured individual enterprise and limited political interference in the conduct of economic, social and religious affairs over a large part of the continent [the United States], favoured on this part of the continent [Canada] large scale bureaucratic forms of organization and widespread intervention by the state.¹

Clark's insight is valuable because the implication is that geography could be an alternative base for a North America of the regions when there is no visible sign of

¹ S. D. Clark, *The Developing Canadian Community*, Toronto: U of T Press, 1962 quoted in Seymour Martin Lipsett, *Continental Divide The Values and Institutions of the United States and Canada*, London: Routledge, 1989, p.51.

convergence among state bureaucracies. It is long held to be axiomatic by many experts that North America constitutes a holistic and unique environment that transcends existing national, class and ethnic divisions. The proposition that there is a North America without borders waiting to happen is compelling both for what it reveals and conceals.

North America Without Borders: Its Twelve Regions

Imagine North America viewed through the lens of its diverse geographical regions demonstrating as some have contended that borders are artificial constructs. Envision the map of North America without its present national borders and composed of its principal regions; each region marked by distinct state/market/civil society features. There would be twelve in all including the Caribbean islands.¹ (See Figure, *The Twelve Regions of North America*)

Starting in the East ,there is the prototypic New England region including the Halifax and Boston areas. From the sixteenth century until today, this region, bounded by the ocean and trans-shipping up and down the East Coast, has always shared a common history, environment and commercial system. They have traded together sharing a common history and linked economies for four hundred years. Connected by the coastal, as well as, the triangular Caribbean trade and the unending movement of peoples, the New England-Halifax nexus has long supported regionally based, highly successful manufacturing and financial institutions.

Newfoundland has long been its own country and people. With a particular Maritime history and an epicentre in the Atlantic cod fishery, it remained part of the British Empire until 1949 when a razor-thin majority chose to join Confederation. Newfoundland is

¹ This section is inspired by the work of the geographer, Joel Garreau, *The Nine Regions of North America*, Boston: Houghton Mifflin, 1981. I propose twelve regions adding New York, Silicon Valley and Newfoundland as regions in their own right. In the sixties conceptualizing North America sans frontières was very much in vogue in policy circles. See *Second Annual Review*, the Economic Council of Canada Ottawa, 1962 for an extensive discussion of North America as the regions of regions. Recently Thomas Courchene, has attempted to resurrect this idea with respect to Ontario and its place in North America. Industry Canada has commissioned a major new study by Raynald Létourneau and Martine Lajoie, Occasional Paper No.22, February 2000 that shows that regional disparity measured by per capita income has increased dramatically between Canada and the US while within the US regional disparities have narrowed in the last decade. The study is available on their website [www: strategis.ic.gc.ca](http://www.strategis.ic.gc.ca). For a different analysis of the potential of regional jobs and employment strategies, see Daniel Drache, “Jobs and Investment Strategies in Canada: The Challenge for Policy-Makers” in *Regional and Federal Studies* 9:3, Autumn, 1999, pp.38-40 and available on the Robarts Centre, York University, March, 1996, www.robarts.yorku.ca.

culturally and linguistically distinct, as well as economically and politically apart. Nonetheless, it is a regional economy within North America with its own imperative, dynamics and identity.

Quebec is also a distinct sovereign region and entity culturally, historically and economically with its own language and institutions, political aspirations and unique blend of public and private economy. With its modern state structure and aggressive political elites committed to independence, it looks toward North America as its 'exit' strategy from the Canadian federation. It sees in the NAFTA its principal counterweight to any punitive measures that Ottawa would seek to impose on Quebec in the event that it won a referendum on its future status. Economically ambitious, Quebec has used state enterprises to great effect to develop its industries and expertise though much of the economy is dominated by its traditional resource-based export industries.

The Foundry or the Great Lakes region is probably the most successful industrial area of the continent. Anchored in the mass production industries of auto, steel, chemical and electronics, it stretches between Ottawa, Chicago, Toronto and Washington. It is driven by the dense concentration of industry in south central Ontario, as well as the intra-state commerce in parts, machinery and equipment between Michigan, Illinois and Ohio. No other part of North America has as much inter-state and inter-provincial trade as the Foundry. It is the cultural value home of middle America USA, with its strong individual engagements of civic responsibility, middle-America moralism and protectionism.

In terms of political culture, middle America stands at the other end of the conservative spectrum and shares little in common with 'middle Ontario' in the way public and private life is organized. Canada's lead province has been shaped by its long-standing social democratic traditions of red toryism and progressive liberal state practices. In recent times, Ontario has moved sharply to the right with the Harris victory but the province remains divided about the 'less state, less tax model'. Soon Ontario-based auto assemblers will surpass Michigan as the largest assembler of North American cars, an achievement explained in large part by the \$.67 Canadian dollar and Canada's universal health care system that reduces the overhead operating costs of the Big Three auto assemblers. In reality, the continent's heartland is deeply divided by the border and national policy and programmes.

New York City and its surroundings is a region onto itself. New York is a huge massive, sprawling metropolis with an economy that is without equal in the US. Its history is intertwined but separate from the rest of the Republic. As the financial heartland of the US, Wall Street dominates the American economy and deregulation has reinforced its role at the commanding heights of the American economy. A long-time style-setter of tastes and mass consumerism, its position remains unchallenged. Home of the television, fashion, communications and entertainment industries, New York is the cultural capital par excellence, with few rivals. Toronto comes a poor second, by comparison and has none of New York's resources to be a competitor.

To the West is the prairie breadbasket, starting at Lake Winnipeg in the north, the Sault in the East, branching out to include St. Paul, Kansas City, Oklahoma, Fort Worth and moving southwards again to Houston on the Gulf, as the southerly most city. Although recognized as the archetypal 'agrarian' region, in reality, agriculture production is organized very differently on both sides of the border. In this global era, all farmers are more dependent than ever on the world market but remain tied to the home market. US farmers rely on a system of price support for crop management while Canadian producers depend on marketing boards to guarantee price stability.

In the US, agra-business production techniques have transformed the farm sector while in Canada, co-operatives, state-led and producer initiatives of all kinds play an equivalent role. Recently US agra-business has come north but there is no equivalent movement of the same magnitude of Canadian agra-business setting up significant branch plant operations in the US. The breadbasket regions, on both sides of the border, are organized economically and socially in dramatically contrasting manners. US agricultural producers have received over \$12 billion in subsidies, in recent times to cushion the blow of low prices and rising agricultural imports. Ottawa refused the same level of support to its farming communities.

Dixie, with its historic parallels to Quebec, is a southern region comprising the former states of the Confederacy, 'where cotton is no longer king'. Today agriculture, industry and regional renewal have created a vigorous, modern, industrialized and more dynamic south than ever before. Its boundaries run through Louisville, Atlantic City,

Nashville and New Orleans and its bustling cosmopolitan cities are the industrial and communications hub of the new service and banking economy.

In the far west there is Ecotopia, which encompasses the West Coast world of the giant timber stands of Vancouver Island and mineral and resource rich Alaska. Like Chile, with over 5000 kilometres of coast line, Ecotopia has had a strong intra-trade system of resource exports and the migration of peoples from the pacific region and from the distant East. Its commercial points of contact are Anchorage in the north and Vancouver and Seattle in the south. In truth, Ecotopia is an imaginary construct, as British Columbia with its strong socialist traditions and militant labour movement has elected social democratic governments and the crown corporation sector has provided all governments with the economic resources to develop a large and vital public sphere. There is no equivalent on the American side of Ecotopia.

Silicion Valley and Los Angles stand apart in the regions of North America. With over 30 million people, it forms a distinct entity dependent on the new and old economies of the entertainment and computer economies that place it in first rank. More broadly, California is home to much of the US high tech and aeronautical industries with its unsatiable labour market for symbolic analysts, engineers and computer nurds. The computer industry does not run soley on brainpower but equally on low-end minimum wage workers in the assembly plants. Tourism, farm market agro-producers and a vast service economy make Silicion Valley one of the fastest growing regional economies on the continent.

On this imaginary map there are two other sovereign entities, Mex-America and the Islands, dominated by San Juan, Havana and Kingston. Both are historic colonial entities with their origins in the sugar, spice and slave trade. Cuba has been 'isolated', diplomatically and economically, by the US embargo for the last forty years. Even so, it has formed its own economic networks with Canada and Mexico, among others, in tourism, software, mining and agriculture industries. The Caribbean Islands remain at the margin of the New North America. Economically and socially poor, they have yet to find their niche in the new North America.

Mex-America, the southern most sovereign region, has a long but very closely watched border, bounded by San Antonio at one end and the Gulf of Mexico at the other,

with Brownsville being the final stop. The dense concentration of auto part suppliers, maquiladoras and other US, Canadian and Japanese assembly operations has accentuated the powerful pressures of economic integration and social fragmentation all along the entire Mexican-US border. The new division of labour has transformed northern Mexican into a low cost assembly zone for US corporations. With employment rates higher in the northern Mexican states, Mexican labour has moved north in ever-greater numbers.

This fictional map of North America without borders is a powerful reminder that geography has never been as dominant, deterministic nor defining as many prominent North Americanists have imagined. No two experts can agree on the precise characteristics of a regional economy. This is not surprising given the fact that there are hundreds of regional economies of various sizes and importance depending on the definition employed. Should they be production centred? By the transportation grid? By financial flows? By the growing volume of goods and service flows between metropolitan cities in and around the Great Lakes? One thing is certain. The twelve regions of North America is as arbitrary a choice as any other based on the old idea that standard goods production and primary products enable one to discover the elusive trajectory of North America as a series of loosely linked but largely unconnected economies. Noteworthy is that fact that in a North America of regions Canada ceases to exist and much of Mexico is little more than an appendage of the busy and prosperous Southern California-Texas economy.

It is not insignificant that asymmetry in employment growth, wealth, future potential and per capita income is even greater among the regions of North America than in a world governed by nation-states. What remains controversial is the effect of these goods and capital flows for the regions involved. Recent reports show that the poorest US states have surged ahead of Canada's provinces in terms of income and productivity growth. On average, the US standard of living, measured by per capita income is now 22 percent higher than that of Canada. The lowest income American regions, such as Texas, Louisiana and Mississippi had a standard of living still 10 percent above the Canadian

average.¹ Only seven states had living standards below the Canadian average. The best Canadian performer is Alberta and it ranks 18th among the sixty states and provinces. Ontario, the economic powerhouse of Canada, comes in at a disappointing 37th. More generally, American regions have seen their per capita income differences narrow in recent times and the unemployment rates among the worst off regions and the strongest economies converge in a positive direction.

Standards of living are only one measure of large and important regional differences. Another is to track the rise and decline of regional economies. For instance, the rust bowl of the mid-West states is now the centre of new industries that have satellite factories in the US south-west, Ontario and on the Mexican side of the Rio Grande. But, as far as Canadians are concerned, there is little room for doubt that this is another American success story with the better paying jobs and investments staying on the US side of the border.

In Canada, regional differences have grown larger in recent time, whereas in the US there has been strong regional growth and a recovery driven by rising commodity prices and the reorganization of US industry. The story of the decade is the US recovery, which has revived the sinking performance of regional economies, narrowing the large gaps that had emerged in recent times. Despite the promise of new investment flows, the same level of development and recovery has not been matched in Mexico or Canada.

The unemployment figures in Mexico and Canada reveal a completely different labour market story. Canadian unemployment remains at twice the US level and Mexican unemployment even higher. Mexican wages, in the industrialized north, remain a rock-bottom bargain for foreign assemblers. Economic integration has not improved workers' purchasing power. In the words of Julian Castro Rea "as long as a sizeable number of the Mexican population lives in poverty, the 100 million people market south of the US border dreamt of by the promoters of NAFTA will remain unfulfilled."²

If there is a lesson to be drawn, it is that the regions of North America are not centres of the new North America. The larger story is that regions are the expression of

¹ Industry Canada, August 2, 2000. See Raynald Létourneau and Martine Lajoie, op.cit.

² Julián Castro Rea, "The North American Challenge: A Mexican Perspective", *Isuma*, 1:1 Spring 2000, p.27.

their national economy and are embedded in it. This can be seen in the way North America's regions have been trumped by the raw power of market forces making geography the site of arenas of power and national policy contests. Market structure too, remains dominated by US corporations, in a hundred different ways because they are large, numerous and possess deep pockets. In Canada, of the five largest exporting firms, four are subsidiaries of US MNEs – the big three auto assemblers, followed by IBM Canada. The only national company is the Canadian Wheat Board.

Canada is the first foreign location for many American MNEs and even today the most profitable Canadian firms have only tenuous links with their place of origin. Maureen Molot has recently found that almost all of the top forty central Canadian companies have investments abroad, mainly in the US. Rugman too has found an inverse relationship between many Canadian corporations and their home base. He points out that although the Canadian economy is one-tenth the size of the United States, Canada's direct investment abroad is "six to seven times larger than our relative size might dictate."¹

How does one explain this spatial bias of Canadian multinationals that abandon their own market in favour of the US? Certainly the best evidence is that firms with a considerable number of US citizens on their boards and which rely on US financing will see nothing unusual or exceptional in this strategy. By comparison, smaller firms that sell more in the Canadian market, invest heavily in R & D and have mostly Canadian boards of management tend to value their Canadian base. As many experts insist, there are significant differences between the corporate culture of American, German and Japanese firms with respect to financing, innovation, technology alliances and local production. In every case the national environment is crucial for affecting the best return on investment. So the question is, what has been happening to Canada's corporate environment? Is it thriving or dying? ² With the seamless market being governed in Michael Hart's words "by a single set of rules implemented and administered by two governments to active their

¹ Alan Rugman quoted by Maureen Appel Molot, "The Culture of Multinational Corporations and the Implications for Canada: Comments", in *Room to Manoeuvre? Globalization and Policy Convergence*, Thomas Courchene ed. Queen's University, 1999, p.125.

² Louis Pauly, "The Culture" of Multinational Corporations and the Implications for Canada" and the Comments by Maureen Appel Molot, in *Room to Manoeuvre? Globalization and Policy Convergence*, Thomas Courchene ed. Queen's UP, 1999.

common interest in a well-functioning North American economy” are we on our way towards marked policy convergence and the demands of a deeper form of integration?¹

Despite being look-alike societies with mirror image economies, Canada and the US are very different, when judged by leading indicators. These are *total state spending* as a percentage of the GDP, *social spending* to individuals as a percentage of all program spending, *tax burden* on individuals and corporations, *the level of trade union coverage* and *the degree of collective bargaining*, *per-capita disposable income* of families and individuals, *the redistributive effects of transfer payments*, and *poverty rates*. There is also an extensive literature on the dissimilarity in values in the two countries with respect to parental roles in the family, fairness, equity and social responsibility.

Convergence indicators reveal high levels of interdependence, through exports and the intra-company exchanges between parent and subsidiaries. It is estimated that somewhere between 55 and 65% of all exports to the US are within firms and this dynamic is felt throughout the entire economy. As well, in the area of finance, the majority of major Canadian corporations are listed on foreign markets and often report their annual statements in US dollars. The sharing of elite strategies, values and associations further reinforces the impression that indicators of convergence are more significant than indicators of divergence between the two economies and societies.

Part IV: Testing For Convergence: What Does the Empirical Evidence Reveal?

After a decade of the FTA, NAFTA and intense globalization, Canada and the US have entered a period of transition, yet the emergence of a North American policy space with shared values, assumptions, policies and goals has failed to coalesce. The newest development is that the Canadian state is not being dismantled as once confidently predicted by the seamless market.² Rather it is being redefined in many ways that can only be explained by changes in elite politics and their notions of governance. While NAFTA

¹ Michael Hart, “Reviving Regionalism? Canada, the United States and the Next Steps to Deeper Integration,” in Roger B. Porter and Pierre Sauvé eds. *Seattle, the WTO and the Future of the Multilateral Trading System*, Harvard University, Centre for Business and Government, June 2000, p.112.

² See Michael Hart, Reviving Regionalism? Canada, the United States and the Next Steps to Deeper Integration, in Roger B. Porter and Pierre Sauvé eds. *Seattle, the WTO and the Future of the Multilateral Trading System*, The Centre for Business and Government, Harvard University, June 2000, p.112

and globalization are powerful benchmarks, they do not alone account for the fundamental changes in the Canada-US relationship.

NAFTA has had much less effect on the spatial dynamics between the Republic and the Federation than originally predicted. Many of these effects remain ad hoc, informal and without pretension of any supra-nationality. Still, if Canada (and Mexico) expect to maintain the higher levels of taxes necessary to pay for a more comprehensive system of social programs, policy-makers must provide the general public with assurances that these redistributive programs will not be undermined by US driven pressures, in this FTAA era. As for building a shared identity, here too there is a high degree of uncertainty. Canadians are afraid that they will not be able to maintain their own distinctive identity when identity politics collide with the liberal imperative to open borders.¹ Even so, the modern day Canada-US relationship raises even more basic concerns of where to draw the line between the state and the market? How dynamic a role should the public sphere have? How much protection is needed against market intrusiveness? How much unimpeded space do markets need to operate efficiently?

With among the highest levels of economic integration in the industrialized world, it was expected that the dual effects of NAFTA and globalization would lead to greater convergence in key policy areas between Canada and the US and further, that Canada's distinctive programs, policies and values would be jeopardized. Certainly there is now a greater degree of inter-connectedness between the local economies in Canada and the larger American-centered north-south regionally based markets than ever before. Trucks, railways, airlines, ports, e-commerce, water and electricity grids transect the continent in real time. (See figure, *The Continental Axes of Economic Integration*)

In the past, many experts claimed that such a high degree of integration meant that Canada would not sustain its own particular social and institutional arrangements. It was considered that the worlds of the state, politics and economics had to have congruent boundaries so that state action and the behaviour of economic actors could be addressed through strong nationally based politics. This proposition has to be rethought for one basic

¹ See the special issue of *Isuma* on Canada-US relations, 1:1 Spring 2000. See Denis Stairs article in particular.

reason. After a decade of integration, the leading indicators do not reveal to the degree predicted, strong evidence of across-the-board convergence.

The theory predicted that in government spending Canada would adopt the 'less state, less tax' US model. In productivity, the gap between Canadian and the US firms would close. In social program expenditures, Canadian spending would drop to the US levels. In health care Canada's health care system would move towards the US private system of health delivery. As for labour and collective bargaining, Canadian unions would go down the US road towards the non-union workplace. Finally, with regards to values, American individual self-interest would replace the Canadian belief in collective responsibility and fairness. So far, all these critical gaps have not disappeared; many have grown more pronounced, despite the promise of closer economic integration. Wholesale dismantling has not occurred in key areas of public policy but the program reforms carried out by the national and provincial governments have had dramatic impacts on Canadians. All this is evidence of an unexpected trend-line, namely that of integration without deep convergence.

The bare-knuckle reality is that the disciplinary code of markets is less than anyone could have imagined and that the NAFTA effects are far less significant as a public policy factor. Canadians have held their own despite the pressures from the Republic's moving frontier -- not well but better than most of the policy experts anticipated. Contrary to almost every prediction, Canadian economic and social space although troubled is more resilient. The traditional structural fault lines of the economy -- low per capita spending on new technology, too few Canadian middle-ranking firms, the absence of a developed venture capital market and a poor skills acquisition strategy to upgrade the workforce -- continue to drag down Canada's economic performance. Any or all of these factors would undermine Canada's competitive position with or without integration. If the critical test is to examine the gaps between Canada and the US in key areas of the economy, it reveals something quite startling: high levels of integration marked by many characteristics of social divergence and spatial distinctiveness. How can so much divergence be accounted for?

The best explanation is that the motor for change comes as much from within Canada, due to the fiscal and monetary policies adopted by Ottawa, as from without. Institutions make a real difference. The evidence may not be conclusive but it is compelling enough to sit up and take notice of it.

In terms of tax policy, there has been no collapse of the higher tax regime in Canada over the decade. We remain above all of our trading partners but only slightly above the G-7 average. We continue to be 8-9% higher than in the US and Canada continues to rely more on personal income taxes. By comparison, Ottawa taxes middle and upper income Canadians more, while lower income Canadians are better off than their US counterparts. The villain is that since 1986 Canadian tax rates were not indexed against inflation, while in the US they were and thus the tax bite in Canada has been deeper.¹

In terms of per capita income, Canadians earn roughly 20 percent less than their US counterparts and there is no closing of this gap. Indeed many experts believe it is widening.² Since 1989 real pre-tax income rose in Canada by \$500 Canadian compared to \$2,850 (U.S.) If Canadian family incomes are rising by the late 1990s, it is because more people are working and a strong job market has helped reverse a decade long income decline. In 1998 tax income increased 3.7 percent, the biggest single year gain since 1989. But with taxes and transfers no longer balanced for families and individuals, income inequality has also grown more pronounced in Canada although still less than in the US.³ Almost twenty percent of Americans live below the minimum and in Canada the figure is almost 12 percent.⁴

¹ Robert D. Brown, "The Impact of the U.S. on Canada's Tax Strategy", *Isima*, Canadian Journal of Policy Research 1:1, Spring 2000, Special Issue on North American Integration, p.72

² Benjamin Tal, "Accounting for the Widening in the Canada-US Income Gap" CIBC, 1999. www.cibc.com

³ See *The Daily*, StatCan <http://www.statcan.ca> Monday, June 12, 2000. Family income, 1998. Average family income rebounded to its highest level in a decade in 1998, as Canadians made up for ground lost during the lean years of the 1990s. The average family had an estimated after-tax income of \$49,626 in 1998, 1.7% higher than the 1989 pre-recession peak of \$48,807. See also Benjamin Tal op.cit.

⁴ Jim Stanford, "Labour Market Flexibility in Canada and the US: Beyond Flexibility" in *Canada Watch*, special issue on Canada-US Relations, Oct-Nov 2000.

In social spending, the two countries are worlds apart. Canadian public authority spends significantly more on health, education, pensions and social welfare from the public treasury. The 'more' amounts to four percent of GDP.¹

In the area of employment the two countries again diverge. Between 1989 and 1997 employment rose by 10.4% in the US, this is compared to only 6.5% in Canada. In the US most of the growth occurred among full-time employees while in Canada self-employment accounted for 80% of the overall employment increase.²

One of the largest areas where the two countries differ is their unemployment rate. In 1981, Canada and the US had the same rate. During the 1980s this grew larger and by the 90s the gap had risen 4 percentage points. With a lower rate of inflation, Canada had almost twice the US level of unemployment. The productivity gap in manufacturing has only marginally changed. In 1988, in manufacturing the gap was 78% of US levels and by 1998 it had fallen to 72%. Canada persistently lags the US in R& D, equipment, machinery and new product development.³

At the provincial and state levels, all Canadian provinces have had higher unemployment rates. With few exceptions, American states experienced an overall decline in unemployment rates. The contrast with Canada could not be sharper. Provincial unemployment rates have not succeeded in reducing unemployment to the same degree.⁴ In the area of job creation here also the labour market experience is sharply contrasting. In the land of opportunity and risk-taking, full time employment played more of a role in the stronger US economy. In the more conservative Canadian society, more jobs were created by self-employment evidence of how few full time jobs were created in the last part of the 90s. As the Canadian economy has surged ahead in the most recent period the number of full time Canadians who are self-employed has fallen for the first time since the

¹ Robert Brown, op.cit. Chart 4 p.74. Social expenditure in Canada continued to rise since 1989 and increased significantly 1991-93 during the immediate post-free trade period. There was only a small closing of the Canada-US gap in the years 1994-95. These figures only demonstrate the existence of the gap and the fact that despite NAFTA the gap has not been eliminated in the least!

² *The Daily*, StatsCan, Tuesday November 24, 1998. For a more detailed analysis, consult *Labour Force Update*, Autumn 1998 2:4.

³ Manuel Trajtenberg, Is Canada Missing the Technology Boat?, *Industry Canada Discussion Paper no. 9, 1999*; also Louis Pauly and Maureen Molot, op.cit.

⁴ *Labour Force Update*, Autumn 1998 2:4.

1990s. Seventy-five percent of the 800,000 jobs created since 1990 an amazing seventy-four percent were accounted for by self-employment. But in the last three years when Canada's recovery started producing full time jobs, self-employment has now retreated back to 16 percent the lowest level since 1996.¹

In terms of collective bargaining and trade union coverage, the latest figures indicate that with about 38 percent of the workforce covered by collective bargaining, there has been no collapse of the Canadian union movement equivalent to that in the US. There is a decline in private sector unionism but this has been in effect for the last forty years and, more recently, this decline has largely been arrested.²

Industry Canada has commissioned a new series of studies to examine the effects of foreign direct investment.³ Foreign direct investment has more than doubled in Canada in the past decade, reaching 22.6 percent of GDP. Here a brief comment is in order. Canadian industry is getting the short end of the stick. FDI inflows promise much but in terms of their impact on output, domestic spillovers pay larger dividends, if this study is to be believed. At the present time, only about 1/3 of FDI flows into manufacturing and the technology and transfer spillovers on productivity are disappointing.⁴ There is no significant relationship between foreign direct investment and R & D capital. Domestic R & D spillovers were greater than those from new capital inflows. Total factor productivity, one of the key measures that economists rely on to explain the different contributions to a better industry performance, was a meagre 0.11 percent per year over the period 1973-92.⁵ By contrast, Germany gets a big increase from FDI flows -- .27% for every 1 percent increase in FDI. So if productivity gap is still significant more integration is not likely to have much of an impact on making Canadian firms more competitive now that they have new access to the US market.

¹ Bruce Little, "Drop in ranks of self-employed reason for cheer", *Globe and Mail*, October 9, 2000.

² Canadian Labour Congress,

³ Surenda Gera, Wulong Gu and Frank C. Lee, Foreign Direct Investment and Productivity Growth: The Canadian-Host Experience, *Working Paper No. 30*, April 1999; Implications of Foreign Ownership Restrictions for the Canadian Economy – A Sectoral Analysis, *Discussion Paper 7 April 1999*; Ronald Daniels, Institutions and Growth – Framework Policy as a Tool of Competitive Advantage for Canada, *Paper no.11*, December 1998; Ronald Hirshhorn, Industry Canada's Foreign Investment Research: Messages and Policy Implications, *Discussion Paper No.5*, October 1997.

⁴ Gera et.al.

⁵ Gera et.al. op.cit., p.19.

The large differences in productivity that have dogged Canadian industry for the last forty years have more to do with best managerial practice and technological know-how than any other significant factor. In both categories the differences between Canadian and US firms have deteriorated since free trade was introduced.¹ Evidently management strategies are not responding to optimal market price signals.

Since 1984, Canadian exports to the US have jumped from \$85 billion, rising to \$100 billion in 1988, the year of the first trade deal, and topping \$200 billion in 1996. At the same time, interprovincial trade also rose from \$106 billion to \$160 billion. By the end of the 90s, eight out of ten provinces – with only Nova Scotia and PEI being the exceptions – traded more internationally than inter-provincially. If the Canadian economy is buoyant, it is because of the \$.67 dollar and the recovery in international commodity prices. There is nothing new in the fact that Canada's best industrial hope, at the moment, is to ride on the back of the US business cycle until it abruptly runs out of steam. Every Canadian government has tied its star to the same policy seemingly indifferent to being burned at the stake of US policies.

None of these 'leading' indicators explain the unique situation of North American integration – high levels of interdependency without convergence. With so much policy divergence, instead of lockstep convergence, the role of government and the organization of civil society continues to defy either a strict continentalist logic or the nationalist cri-de-coeur. The empirical evidence is a powerful reminder that despite all the talk about the triumph of markets, the Canadian State has not been dismantled as once feared. This is hardly reason to be complacent because the combination of NAFTA effects and globalization dynamics raises a whole array of governance issues that need addressing. These are the hard issues of public life which no political party seems to have ready answers for.

First, since the income gap between Canada and the US is larger than ever, can it be closed? Secondly, with so much pressure on English Canadians and their identity, does it have the political desire to differentiate the Canadian experience from the

¹ Someshwar Rao and Jiannin Tang, Are Canadian-Controlled Firms Less Productive than their Foreign-controlled Counterparts?, *Industry Canada Working Paper* 32, February 2000.

American any longer? Finally, will the political elites protect Canadian identity and distinctiveness when these collide with the free flow of ideas and goods?

As the backlash against the crude efficiency goals of North American integration gathers momentum, the calls to revisit the Washington Consensus will mount. Civil society actors are demanding that the efficiency agenda, driven by the ideological appeals to free trade, give way to other policy frameworks of more equal growth, better paid work, national renewal and social cohesion. Reinvesting in Canada's health system is one sign that the process is well-underway. The decision to spend \$22 billion on restoring the cuts to Canada's national health system sends a clear message that it is politically acceptable to spend rather than to cut. There is a better than average chance that in the next few years Canada will renew core elements of its distinctiveness and reinvest in its large and resilient public domain institutions.

Becoming more Canadian rather than North American could be helped by the fact that there is hardly anything left of what used to be called the special Canada-US relationship. Old-fashioned 'good neighbourliness' has been replaced by US foreign policy largely carried out on behalf of private rather than public interest. The NAFTA linkage has not given Canada a step up in US policy circles. At present Ottawa has to line up with all the other lobbyists to cut deals with US congress when it has special needs or concerns. One unintended consequence is that in the hemisphere, Canada is increasingly seen as an indispensable counterweight to US policy by many Latin American countries in the OAS and other regional bodies.

In this new environment, rethinking North America will be helped by the fact that the Canadian economy is booming and after a decade of disappointment, unemployment is down and growth is much stronger than ever. So the question is, does it matter any more that Canada and US are on two different paths economically and politically? Who cares if NAFTA did not create the great level playing field? No one save a few die-hards seemed to notice that all the hype around market access has turned out be a false penny.

Part V: The North American Experience in Nation-building

To return to the most perplexing issue of the North American experience why these neighbours are so different. Nation-building in Canada and the US was constructed on real

and imaginary national symbols such as national parks, popular music, mass circulation newspapers, the cheap novel, sports heroes, military parades and sacrifice, a public infrastructure and social programs that were redistributive and socially binding. The political system too, required publically committed men and women. Public space for debate and discussion also had to be created by civil society, most often with the support of the state's resources. If we think of the public sphere in all its parts, it is not a simple extension of the state. For most of the 19th century the state was relegated to a small and vital sphere – the legislature, courts, law making, currency and security. There was also a public space of social goods and public meeting places that was large and growing quickly. Citizens, then freely (or so they believed) identified with their country because their modern nation-state embodied the best community with special national values, while hiding all that was wrong and lacking.

What made each of the continent's communities unique was how it laid claim to a universal truth as part of an unalienable birthmark. For Americans it was their revolution for freedom, individual liberty and the rule of law of their constitution. For Canadians, it was the public good of peace, order and good government and the construction of a country in defiance of the Republic. For Mexicans, it was their national revolution for independence, equality for all and development of the nation. At least here was the beginning of three competing and very different notions of national citizenship. In time they could be shared with the other communities of the continent and, under the right kind of circumstances, could form the basis of a North American identity that was greater than the parts.

So far the support for the idea of an integrated North America is almost non-existent. Canadian trade unions are strongly nationalistic having broken their previous ties to American internationals. They have shown no interest in it and would mobilize against any effort to put this issue high on the political agenda.

Canadian Business Associations have not taken any steps to promote a North American identity. The Business Council on National Issues and Canadian Association of Exporters and Manufacturers are strongly committed to free trade but the hollowing out of corporate Canada by US takeovers has eroded their effectiveness and capacity to sell the North American idea as beneficial to Canadians. By contrast, the small business associations are like to boast that they are 'proudly Canadian'. So far they have aligned

themselves with those that see any further erosion of national space as harmful and threatening. In their ranks, the policy idea of North America has no political future and is problematic.

Civil society actors including most voluntary associations as well as social movements such as women and environmentalists are committed to the Canadian model of more state, more taxes, more redistribution. Their values include redistribution and solidarity and in recent times have increasingly diverged from elite values and policies. The rise of the Canadian social conservatives organized around 'unite the right' share many of the US conservative values and look to the US as their model for social programs and for cutting welfare. But they are also deeply patriotic and the idea of a North America of regions with a coherent political economy does not rate highly on their policy agenda up until now.

Academia are a special interest group who could play a major role in promoting the North American identity. So far they have not and are unlikely to do so in the future. North American studies are of interest only to a handful of the professorate particularly those in history and cultural studies. Canadians are poorly informed about their southern, republican neighbour and no Canadian academic has ever written a definitive account of the United States. In the policy disciplines of law, political science and economics there are strong advocates of a North American common market ideal but these studies have had little impact on government policy. Notionally they could in the future but the interest is scanty and unorganized.

Canadian print and electronic media cover American news and politics not in any great depth, focusing mainly on sensational events and tragedies in the US. Except for a handful but powerful conservative ideologues and economists, North American union is not a credible issue because of US violence, the absence of social policies and private medical care. The suggestion of a common US currency has met with little support. Media concern for a North America without borders is of low interest.

The cultural and entertainment industries are one of the few sectors with a North American presence and vision. With the growth of e-commerce and blanket saturation from US television signals Canada's cable companies and telecommunication corporations have not led the charge for a North American state or identity. Most

importantly, leading Canadian writers and actors are opposed to further North American integration and identity and see no value to give up a strong Canadian identity for something so ill-defined as a North American one. Negative on balance.

Super sport stars would stand to profit from an integrated North American entertainment industry. The superstars of NHL hockey are most identified with Canada's national emblem. A majority of Canada's top puck-shooters now play for American teams and most live in Canada or return here. One exception is the 'Great One', now a Canadian New Yorker who is educating his children in the Big Apple and buying a team in Phoenix. Sport stars are surprisingly disinterested in any political or social movement campaigning for a new North America.

Leading sectors of Canadian Industry have sought closer ties with their American counterparts. The auto industry has expanded in Canada post-NAFTA and Ontario now assembles more cars than Michigan. The Auto Pact has long been a North American industry due to the production and investment safeguards negotiated in the original agreement in 1965. Canada continues to be a primary site of auto assembly by the Big Three and Japanese Assemblers despite the recent decision of the WTO that some aspects of the Pact are discriminatory against European assemblers and will have to be altered accordingly.

Nonetheless the WTO's decision against the Auto Pact has not dampened General Motors plans to go ahead and invest in new engine model at the St. Catherine's plant which also makes brakes, transmission parts and rear axles. Since 1998 General Motors has invested almost one billion dollars in upgrading and modernizing its Canadian facilities. Even with high Canadian wages Canada remains a location of choice for this industry and little of this investment will result in new job creation. Significantly Canada can assemble cars but the same competence does not extend to advanced chip making for the information revolution. IBM recently announced that it would expand its chip making facilities with a \$2.5 billion US investment at its East Fishkill facilities in New York. This expansion plan includes expanding existing capacity in Burlington and Japan but not in Canada. It is expected that over 1,000 new jobs will be created. So clearly from an investment point of view, corporate interests in Canada see little advantage in re-kindling the acrimonious debate on closer ties with the US. Despite the fact that Canada's

electronics, film and financial industry are headquartered in Canada they have not demonstrated any interest in publically supporting a call for taking economic integration to the next level.

So it is hard to identify where the social support for a North America without borders or a North America of regions is likely to materialize. After a decade of economic integration, it is just one of many issues at the margins in search of a future. There is no incipient notion of citizenship or any other democratic message that embodies the latest phase of interdependence. Only production relations have a markedly continental aspect, in a few specialized sectors, such as automobile assembly, telecommunications and, obviously transportation industries, all of which reflect the character and needs of the industries in question. What is most troubling is that the idea of a North American persona is not present in the popular culture. Who sings or writes about in praise of North America? Personne.

To think critically and intelligently about borders and identity requires much more precision and sophistication on the part of governments and civil society to confront the bounded space of North America. We know now that there are cultural borders that cannot be pinned down spatially. If we think of places like Toronto, LA, New York and Mexico City with many cultures spread over different neighbourhoods borders, often the boundary is cultural rather than territorial. So boundaries and borders are created by communication where people meet and congregate. Increasingly too there are linguistic boundaries that do not respect national space. Linguists compile atlases of variations in pronunciation, dialect and usage. If language is pronounced differently in two villages there is an immediate linguistic border established between them. Then there are spatial borders, geo-political markers that reflect political markers that are not easily crossed. Think of the cross-border points between the US and Mexico, a world apart, that are a spatial manifestation of an actual political border heavily policed and watched.¹

So as the legal and spatial boundaries of borders have been redefined, we North Americans are a markedly regional peoples within increasingly regional settings -- as Newfoundlanders, Californians, New Yorkers from the Bronx, Mexicans from Oaxaca or

¹ Michaela Röhl, Decentering the Region: Differences in Regional Narratives, www.robarts.yorku.ca

elsewhere. There is no overarching cosmopolitan set of values that bind us ever closer together. Strikingly, our national regional identities within Canada, Mexico and the US have become stronger, at the expense of anything remotely continentally inspired and defined.

Borders create the collective responsibility that society requires to function and we can see just how significant the border remains economically and politically. Canadian automobile dealers are prohibited by Ford USA to ship cars into the American market. Amazon.com, the emblem of e-commerce, informs its Canadian customers that many products available to its US customers from kitchenware to bicycles cannot be shipped north. Even books are now cheaper in Canada than those ordered from US resellers. Buffalo and Toronto, cities of significance and close neighbours, should be remarkably similar but they are not. Culturally for countries that are cut from the same cloth Toronto has ten major papers and newspaper readership has grown. Most American cities have only one or two papers that are often look alike with no competition between them. So much of the talk about the demise of Canada because borders are supposed to matter less is factually wrong. Self-knowledge, cultural practice and popular sovereignty follow the flag and reflect national identity.

Stephen Pearlstein, the *Washington Post*, Canadian correspondent wrote that “Canada is haunted by a disturbing question: would there even be a Canada in 25 years, or would the country become, for all practical purposes, the 51st American state?”¹ He has never written an article that the US would disappear. Certainly no French intellectual has predicted the end of France. The kind of molar-grinding morbidity about Canada as an ‘improbable’ nation does not explain the persistence of Canada as a separate but unequal entity or its prospects in the global economy.²

Few countries have disappeared from the face of the planet in the 90s. In the 30s borders and countries did disappear brutally victims of aggression as Hitler moved east

¹ Stephen Pearlstein, *Washington Post*, September 5, 2000.

² Lansing Lamont began his 1994 book *Breakup: The Coming End of Canada and the Stakes for America* with the following provocative sentence: “Nations like stars burn out....Maybe Canada is not meant to survive. Maybe it isn’t destined to live out its span as a nation.”, New York: Norton, No American expert has written a powerful study of Canada’s survival or addressed the obvious question of what lessons Canada teaches in the area of multiculturalism, social policy and the provision of collective goods.

and west ruthlessly occupying countries. Then frontiers vanished and it was a disastrous decade for borders. The forties and fifties was a good decade for boundaries and frontiers as the decolonization movements created dozens of new borders and boundaries worldwide. In our time East Germany saw its borders with Poland and Czechoslovakia disappear when the two Germanies were reunited. Even then the new Germany acquired new borders. The number of borders keeps expanding. In the 90s it is estimated that over 46 boundaries came into existence or at a rate of 4.7 per year!¹ Hardly the borderless world that many predicted.

The American Huh, the Canadian Eh and the Future

So what is the conclusion? It is that without an acknowledged history, shared values, and without diverse interest-based communities sharing a common perspective and goals, North America is the great non-starter of our times. It has few backers among the elites and almost no support for it from the common person.² In the global world of free trade, the only transcendent idea and potential common bond is mass consumerism. Mass consumerism has always been unreliable as a binding social glue because so many Mexicans, Canadians and Americans are excluded from its materialistic orbit. So in the end we are left with the contrived iconography of North America, the old standbys such as ketchup, maple syrup and salsa barometers of just how disparate our lived experience really is. Even our favourite condiments do not converge anymore than our economies.³

In terms of state spending as percentage of GDP, at 41 percent of GDP Canada is mid-range of OECD countries. The US at 32 percent is a very low spender compared to other high income countries. Mexico is a big spender on social programs by contemporary Latin American standards.

¹ The figures come from Daniel Latouche who has calculated the growth of borders for a project he is working on. He has graciously let me cite his findings.

² Peter Haas has referred to these as epistemological communities or groups (communities in the media, business, labour and social movements that) who through their influence on policy-makers and public opinion are able to effect massive change in public and private actors. See his influential article "Introduction: epistemic communities and international policy co-ordination." *International Organization* 46:1(winter): 1-35, 1992.

³ Recall also that there are there are rival competing symbols that invoke the asymmetry of power, particularly the American icons of their flag and their border. These state-centric emblems are exclusive affirming the power of the US. Our only common cultural universal is the ubiquitous 'burger' and even it has many contenders.

Social spending is one of the most important indicators of all program spending. In Canada it is significant in terms of redistributive effect for low income Canadians and for health care. The contrast with the US could not be more dramatic. Government spending on education, infrastructure and research has dropped precipitously over the past twenty-five years, down from 24 percent to 14 percent of the federal budget.¹ It now has a minimal welfare state with no modern universal health care program and is a very high spender on health services funded both by individuals and the federal government in transfers from the public to the private. Forty four million Americans lack any basic health insurance and the least insured are those who work in the contingent economy. Mexico has relied on increasing targeted social assistance spending with an embryonic beginnings of a welfare state system. It employs wide scale use of food and other subsidies but much less than before.

The North American tax burden on individuals and corporations shows little evidence of moving quickly or easily to the American standard. Overall Canada falls in the mid-range by OECD norms but compared to the US system Canadians pay more as individuals. If a comprehensive accounting is made of health care contributions, Canadian corporations are less taxed than their US equivalents. European countries (including all of the G7 except the United States) raise a far larger percentage of their revenues through payroll and consumption taxes like the GST, rather than through personal income tax. When all taxes are considered, Canadian taxes as a percentage of GDP are right on the OECD average but well below the European Union average. So Canadian firms should be competitive from a tax point of view.²

The Republic's system of public finance is the benchmark of a less state, less tax regime. It could afford better and stronger programs but its low tax system undermines a modern sense of collective solidarity. Mexico also has a modern tax regime in theory but evasion is widespread and it relies on Pemex for one half of all state revenues

The level of trade union coverage and the degree of collective bargaining remains one of the great divides between Canada and the US. In Canada 40 percent of work force

¹ Ted Halstead, "The Politics for Generation X", *Atlantic Monthly*, August 1999.

² Neil Brooks, testimony, October 5 2000 before the parliamentary committee.....

are covered; there has been some decline but also significant a important reorganization and renewal of the trade union movement despite the new competitive circumstances. The public sector still has an 80 percent coverage, one of the highest in the western industrialized world. In the US the marked decline of private sector collective bargaining now seems permanent and irreversible. The non-union workplace is the norm except in some mass production industries. Even in auto and steel the concessions and give-backs demanded by big business are now permanent in workplace bargaining. Mexico is at a different place in the collective bargaining cycle. With its long tradition of corporatist trade unionism; a significant number of company unions and the growing strength of independent unions it is due for fundamental labour reform under the newly elected Fox government.

The one measure which demonstrates yet again just how separate the three countries is the large gap in per-capita disposable income of families and individuals. Canada has a whopping income gap, some twenty percent lower than American counterparts. In the most recent period the US has recorded major gains to middle and upper upper income earners almost unparalleled in the postwar period. Wealth creation is real, visible and conspicuous for a wealthy and growing middle professional class and above.

In the same period, conspicuous poverty and dramatic wage polarization has become more pronounced for forty million Americans. The American poverty rate increased markedly as many lost their welfare entitlements under Clinton and the better paying blue collar jobs moved offshore. It now has the highest rate of child poverty of any developed nation. Mexico's per capita income is about 35 % of Canada's and probably closer to 60 percent of the US average. But here too there is another issue that confronts Mexico. The top 20% of wealthy Mexicans receive 55% of total income

Exclusion rather than integration has become more visible and important in all three countries. About 18 percent of Canadians living below the official poverty line.¹ Canada's poverty rate increased sharply in the early 90s but stabilized in recent years. Still more

¹ Michael Mendelson, Fiscal and Social Policy Reform in Canada - Is there Still a Distributive Model of Canadian Federalism? Presentation to the *First Annual Summer Institute Social Exclusion and Hemisphere Integration*, July 1999, Robarts Centre, York University, p.23. For a discussion of welfare incomes and poverty lines, see *Welfare Incomes 1999*, National Council of Welfare Reports #112 Autumn 2000, Ottawa: Minister of Public Works and Government Services Canada 2000.

people live in poverty than ever and the Federal Government's Child Tax Benefit that represented a major effort to reduce family and child poverty has not improved the situation of families with children. When the federal government poured money into reducing child poverty the provinces were allowed to clawback the extra income. The value of welfare incomes for these families declined. In Ontario, welfare incomes were cut by 21.6% in October 1995. Even with Canada's more generous welfare programs, a single employable person on welfare their income was abysmally low \$6,822 or 24 percent of an estimated average income of \$28,907 for person in the work force. A disabled person on welfare did better but single parent families on welfare remained far below a family for working couples with children.¹ So the level of financial support provided by Canada's more generous social programs remain far below an adequate level of income that most Canadians would consider moderate and reasonable. The trend line in welfare benefits calculated in constant dollars is unmistakably downwards in most provincial jurisdictions.

As this review of the empirical side of state leading practices demonstrates, in a post-NAFTA world, the possibility for greater co-operation and co-ordination between the three public authorities is remote even with higher levels of integration. The new North America is likely to put Canadian State practice on its guard against further economic assimilation with the US. If the need for creating 'policy' distance becomes a necessity, it could put Canada on a collision course with the dominant force on the continent. When this happens, a stronger Canadian identity is a distinct prospect, not a stronger commitment to North America and this would have also important political consequences.

What we have seen in recent times is that NAFTA has not turned out to be the principal force for integration. At the heart of this latest tidal wave of corporate reorganization are the rising values of the US stock market changing in so many ways the face of corporate North America. The basic fabric of American society has been reshaped not by trade but by overstretched stock values of Wall Street and the Nasdaq. Work benefits have been cut to an unprecedented degree, the gap between the rich and the poor is larger than ever and corporations have little allegiance to people or to place. If community and civility are in decline, the information technology star continues to glitter.

¹ *Welfare Incomes, op.cit. Pp.26-27.*

Once again the key factor is that corporate reorganization continues to play a critical role for the diffusion of technological change. The Nasdaq, the benchmark of the information technology sector, has lost over forty percent of its value since its record 1999 highs but the bubble has not quite burst. The virtual .com stocks continue to feed the American money machine. Cash is still flooding into the mutual fund industry and technology investing remains the driver of the US economy. But the system is fragile. Large private sector indebtedness has to be offset largely by the US government budgetary surplus and massive inflows of foreign direct investment. Samuel Brittan is dead-right when he says that “the whole edifice depends on a raising level of asset prices.”¹

For these reasons, political elites rate the North American issue very low on their priorities scale. Their attention is focussed elsewhere. This is because the fallout from the NAFTA effects in all three countries has soured many policy makers. North American co-operation remains largely a technical matter of limited interest to the policy process in Washington, Mexico and Ottawa. The rather predictable NAFTA debate has a large appeal to the trade fraternity, but outside this smallish group there is no value-added to embed, institutionalize or formalize the relationship further.

The asymmetrical balance of forces continues to impede any strongly articulated sense of a North American identity. Canadians will look upon North America as a distant second to their own regional identity. Many Western Canadians see, in the newly formed Alliance Party, a strong affinity with the conservative anti-state political culture of their southern regional neighbours. The ‘unite the right’ hopes to become a national movement, not a North American one. Power means taking office by forming an Ontario-Alberta coalition of interest. Yet, here too, there are powerful counter-movements in Canada that stress strong collectivist traditions of collective engagements of responsibility rather than individual ones.

The weak link in the quest for a North American identity are the volatile dynamics of the vast continental market. It is this paradox more than any other that prevents closer co-operation and co-ordination. For the US, the economic division of labour is highly appealing, but from a Canadian and Mexican viewpoint, it is one of tension and conflict.

¹ Samuel Brittan, “Watch the dollar, not the euro”, *Financial Times*, Oct. 12 2000.

This is because there is no mechanism of redistribution available to ensure that new investment flows are shared equitably between them. This leads to a fracturing of North American potentiality and an undermining of any strong co-ordinating set of mechanisms.

Lessons for the World: The Seven Deadlies

The Canada- United States relationship is unlike any other in one fundamental respect. It appears to be one of the most easiest to manage in the world because the relationship has been institutionalized through so many cross border networks, associational ties and intergovernmental relations. For the United States the Northern border is quintessentially one of low maintenance. For much of the 20th century State Department officials did not see any reason to have a Canadian desk to address its relations with Canada in a regular and systematic fashion. In Washington's eyes the United States-Canada relationship fell into a dark grey zone, neither foreign nor domestic but somewhere in between. For security and investment purposes Canada was assumed to be part of the US homeland perimeter; for commerce, migration and trade, Canadian anxiety about sovereignty required that it be treated as a semi-sovereign country. This was a small concession on the US part and a smart way to satisfy Canada's minimalist ambitions and claims. The contrast with how the US interest played out in Canada could not be more telling.

Canada-United States relations have always been a hot-button item for Canadians and, most critically, for every government in power. It make for high discomfort levels;none could escape it; none could avoid it. When Canadian unemployment rose and jobs and income levels fell below those in the United States the government of the day was called to account. If Canadian taxes were higher than those in the US it had to explain why this was so. When the falling Canadian dollar make Canada's industries competitive this was the lead story and the tough political question.

No American politician ever needs to compare themselves to Canadian economic performance. Their political lives did not depend in anyway on the successful negotiations of the Canadian-American relationship. No US president is going to have to face Congress' wrath because Ottawa is angry or slighted by US policy. No US official passes a sleepless night about Canada. The political divide of continentalism is enormous and permanent.

So what have we learned about the management of the Canada- United States border?

The larger lesson is that the mind set, attitudes and habits, the basic Canadian perception of our place in North America and the border in course of the last forty years, has turned out to be more fluid and less fixed than any of the staunchest advocates of the North American friendship could have predicted. There always has been a cyclical dimension to Canada-United States relationship and the Canadian mind-set has always had to devise new strategies to deal with the inevitable restrictions and barriers imposed by the US. Canadians are past masters of improvisation, ad hocery and just winging it with the inevitable kinds of results of missed opportunity, good fortune and costly errors.

In the 50s, the golden age of industrialization when economic growth rates broke all records, Canadians looked to the United States as their benchmark and model. The overwhelming consensus was that Canada and the United States were post-industrial societies where questions of culture, values and ethnicity seemed to matter less than ever. Borders and territory had long been fixed by common agreement. The American family was our ideal and among elites the consensus was that there were no significant differences between the two cultures.

By the early 60s, Canadians felt confident enough to propose closer economic ties with the United States. We needed to be closer because our unemployment rates were higher than the States, our standard of living 20% lower and the productivity gap, the definitive measure of how well the economy is doing, was widening. Foreign ownership in Canada reached new highs and Canadians increasingly felt threatened by American economic influence.

By the 70s, in a way no one could have anticipated, the counter movement had set in and Trudeau emerged as the strongest nationalist of English Canada's short 20th century. In culture he strengthened Canada's cultural presence. In the area of foreign investment he symbolically limited United States direct investment rights with the establishment of FIRA (Foreign Investment Review Agency). He successfully created a National Energy Program and established an independent Petro-Canada and the much hoped for policy of repatriation that Walter Gordon cut his political teeth on in the late 60s. The National Energy Program would have been judged a success in any other country, but

Canada's regional differences made it the villain rather than the hero of innovative state policy-making. Under Trudeau geopolitical realities had changed dramatically. Canada remained the junior partner without voice in Washington. Yet our self-perception of Canada as a society had been transformed beyond recognition.

The official Canadian mind-set shifted precipitously with the election of Mulroney in the early 80s, who established a personal relationship with the Reagan presidency. The Mulroney believed that a 'leap of faith' in negotiating a free trade agreement make the border insignificant as the two countries would require much more co-ordination between the economies and the governments. In time these free trade deals were to make integration the single most important cornerstone of modern Canadian society.

In a way no one could have predicted, the small differences between the two countries became sharper, larger and more influential. Markets forces, supposedly the great leveller of domestic sovereignty, did not build the level playing field that experts had so confidently predicted. In practice, the two economies diverged across a wide front of policies including collective bargaining in the work place, the labour market with higher wages paid to Canadian auto assemblers and the more extensive social security programs and redistributive policies all summed up in Canada's national health program.

By the end of the century Canadian and American border management had returned to where it was in the 50s. Geopolitical continental realities defined who we were not because the border was invisible and did not matter but because Canada's elites had reversed to ground-zero in the way they viewed border effects as automatic thanks to their leap-of-faith in the fair play of market forces.

What then does a half-century of grappling with this fierce and intractable reality convey to the rest of the world. At the frontier, the first lesson is that to be a small country should not be confused with voicelessness or powerlessness. Canada will always face and have to live with the asymmetry of power between the two countries. The question is how Canada chooses to manage its border relations?

History teaches an invaluable maxim. The second is that at the border seventy percent of the relationship is determined by political will, rather than an overall crushing deficit of political power. When Canada is obsessed with its asymmetric size, it does poorly in its relationship with the United States. It does much better when it focuses on its

separate but parallel destiny. The asymmetry of power is always a troubling issue in foreign policy matters as Russia-Ukraine, Mexico-United States, India-Pakistan and Brazil-Argentina relations so amply demonstrate. The great equalizer for the weaker country is that it can be more autonomous, more creative, more successful once it tries to turn its comparative disadvantage to advantage. But for this to happen elites have to be self-consciously innovative, rather than choose the pragmatic option of going-with-the-flow.

The third lesson is that small differences inevitably matter when there is a large difference in inequality between two countries. Canada and the United States can never escape its destiny to be look alike societies because Canada's shares all of the benefits and the cultural power of the English language. Canadians are a North American people for a compelling and primary reason. They live in a consumer, high-standard economy of individual rights and citizenship. Even though 80% of Canadians live within 160km of the border the deeper differences persist. Some seem unimportant, the fact that Canadians support twelve newspapers in Toronto compared to two or three in any large American city. Others are more significant. When Canadians were asked, 'if they could vote in the 2000 United States election, would they vote for Bush or Gore?', 60% of Canadians chose Gore and only 14% were for Bush.

The fourth axiom is that the powerfully embedded political culture of Canada is the authoritative and constant forty-ninth parallel that separates these societies. Cumulatively these differences have enormous impact on defining who Canadians are. Other countries that experience such high levels of economic integration will quickly discover that the economic forces that are supposed to make public authority and private market converge automatically rarely do so. Institutions matter, as do the values and practices that are inescapably public.

The fifth staple of border effects is that modern identity depends on those differences and they are frequently stronger and more resistant to supply and demand signals than any theory of contemporary economics or political science can explain. National policy making and cultural distinctiveness remain a potent force in a globalized world where borders are more porous for some activities such as trade. For everything else that money cannot buy, the demands of territory on identity and self-knowledge are undiminished by cross-border effects of globalization.

The sixth fundamental is that between Canada and the United States the asymmetries have grown larger not diminished despite the institutionalization of much of the relationship. For Washington its border politics with Canada are low-cost and non-strategic. It is easy for Bush or any other President to beat up on Canada whenever the American protectionist temper rises and it rises invariably. Bush only needs to allege that any one of Canada's export industries are engaged in predatory pricing and Ottawa sits up and takes immediate notice because each threat precipitates an investigation by the US trade police. There is no right and wrong in these trade disputes; it is only about commercial interest and more importantly, it is the allegation and the processes which have the desired chilling effect. Despite two free trade agreements and the successful Uruguay round Canada, its closest friend and ally, is not shielded from American protectionist pressures. There is no agreement on what is a subsidy; US trade law has not been modified to reflect new international norms; the cost of launching a trade war with Canada by any US protectionist lobby such as the softwood producers is encouraged by US law and practice. Canadians should now understand the basic lesson that no trade deal can protect them. It has taken over a decade for the lesson to gradually change Canadian perception.

Still official circles have not gone the distant and understood that there is no place to hide from the US regulatory trade police. Not for Canada, Europe or for any other country. It does not matter a wit that the Americans offer the largest subsidies in the world to their farmers – \$54 billion USD in 1999 compared to \$3.9 billion for Canada. Nor the fact that close to 25% of United States agricultural production is subsidy-supported whereas in Canada the figure is 20%¹. In American eyes, it makes good political sense to gather evidence of alleged abuse of Canada's highly competitive Canadian Wheat Board, responsible for the international marketing of Canadian grains and the principal rival to US corporate giants like Cargills. Hence it is not difficult to see that as the Bush administration politicizes the management of the border, good neighbourliness quickly disappears. Canada is being pressured all along the 49th parallel and as these kind of asymmetries

¹ (Policy Research Initiative, Canada-United States Comparative Date, OECD, p8)

grow and multiply, public authority has to have the political will to turn this disadvantage to advantage.

Lastly, there are border effects which are nasty and difficult to control. The worst of these are due to Canada's internal disagreements between Ottawa and Quebec that give the United States a shameless opportunity to exploit our domestic differences to the full. Middle powers like Canada will always come up short as long as there is no national consensus on pressing domestic issues such as constitutional reform, distribution of power and aboriginal entitlement. As long as Canada is divided internally by region and by Quebec Ottawa will never have the diplomatic authority nor policy shrewdness to use the boundary line to help establish its national purpose. In the absence of any kind of purposeful national unity, Canada is an 'edge-nation' without the diplomatic muscle to secure its interests but with a great deal of pride in pretending that it is doing so while making all the concessions.

A border is only an international convention unless it is backed up by the authority of the state. Only infrequently has Canada been able to speak with united purpose when faced with the highly politicized defence of American commercial interest. The problem is a Canadian one – one that is not due to the border, not due to NAFTA– but due to the fragile and poorly articulated sense of national interest.

In such an unneutral environment what are the options for Canada and other countries who are so dependent on the connections and continuities that define modern borders today?

The first choice is always to be accommodating and accept the dictates for greater integration and increasing intrusion into the national economy. Canada will be pressured to be part of the American Heartland Defense Perimeter. There will be calls to dollarize the Canadian economy, so as to bring the two countries closer together. Calls for dollarization without voice are likely to remain the fringe preoccupation of a few economists with extremist views. As American energy needs grow more acute, Washington and the energy industry will regard Canada's unbounded resources with covetous eyes. In fact our resources are finite and depleting and we require to wean ourselves from the current dependence on high volume energy exports. Yet, pressure will be accelerated for fixed, long-term contracts for electricity, gas, oil and water. The pressure for massive increases

the in volume of resource exports will likely grow, particularly when energy prices are at the peak of the cycle. Going with the flow to satisfy the United States emerging appetite remains an option of choice, as it always has been.

The other option is for Canada to be more innovative and autonomous and to assert its authority in the protection of the integrity of its border. The private use of public interest will create new pressures on Canada to repoliticize the Canada -United States relationship. The Bush presidency is one of the least attractive for Canadians. It is difficult for Canadians to see themselves in the values, practices, goals or policies of this ideologically super-charged Republican administration. For this reason there is the political pressure to be more innovative, independent and more autonomous in many areas of public life.

Canadians are angry about the United States energy appetite and want stronger energy saving practices as the standard. All public opinion polls report that Canadians are opposed to the sale of water or long-term energy contracts to the United States. California is not a model and the inability of the Bush administration to cap energy prices has convinced Canadians that they have a superior system. There is now a backlog of thirty NAFTA cases in which Canadian governments are being sued for alleged Canadian abuse of United States multinationals. All these kinds of pressures are undercutting the idea that the border can take care of itself and that in an era of free trade border effects are benign. In the coming period Canadians have to be ready to receive a steady diet of these 'trade distorting subsidies' and many more hard-ball attacks on its market exporting practices. Trade is only one part of the larger picture of integration. Still Canada's political parties are going to find themselves boxed in fighting not at the border but in the space above it for resources, markets, access, security as well as sovereignty. Ultimately border effects are about power and the geo-political structure of the continent. As we have seen North America remains a far-off reality with little policy, strategic, economic or intellectual substances.

Culturally, a lively and acute interest in other cultures has always been one of the defining elements in the cultural imagination of North America's writers, artists and musicians. The unexpected success of *Buena Vista Social Club*, a fabulous group of

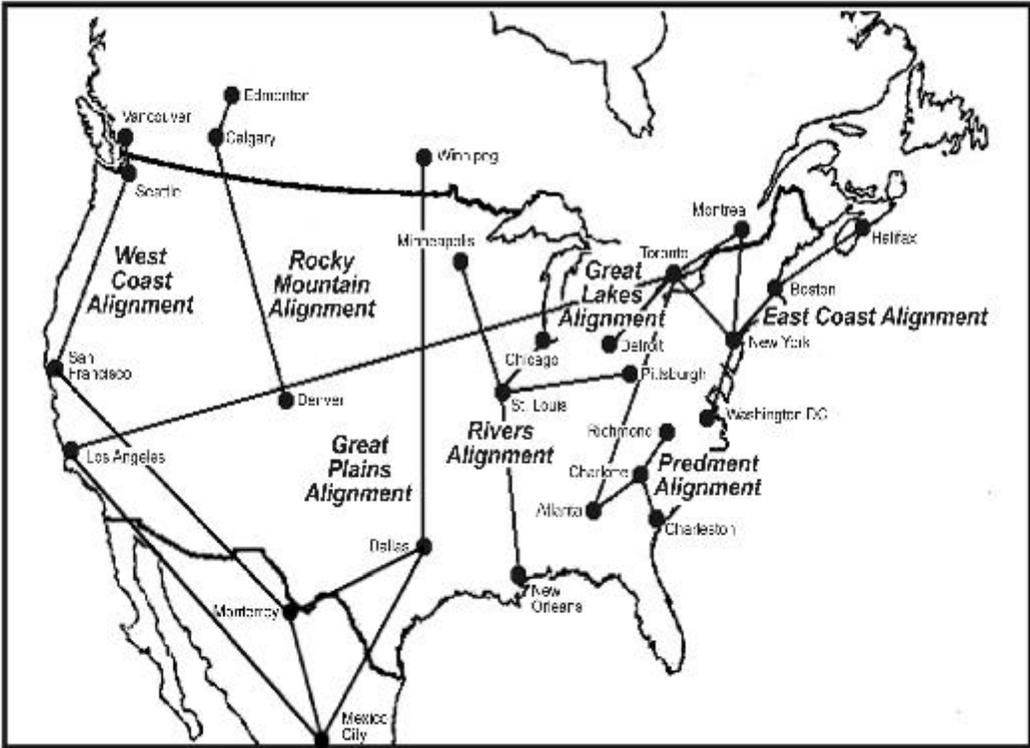
Havana based musicians playing the music of an older generation of Cubans, is powerful evidence that in an era without putative borders, cultural flows can only increase in significance. Yet the final question that must be asked is, whether the counter-movement against US global dominance creates a positive intellectual-cultural environment to formalize North American space as a distinct entity along European lines with all of the many benefits and limitations? A North American experience? The end of borders? Go figure.

The Twelve Regions of North America



Source: Adapted from Joel Garreau, *The Nine Nations of North America*, 1981.

The Continental Axes of Economic Integration: A Network of One-Way Streets



Source: Drache