

Perspectives on the North American Free Trade Agreement (NAFTA (北米自由貿易協定) の展望)

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SUMMARY IN JAPANESE: 近代は自然化学やリベラル・デモクラシー、技術による自然の征服、世界の同質化、国際連盟など、理論の信奉に基づく巨大プロジェクトに特徴づけられていたが、ニーチェやリオタールといったポストモダニストらはそういった意味での「近代」はもはや終焉を迎えたとしている。つまり、あたらしければよしとする価値観がなくなり、人々は理論の上に成り立つ不確かな未来像に疑念をいだくようになったのである。結局、「近代」はリベラル・デモクラシーにのっとりテクノサイエンスを活かしつつ世界を統合することに失敗し、社会も世界も分裂の方向に向かっていく。そして地球社会なる新しい世界秩序を構築して、近代がめざしたのと同様の理論上の不確かな未来を求めたり、現状よりは統合に近かった旧秩序への復活を求めることがいまだ続けられている。

このような時代遅れな理論で世界を結び合わせるために、自由貿易（経済統合）という方法が注目されている。全世界同時に実現することが不可能でも、地域や大陸単位での実現が模索されている。最近もっとも意欲的なのはNAFTA（北米自由貿易協定）とEU（ヨーロッパ連合）である。

本稿では自由貿易の概念や、NAFTAがもたらす変化とGATTやEUによる変化の比較などを通じてNAFTAの前途について考察する。合衆国主導の技術社会である北米地域での政治・経済史的見地からNAFTAの実施、自由貿易が米加関係に及ぼす影響、日本型の技術社会とカナダ型の技術社会の比較、カナダの自立の問題などを論じつつ、カナダの将来に与えるNAFTAの影響について考えたい。

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As the second millennium draws to a close, it is time to take stock of those great integrating ideas and master world systems which have survived and are likely to shape our future, and those which have failed and are bound to disappear like some doomed species left to die on the shore of a dead ocean. Just from the twentieth century alone, land fills around the world have already been packed with failed systems for world unification: the League of Nations, National Socialism, Marxist Communism, even the recent New World Order. As the world moves from the modern to the postmodern condition, we no longer believe in the old political teleologies, or in the great "actors" and "subjects" of history: the nation-state, the working class, individualism, capitalism, the West, etc.

Despite the breakdown of the grand systems, world leaders continue formulating and promoting projects for global unification. The most intensive effort today is the attempt to bring about world free trade. At the global level many statesmen are pushing hard to remove trade barriers through the Uruguay Round of trade talks sponsored by GATT and at the continental level through such measures as the EC and NAFTA. Even at the regional level, national leaders are striving to reduce trade barriers through such institutions as the ASEAN Free Trade Area (AFTA) and some form of tariff agreement among the former republics of the collapsed Soviet Union.

In this paper I am going to discuss the attempt to bring about free trade within North America, the North American Free Trade Agreement. The objective is not simply to describe the structural changes proposed but to assess those changes within broader perspectives. I will begin by discussing the concept of free trade and then compare the proposed changes under NAFTA with various other free trade structures such as GATT and the EC. Subsequently, I will place the transformations envisioned by NAFTA in the context of the political-economic history of North America, particularly the growth of North America as a single technological society dominated by the United States. Without putting too much faith in futurology, I will then attempt to assess how free trade may affect the future course of life in North America, particularly the relationship between Canada and the United States as viewed from political, social and cultural perspectives. Finally, I will compare Canada's sometimes futile attempt to build a technological society with the more successful Japanese model.

Free Trade and Continental Integration

According to economic theory, free trade refers to a condition under which no legal or social barriers impede trade among any number of economic entities. In its broadest sense, free trade means that investors, producers, owners, workers and farmers in different countries can buy and sell labor, capital, farm goods or any other commodity in any of the countries. This is absolute free trade, a theoretical concept as difficult to achieve in practice as absolute zero or Plato's republic.

In the real world the closest we come to absolute free trade is some type of modified form. Three options that have been widely debated are: sectoral (free trade in a specific sector or sectors of the economy, for example, automobiles); comprehensive (an across-the-board bilateral or multilateral free-trade agreement); and framework (creating an institutional mechanism to improve commercial relations). Additional modifications to free trade can take the following forms: free trade area (where goods or goods and services are traded freely); customs union (where countries also have common tariffs with other countries) or a common market (where people too can move freely).¹

Much of the theoretical argument for free trade was worked out by Adam Smith in the eighteenth century. The founding father of economic liberalism infused liberal economics with a powerful free-trade bias by linking international free trade with a domestic policy of laissez-faire. In the early nineteenth century David Ricardo strengthened the free trade argument with his *Law of Comparative Advantage*. Ricardo used the example of England trading cloth for Portuguese wine to show the mutual advantages arising from free trade.

In the late eighteenth century Great Britain had a limited form of internal free trade. Goods and capital were free to circulate in the British economy, but working people were restricted from moving from the parish where they were born by the poor laws dating back to Elizabeth I. Once Britain became politically and economically dominant in the nineteenth century it moved to free trade to reinforce its dominance by expanding its manufacturing exports. Thus mercantilist measures, with their emphasis on national security and wealth, were steadily eliminated: the poor laws were repealed in 1834; protective tariffs were abolished; the ban on the export of advanced technology was lifted; the Navigation Acts were repealed; imperial preferences were ended.

What was the effect of free trade on the economy of nineteenth-century

Britain? Was it salutary or did free trade contribute to the gradual decline of this once-great power? The slowdown of British productivity and the decrease in competitiveness in the late nineteenth century is one of the great questions in modern economic history. It involved many complex issues of economics, technology and political power.

Free trade appears to have acted as a stimulant to the British economy at first but then contributed to its decline. Initially, free trade stimulated the British economy by encouraging the enormous import of raw materials and foodstuffs and the sending out of vast quantities of textiles, iron goods and other manufactures. Excess capital gained from the huge trade surplus resulting was invested overseas thereby contributing to the long-term expansion of other nations.

The problem that developed for Britain was that as countries such as the United States and imperial Germany began to grow, they did not reciprocate the British policy of free trade. Rather they used protectionism and government intervention to build up their own manufacturing bases. They became so successful in fact that after 1875 they were able to price British exports out of their favorable position in Europe and North America. While they continued to protect their domestic markets against British manufactures with high tariffs, America, Germany and other European countries flooded the unprotected British market with their cheaper products thereby weakening British industry and contributing to the long-term decline of the British economy.²

If we are to learn anything from the British example perhaps the best lesson is that a nation cannot engage in unilateral free trade while its main competitors resort to protectionism and government assistance to industry. Today's leaders appear to have learned this lesson as they attempt to implement free trade agreements at various levels throughout the world.

The most universal attempt to implement free trade presently being attempted is the Uruguay Round sponsored by GATT. Even though managed trade is no longer acceptable under GATT, the changes being proposed in the Uruguay Round are a form of managed trade. They lower some barriers to trade, keep others high and contain loopholes negotiated by powerful interest groups. Thus according to the GATT version of free trade, both capital and goods would be free to move around the world seeking the best opportunities but the movement of labor would be highly restricted much as British workers were restricted to their home parishes by the poor laws of the early nineteenth

century. Free trade under GATT therefore appears to be a strategy by which companies can use low-wage countries to produce goods for high-wage markets. Presently the GATT talks are unresolved, particularly because those regions with highly protectionist agricultural policies—Europe and Japan—refuse to give in to those countries with competitive agricultural sectors, led by the United States.

While both the EC and NAFTA seek to facilitate the free movement of goods, services, and investment, the EC is distinguished from its North American cousin by the much broader scope and much higher degree of regional integration which has been achieved in Europe. Beginning as the European Economic Community, that is as a purely economic organization, the EEC has gradually metamorphosed into the European Community by assuming greater political and social functions. Presently concerned about creating a central bank and a European currency, the EC has also assumed jurisdiction over access to trades and professions; over mergers, acquisitions, and cartels; over technical and production standards; information technology and satellite communications; social and labor legislation; and over any area which may affect the free movement of goods, services and people.³

At the heart of the thinking which led to the creation of the EC were both economic and political considerations. The founders of the first regional agreements in Western Europe following the end of World War II hoped to use economic integration as the first step in achieving much broader integration within Europe. By integrating the states of Europe within common economic, social and political structures, European leaders hoped that this would not only lead to much greater prosperity for all the members but would also prevent violent intra-regional conflict and discourage the reemergence of a dominant nation state such as Nazi Germany.

The European Community is built around a nucleus of countries which are similar in size and population—Germany, France, Great Britain, Italy and Spain. The smaller members are ranged along a continuum of economic development. While Germany is the most powerful member in terms of financial and technological power, it does not dominate the EC and in fact must often subsume its wishes to coalitions of the other members. Of all the free trade agreements now on the table, the EC comes the closest to a true multilateral free trade agreement. It is the only one which can be called a common market, since not only can capital and goods move freely, but labor is also free to move

among the member countries.

In Asia-Pacific the situation is quite different. As yet there is no formal agreement uniting the countries of this vast region into a common economic structure. Sub-regional agreements such as ASEAN may lead to greater regional agreement later, but as yet there is no motivating factor strong enough to pull the countries together.

The states of Asia-Pacific are obviously concerned about future developments in Europe and America (North and South). With the rise of economic groupings such as the EC and NAFTA, together with the possibility of protectionism and economic and trade competition, Asia-Pacific may have to look increasingly within. Despite the incredible diversity within the region, there are many common factors of history, security, economics, politics and culture that tie together the peoples of Asia-Pacific.⁴

At the same time, there are many old wounds as well as economic, cultural and linguistic differences which work against the process of regional integration in Asia-Pacific. The breakdown of the Uruguay Round followed by protectionism in Europe and North America could provide the shock needed to overcome these differences and help produce an Asia-Pacific economic community. However, even if a trade agreement is worked out, it is unlikely that it would include the free movement of labor since most Asian countries are reluctant to allow unrestricted immigration. In addition, the free movement of capital could also be a problem. Too much foreign investment could lead to too much outside control by an old enemy, thereby rekindling old animosities.

Let us now turn to the North American Free Trade Agreement. If approved, NAFTA will become the successor to the Free Trade Agreement signed by Canada and the United States in 1988, and prior to that the Canada-U.S. Auto Pact signed in 1965. The Auto Pact is another case of managed trade, which supposedly is no longer allowed under GATT. Under the pact, both capital and labor were protected. Each of the subsidiaries of the Big Three automakers in Canada was guaranteed a share of the joint Canada-U.S. market and Canadian autoworkers were protected against job losses. The pact allowed the auto companies to rationalize production in North America by specializing in the production of a much more limited range of models in much larger volumes. At first the pact did not work disproportionately to benefit Canada, but eventually the depreciated Canadian dollar helped turn things in Canada's favor.

The stimulus which sparked the Free Trade Agreement of 1988 was

Canada's fear of American protectionism, although as I will show later there has been a powerful set of economic and technological forces drawing Canada and the United States closer together for a much longer time. In the 1980s, U.S. protectionism began to rise in response to the recession of 1981 and as Japanese imports gained a larger share of the American market.⁵ American protectionism would have been an enormous problem for Canada which exports about one-third of its gross national product, almost three-quarters of that to the United States. Having placed most of its eggs in the American basket, Canada was in no position to re-direct its trade to other countries in the short term and so the neoconservative government of Prime Minister Brian Mulroney renounced the nationalist traditions of the Progressive Conservative Party and came out fully in favor of free trade with the United States.

The Free Trade Agreement served to remove many non-tariff barriers immediately and gradually to reduce most tariff barriers. Non-tariff barriers that were removed consisted of such things as Buy American programs by the federal and state governments as well as many forms of border harassment designed to protect American interests. Almost all tariffs between Canada and the United States will disappear, sales and service personnel can now move more freely across the border, and except for those rights which Canada maintained to control a limited range of U.S. investments in Canada, neither country can discriminate against enterprises from the other country. In addition, the safeguards guaranteeing Canadian production and jobs under the Auto Pact have now been removed, freeing manufacturers to restructure and relocate however they wish.

The North American Free Trade Agreement which is due to come into effect in 1994 after approval by all three members expands the Canada-U.S. Free Trade Agreement. NAFTA continues the process of eliminating tariffs between Canada and the U.S. by including Mexico. It also continues to eliminate non-tariff barriers that have restricted the flow of goods, services and investment, particularly from the United States to Canada and Mexico. According to NAFTA, Canada agrees to lift almost all restrictions against direct investment in Canada. Mexico also agrees to remove most of the barriers to American investment that were constructed in the 1930s when Mexico moved to protect its economic sovereignty by nationalizing its oil industry and by imposing many restrictions on foreign investment. Thus, even though the American oil majors are still excluded from participating in Mexican oil exploration under

NAFTA, American manufactures, components and agricultural products plus most other forms of direct investment will eventually be free to enter the Mexican market. As with the proposed GATT agreement, NAFTA also does not permit the free movement of labor. Combined with its other restrictions, therefore, NAFTA must also be considered as a form of managed trade, rather than a true free trade agreement.

The North American Project

Presently, the merits of NAFTA are being debated from two major perspectives. Most proponents are arguing for the changes being proposed under NAFTA on the basis of expanding access to markets, boosting competitiveness and achieving optimum economic performance. Most opponents are arguing against the changes because they fear de-industrialization, economic instability and serious job losses.

In the free trade debate, the proponents are basing their arguments on the dominant paradigm of economic liberalism which says that if we allow the free market to operate efficiently, eventually we will all be better off. Opponents like to argue against the agreement on the basis of what has happened to the North American economy since the Free Trade Agreement was implemented in 1989—plant closures in high wage areas, shift of production to low wages areas, serious job losses and decline in real income in both Canada and the United States.

In the debate over NAFTA, the opponents tend to have the advantage in terms of empirical evidence. The Free Trade Agreement so far has not made both parties better off and in fact both parties are now worse off, particularly Canada where unemployment rates rose precipitously at the end of the 1980s and have remained high ever since. In all fairness, however, we cannot blame the FTA for all of Canada's current economic problems. Too many other factors, such as high interest rates, an over-valued dollar, relatively high wage rates, technological changes and a major recession, have intervened since 1989 making it impossible to isolate the economic impact of the FTA. In addition, the FTA is intended to restructure the Canada-U.S. economy over the long term, 15 years or more, and so we cannot take the present results as final. About all we can say at this time regarding the economic impact of the FTA is

that we don't really know whether it is working or if it will work in the future.

While we cannot yet assess either the FTA or NAFTA in terms of actual results, particularly unambiguous economic results, it is still possible to contemplate the possible consequences of free trade for North America from several different perspectives which can also shed light on this highly complex question. Let us begin by looking at free trade in North America from the perspective of the political-economic history of North America.

From Colony almost to Nation

The economic history of North America is the history of empires. During various periods the empires of Great Britain, France, Holland, Spain and imperial Russia contended for supremacy until the continent was finally divided into Canada which maintained ties with Great Britain, an independent Mexico, and a new American empire. In this new imperial system the United States sought to exclude or greatly diminish the influence of the older empires from the New World while Canada and Mexico attempted to protect their autonomy as best they could against the incursions of the new imperial master. Backed by Great Britain, Canada was the more successful, repelling an American invasion in 1812, but Mexico lost almost half its territory to the United States as American hegemony spread southward.

The history of Canada is the history of three empires. Ruled by the French until their defeat by the British in 1759, Canada maintained a close economic and political relationship with Britain until 1918 when the decline of British economic power accompanied by the rise of the American dynamo changed the polarity of the Canadian economy from an east-west flow across the North Atlantic into a north-south pattern across the 49th parallel.

Within the French, British and American empires, Canada has played the part of dependent hinterland to dominant metropole. Five hundred years of history show that Canada's primary role as producer of such "staple commodities" as fur, cod, lumber, wheat, minerals and energy continually kept the Canadian economy unbalanced and made Canadians dependent on their imperial masters for technology, manufactures, capital and markets.⁶ Little wonder, therefore, that even after Canada achieved political independence from Great Britain, it was not able to grow as a strong autonomous nation, united by a

common identity and served by its own economy.

Today Canadians face yet another attempt to integrate the North American continent. The proposals contained within NAFTA form the central economic policies of this attempt but they constitute only part of the strategy devised by the North American corporate elite to unite the whole of North America, and later Central and South America, into a common structure. I have called this plan the North American Project.⁷

The North American Project is based on an inter-related set of rational assumptions of what the future shape of North America should be. According to the planners in both the public and private corporations, North America should be a single economic and political state in which all resources of the continent are pooled together, in which technical efficiency determines the production of goods and services, and market forces decide the allocation of rewards and benefits.

According to the techno-economic vision of the corporate planners, Canada, the United States, and Mexico will each contribute to the single North American economy according to its comparative advantage. The United States will occupy the geographic and strategic center, providing capital and technology, and dominating high-value added production. Canada will supply natural resources and cheap energy, while Mexico contributes cheap labor for high-volume standardized production. Canada and Mexico will also provide markets for American goods and services, both consumer commodities and components needed for standardized production.

Many different phrases have been coined to attempt to describe our present situation: nihilism; the technological society; the postmodern, postindustrial, postcapitalist society; the global village; total rationality; the universal state. While each phrase may seem different, each is essentially describing the same phenomena, although from a somewhat different angle or point of view, and each contains more or less of the same truth, namely that technical thinking as it has developed over the past 500 years has now reached a critical juncture.

The North American Project is yet another member of that long series of western projects which grew out of the new world view which developed in western Europe about 500 years ago, the system of thought we call modern, or modernity.⁸ At the heart of this new view lay a new conception of nature—the view of nature as a contingency of powers rather than an organic hierarchy—and a new conception of knowledge—applied knowledge rather than contem-

plative thought. What moved modernity forward and gave it its dynamism were the accompanying beliefs in instrumental rationality, free will and progress.

Modernity gave rise to the Western Project. This consisted of two closely related phenomena: the conquest of nature through instrumental reason which produced modern science and technology; and the liberation of humanity which produced the major political ideologies—democratic liberalism, Marxist Communism and National Socialism. As opposed to the ancient and medieval thinkers who maintained the unity of science, technology and political philosophy within philosophy, modern thinkers separated science and technology from political philosophy. This radical break ended the traditional harmony with nature in which science and technology were restricted by a system of ethics and limited by notions of the common good. In the three major systems of modern political thought the conquest of nature is justified and in fact demanded in order to provide man with the power and resources necessary to bring about the emancipation of mankind.

As we approach the end of the twentieth century, the hopes and ambitions which sustained Western man throughout the modern era have faded or disappeared. Progress through science and technology now appears to create as many problems as it solves, while in the political realm all three of the major political ideologies have either been discredited or found to be seriously deficient. In the West, none of the great systems which were established to accomplish a better future or realize a particular idea can claim universality and hence legitimacy. The project of modernity has failed because it has failed to bring about greater freedom, the more equitable distribution of wealth, and deliver on its humanistic promise of greater happiness and compassion.

The failure of the Western Project is one truth which seems to have escaped the corporate planners who designed NAFTA as well as those planning the world's other grand free trade structures. As they earnestly go about the business of removing barriers designed to maintain the autonomy of national economies and protect the integrity of indigenous cultures, the corporate planners refuse to recognize another simple truth that goes as far back as Aristotle—economic and technological growth that is not limited by a sense of community and a system of government will lead to disaster.

In all the free trade proposals there is much talk about implementing safeguards. Every day we hear reassurances about new side-agreements, higher

standards, and powerful tribunals designed to deal with any problems which may arise. These reassurances imply that government and the governing apparatus established by the trade agreements actually have the power to enforce those safeguards and protect the good of the community.

The fact is that government everywhere is losing power. In the global economy the sovereignty of the nation state has been severely weakened as power flows from the hands of government into the hands of multinational corporations, the global media, and all manner of regional, sub-regional and local organizations. Today's governments find themselves constantly in negotiation with private corporations seeking lower taxes, cheaper labor, better infrastructure and weaker pollution standards in return for new investment or agreeing to keep existing investments in place as well as with other levels of government seeking to gain more power for themselves by implementing new laws, by obtaining a greater share of the public purse, and by redistributing existing powers.

The loss of power by government to deal with economic and technological excess is obvious throughout North America. In the United States social problems such as drugs, crime and chronic unemployment, problems that cry out for public action are ignored by governments fearful that raising taxes or implementing necessary policies may antagonize private corporate interests or antagonize highly-organized special interest groups. In Mexico, government power is more often used to weaken labor, protect polluters, and frustrate legitimate opposition than to protect the common good. Is there any reason to believe, therefore, that even if NAFTA is successful in bringing about higher levels of economic growth, it will be the type of growth that makes everyone better off rather than simply further enriching the top 20 percent of society at the expense of the bottom 80 percent?

The Crippled Satellite

And what about Canada? Historically, Canada made the fatal mistake of attempting to build a British alternative to the American dynamo at a time when Great Britain was rapidly declining as a world power. Not only did this mistake cost Canada its economic independence, but it opened the door to continentalism. Today's Canada is little more than a satellite in orbit around

planet America, a satellite that is breaking apart internally as it is being drawn more tightly into the American orbit.

In contrast to Canada, Japan has never been willing to surrender its economic independence in return for economic growth and technological development. During both the Meiji Era of industrialization and the post World War II reconstruction, Japanese planners decided to use Japanese capital and to import western technology on a limited basis rather than throw the doors open to foreign investors and foreign corporations. Throughout its modern history Japan has always had an industrial policy or industrial strategy within which private corporations work closely with political leaders and government ministries to implement changes and policies which are consistent with Japan's national interests.

The last time Canada had an industrial policy in peace-time was in the 1880s when the federal government implemented the National Policy designed to build the cross-continental railway and encourage the development of manufacturing industries by imposing high tariffs on imports. One of the main reasons Canada never had a successful industrial policy after that was because for years, rather than attempting to devise such a policy, government leaders and civil servants spent their time listening to laissez-faire economists extolling the virtues of free market forces and explaining how economic integration with the United States would strengthen national unity and make all Canadians better off.⁹ Meanwhile, of course, more and more Canadian autonomy was lost as foreign investment continued to increase and national unity continued to fragment as those parts of Canada which attracted foreign money prospered while those which were ignored by foreign capital were left struggling to survive on a decaying economic base supplemented by regional assistance grants. With free trade, an industrial policy for Canada is virtually impossible since any serious attempt to develop Canadian industry through genuine cooperation between government and the private sector would be quickly outlawed by the free trade watch dogs.

Looking at who's supporting free trade in Canada provides clear insight into what the policy is really all about. During the past decade the strongest supporters of free trade have been the large multinational resource corporations, Canadian banks, and the separatists in Quebec.¹⁰ The resource corporations support free trade because it is their guarantee for maintaining access to the American market. Canadian banks like the deal because it gives them a much

bigger playing field on which to play their financial games. Canada's banks have been notorious throughout Canadian history for favoring financial capital over industrial capital, and so they cheered vigorously for the policy that now makes it even easier for them to back the takeover of an American department store chain by a Canadian entrepreneur or fund the buy-out of a Canadian publisher by an American conglomerate.

In the case of the Quebec nationalists, someone unfamiliar with Canadian politics might be surprised to learn that a group which is so concerned about preserving French-Canadian culture and maintaining the French language would favor greater integration with the United States. This would seem to go against the grain of most social thought on the relationship between technology and culture which holds that economic and technological domination by a stronger power leads to the breakdown and eventual homogenization of the culture and language of the weaker power into that of the stronger.¹¹ After all, this is what English Canadians have been hearing for years, about how it was English-Canadian corporations and English-speaking bosses and English culture that posed the greatest threat to French culture. Why doesn't America pose a similar threat?

Here we see the rhetoric of French-Canadian separatism rising to its greatest heights. It turns out that after years of doing battle with English Canada, French Canada is now strong enough not only to withstand the rest of Canada but the United States as well. Thus Quebec no longer needs to go through Ottawa and Toronto in order to fund its hydro-electric megaprojects. It can go directly to New York and Washington, which in fact are the real centers of power in North America. By supporting free trade with the United States, the Quebec nationalists believe that not only will they be able to fund their megaprojects and guarantee a market for Quebec's energy and natural resources in the American market, but they will also weaken Quebec's ties with English Canada, thereby enhancing their own power and independence.¹²

If the art of rhetoric involves making the weaker argument appear to be the stronger, then the rhetorical efforts of the Quebec separatists in this case must be judged a failure. How French Canadians can expect to preserve their language and culture against a nation that is 10 times bigger than Canada defies the imagination. For years now concerned Canadians in both English and French Canada have worked endlessly to try and answer the cultural and linguistic concerns of French Canada: billions of federal dollars have been spent

on economic development in Quebec; significant laws have been passed to protect French language rights outside Quebec; endless studies have been conducted; debates; discussions, etc. Both cultures agonized endlessly over Meech Lake and the Constitutional Referendum. All of these efforts point to the fact that the French language and French culture have survived in Canada not only because of the efforts made by French Canadians but also because of the efforts made by millions of English Canadians who also care about the future of French Canada and are willing to do something about it.

What would happen to French culture and the French language if Quebec became tied more tightly to the United States than to English Canada? Could Quebecers expect to find the same concern for their language and culture among Americans? In the first place, the concern and goodwill towards French culture that exists in English Canada is practically non-existent in the United States. Americans are too concerned with their own racial and social problems to worry about language problems in Quebec. Furthermore, from its founding, the United States has been the "melting pot" in which everyone is expected to learn English. If French Canadians wish to operate inside a free trade structure with Americans, then they would be expected to do so in English—American businessmen are not about to spend time learning French to deal with the marginal Quebec market. Thus if the language of business in Quebec becomes English rather than French as it is now, then French would tend to become strictly an "after hours" tongue, part of one's heritage but not useful for earning a living. Is this what the separatists have in mind for the future of Quebec?

Labor's Last Stand

By the year 2000 there will be no developed country where manual workers manufacturing products will make up more than one-sixth of the work force.¹³ Whether or not there is a free trade agreement throughout North America, this is a fact that labor must live with. Labor costs in the developed world are now too expensive. Producers of standardized products are attempting to cut labor costs in the following ways: automation; lay-offs; wagecuts; plant closures; moving plants to low-wage areas. With NAFTA, the corporate planners want to have plants move to Mexico and later to Central and South America rather than to Southeast Asia. The hope is that factories there, such as automobiles,

will source their components from factories still operating in the United States, and also that the workers assembling those automobiles will provide a huge new market for American consumer goods and services.

The problem of de-industrialization in North America will not be solved by shifting plants from Oshawa, Ontario to Tiajuana rather than to Jakarta or Ho Chi Minh City. Even if workers in the developed world become the component producers for assembly workers in the Third World, it is only a matter of time until workers in the Third World also become component producers, undercutting wage rates in the U.S. and forcing component producers to join the assembly plants down south.

The other great hope of the developed world is to become the knowledge society. In technological society knowledge means something quite different from what it meant in ancient society. According to Plato, knowledge meant what was no longer a matter of opinion, what was certain. Knowledge told man who he was, about his place in the cosmos, the meaning of good and evil. In technological society, knowledge means technical knowledge, the type of skills and information that can be applied to production—knowing and making are joined together.¹⁴

The North American corporate planners offer labor the hope that America and Canada will become centers for high-value added production. Rather than tightening bolts and soldering joints, workers will apply knowledge to production. De-industrialization will be followed by the knowledge society in which the best and the brightest spend their time designing new products, marketing new services and arranging highly profitable deals and ventures. Those who fail to make the high-tech grade, however, will not be so fortunate. They will become in-person service workers for the knowledge workers—filling their water glasses, replacing buttons on their shirts, and delivering pizzas to their in-home offices.

There is no need to question whether we are moving towards a service-based knowledge society in the developed world. Obviously this is the direction that technological change is leading us. What's doubtful is the logic which the NAFTA proponents are using to reassure workers about their future prospects. Traditionally, service economies arose to service industrial economies. Similarly, applied knowledge must be applied to products and services. Once a nation's industry has been closed down and moved elsewhere, what is there left to service?¹⁵ Recall that in the nineteenth century David Ricardo illustrated

the *Law of Comparative Advantage* with the example of Britain manufacturing cloth and Portugal producing wine. Who gained most from this exchange? Clearly it makes a difference what you produce and how you produce it.

Developed nations in Asia also recognize the problem of de-industrialization. Here too they are educating workers for high-tech jobs; however, they are also moving to establish new industries that will employ those workers. The leaders of Singapore, for example, realize that their strong currency means that Singapore wages are no longer competitive for labor-intensive industries such as textiles and electronics assembly. Increasingly these are moving to nations like China and Thailand, and later they will move to Laos and Vietnam. Singapore plans to compensate for this loss by creating a huge foreign exchange market, an oil trading market and a banking center for South Asia; also by becoming a regional center for aircraft maintenance, ship repair and high technology research and development. In addition, the government hopes to get companies to design products and get them ready for manufacturing (prototyping) in neighboring countries where labor is still relatively cheap.

Japan is in a somewhat different position. Japan's leaders realize that the old system of importing western technologies and techniques, improving and commercializing them, then exporting them back to the West as domestic electronics and quality automobiles has run its course. Japan is now the world's most advanced technological society. As such it must move from technological innovation to discovering and developing ideas on its own. Thus Japan is not so much concerned with hanging on to labor-intensive standardized production as it is with developing a high technology knowledge society. This means a move towards a much more open and flexible system of learning accompanied by a shift of capital from standardized industrial production into such fields as information technology, robotic manufacturing techniques, new materials and advanced transportation. Standardized production will be moved off-shore, but even so it will still be conducted within the structures of Japanese corporations and the profits will flow back to Japan.

Nations such as Singapore and Japan can deal with technological problems like de-industrialization much more effectively than countries like Canada because they both enjoy a high degree of economic and political autonomy. While both say they believe in free trade, they mean free trade for their exports. When it comes to importing manufactured goods or allowing the unrestricted inflow of foreign capital the situation is quite different. This is particularly true

for Japan where even though tariffs are low, all manner of government regulations, government assistance and administrative guidance are combined with inter-locking and cross-holding relationships, complex distribution channels and insider dealing to frustrate and discourage any outside producers or investors who do not fit in with Japan's economic structure.

Japan's leaders have always believed that unrestricted outside influence would be bad for Japan. They also believe that unrestricted technological change and economic activity are bad for Japanese society. In modernizing Japan, therefore, the Meiji leadership built an industrial society from the top down, protected it with a policy of ethnic nationalism and nourished and guided its development through a form of bureaucratic capitalism. This contrasts with the American model of the technological society where the will to technology was combined with a form of political nationalism based on the belief in freedom and allowed to develop through the structures of liberal capitalism. In the nineteenth century Canada attempted to combine the will to technological development with traditional British conservatism in which the power of government was used to protect the community against the excesses of private corporations. In the twentieth century true conservatism was defeated by the forces of technology and economic liberalism, helping pave the way to free trade and NAFTA.

Today Japan operates its technological society through a high-wage, high-price economy. A society of affluent consumers willing to pay high prices for costly new products like quality automobiles, fax machines, and all the latest electronic gadgetry gives Japanese producers a distinct advantage in the global technological battle. By first recovering start-up costs in the domestic market, Japan's high-tech exporters can introduce the latest products into foreign markets at highly competitive prices.

Canada is attempting to operate a high-wage, low-price economy long after it can afford such a luxury. In the past Canada paid its workers high salaries and provided generous benefits from the money it made by selling natural resources on the world market. Even after Canada paid its labor bills it had enough to fund a generous safety net for the less fortunate. Unfortunately for Canadians the real price of natural resources has fallen 40 percent in the last 20 years and will continue falling in the next 20 years as the materials-science revolution now underway continues to accelerate and producers become ever more efficient at using scarce raw materials.¹⁶ The decline in resource prices

together with the trend towards de-industrialization caused by relatively high Canadian wage rates, means that Canadian real income levels are likely to decline significantly during the next decade at the least. Combined with Canadians' preference for a low price economy, this does not bode well for Canada's future as a high-tech knowledge society. Without a Canadian consumer base capable of and willing to purchase new Canadian products, it will be tremendously difficult for Canadian manufacturers to compete on world markets.

Conclusion: Finding a Niche among 500 Channels

The Free Trade Agreement of 1988 appeared to represent a sharp transformation by Canada away from its historical attempts to build an independent national economy. Similarly, NAFTA also appears to be a radical shift away from the idea of Canadian economic autonomy towards continental economic integration with the United States and Mexico. Like many phenomena in this age of the media society, appearances are often deceiving.

The fact is that most of Canada's corporate elite, both private and public, gave up the idea of Canadian economic autonomy very early in the game. After the First World War the corporate planners were sure that Canada's economic future lay with the technological dynamism of the Americans rather than the decline and defeatism of the British. During the Second World War Canada's leading politicians, civil servants and businessmen moved vigorously to integrate Canada's major corporate structures with those of America, beginning with continental defence. After the war they continued the process, moving on to the private sector in such areas as oil and gas production, minerals and secondary manufacturing. Both the FTA and NAFTA simply help complete the process of continental integration and thus should not be interpreted as a radical change in policy by Canada's corporate elite.

Many colorful metaphors have been used to describe Canada's relationship with the United States: David and Goliath; branch-plant to corporate headquarters; a mouse in bed with an elephant. These are some of the most appropriate. Such phrases are used primarily by those concerned about Canadian independence and are usually avoided by the continentalists who see Canada's homogenization within the giant structures of American corporate capitalism as the optimal technique for Canada to realize its true economic potential.

Rather than speak about Canada as a branch-plant economy or refer to their country's satellite status, the free trade continentalists prefer to talk about "enhancing competitiveness," "picking winners," "developing highly focused markets" and "specializing in high-quality market niches." Continentalists tend to avoid mentioning such concepts as "industrial strategy" and "industrial policy," except to criticize such measures, of course, and to explain that while these measures may have proven successful elsewhere, such as in the less democratic societies of Asia, they couldn't possibly work in a freedom-loving country like Canada.

Given to broadcasting their own grand ideas, the free traders then like to boast how free enterprise is the greatest engine for economic and social progress the world has ever known, and to warn Canadians that if we really hope to compete in the tough global economy we must unleash the forces of production, beginning with free trade.

The problem with the free trade argument is that no great nation ever became great by following the principles of free trade. As was discussed earlier, Great Britain only changed to free trade after it had already built a powerful national economy by using high tariffs and a tight technological embargo to protect and develop its infant industries. Nineteenth-century America was never a free trader. The United States developed behind high tariff barriers, by refusing to recognize intellectual property rights, and by using an industrial policy.¹⁷

From the Northwest Ordinance to the Homestead Act and the subsidized development of the transcontinental railway, American government imposed a basic plan on the nation's development and fostered the growth of key industries. This strategy was continued in the twentieth century in such highly successful and nationally important areas as aerospace, defence production, telecommunications and computer technology. These areas not only enhanced America's military supremacy but also helped create America's most successful export industries—and all with heavy guidance, subsidization and promotion by the American government.

The list of industrial nations that are rich today is the list of countries that used protectionism, national planning and discriminatory measures against outsiders to build up independent national economies. In Europe this list includes the large democracies plus smaller democratic nations such as Switzerland, Austria and Luxembourg. In Asia it includes such democratic and semi-democratic countries as Japan, South Korea, Taiwan, Singapore and Malaysia.

Even Hong Kong, the case which is often cited by neoclassical economists as the proto-typical example of how free market forces can be used to build a thriving economy, encouraged infant industries and ignored foreign patent and intellectual propertyrights while it was passing through the early process of development.

Canadians critical of continental free trade are not opposed to the policy solely on economic grounds. Many oppose free trade because they have a vision of Canada different from that of cheap resource provider for the North American Project and believe in a type of society different from the free market liberal model of the corporate planners. Many advocates of Canadian independence picture a Canada in which economic development, carried out in close co-operation among politicians, civil servants and Canadian private corporations, would be aimed at ensuring that both a united Canada and Canada's regional communities survive and prosper. Rather than seeing local communities devastated because of "corporate down-sizing" at the hands of American corporations anxious to improve their short-term profit pictures and watching Canadian workers made redundant by strategic corporate takeovers and market-driven leveraged buy-outs, nationalist critics along all parts of the political spectrum look at Canada from a perspective different from that of the orthodox economists, laissez-faire liberals and neoconservatives who dominate the free trade argument.

Those who argue for an independent Canada follow a different stream of thought from the continentalist deluge, a stream of thought that meanders and flows in between the future-driven will to technology of the American dynamo and the communal legacy of Canada's European past. This is not a world of visiting scholars waving pages of computer-generated numbers and inhabitants of corporate-financed think-tanks babbling incoherent theories into clip-on microphones. These are thinkers who see Canada's existence in much broader terms than an economic model, who are trying to warn Canadians of the dangers they face by absorption into the American colossus, who are attempting to articulate a definition of Canadian culture as something other than 500 channels of American satellite television and voice a conception of society as something different from the top 20 percent living behind electronic and steel barriers to protect them from the bottom 80 percent.

Perspectives on the North American Free Trade Agreement

Notes

- 1 See Mel Watkins, *Madness and Ruin: Politics and the Economy in the Neoconservative Age* (Toronto: Between the Lines, 1992), p.89.
- 2 Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Vintage Books, 1989), pp. 151-158; Robert B. Reich, *The Work of Nations* (New York: Vintage Books, 1992), pp. 28; 29.
- 3 Peter Drucker, *Post-capitalist Society* (New York: Harper Business, 1993), p. 149.
- 4 Michael S. Dobbs-Higginson, *Asia Pacific: A View on its Role in the New World Order* (Hong Kong: Longman Group-Far East Ltd., 1993).
- 5 John Crispo, *Making Canada Work: Competing in the Global Economy* (Toronto: Random House, 1992), pp. 53-71.
- 6 The staples theory of Canadian economic development and Canada's dependency as an appendage of empire was primarily developed by Harold Innis. For a summary statement of his ideas, see H.A. Innis, "Great Britain, The United States and Canada," in Mary Q. Innis (ed.) *Essays in Canadian Economic History* (Toronto: University of Toronto Press, 1956), pp. 395-412.
- 7 Wallace Gagne, "Canada and the North American Free Trade Agreement (NAFTA)," Report of Serial Lectures on Canadian Studies, Meiji University, Center for International Programs, 1992, pp. 37-39.
- 8 The literature on modernity has now become broad and vast. My own thinking on the subject has been shaped by, among others: George Grant, *Technology and Empire: Perspectives on North America* (Toronto: Anansi, 1969), and Grant's *Lament for a Nation: The Defeat of Canadian Nationalism* (Ottawa: Carleton University Press, 1989); Martin Heidegger, *The Question of Technology and Other Essays* (New York: Harper & Row, 1977); Friedrich Nietzsche, *The Will to Power* (translated by Walter Kaufman and R.J. Hollingdale) (New York: Vintage, 1968); Leo Strauss, *What Is Political Philosophy?* (Chicago: University of Chicago Press, 1959); Gianni Vattimo, *The End of Modernity: Nihilism and Hermeneutics in Post-modern Culture* (Oxford: Polity Press, 1988); Luc Ferry, *Rights—The New Quarrel between the Ancients and the Moderns* (Chicago: University of Chicago Press, 1990); Louis Dupre, *Passage to Modernity: An Essay in the Hermeneutics of Nature and Culture* (New Haven: Yale University Press, 1993); and David Kolb, *The Critique of Pure Modernity: Hegel, Heidegger, and After* (Chicago: University of Chicago Press, 1986).
- 9 George Grant, *Lament for a Nation*, p.49.
- 10 Watkins, *op. cit.*, pp.109; 113-115; 125.
- 11 Jacques Ellul, *The Technological Society* (New York: Vintage Books, 1964); George Grant, *Philosophy in the Mass Age* (Toronto: Copp Clark, 1966); Harold Innis, *Empire and Communications* (Toronto: University of Toronto Press, 1972); and Marshall McLuhan, *Understanding Media: The Extensions of Man* (Toronto: McGraw-Hill, 1964) are but four sources.
- 12 Watkins, *op. cit.*, pp. 109; 115;117; 125.
- 13 Drucker, *op. cit.* , p.5
- 14 George Grant, *Technology and Justice* (Toronto: Anansi, 1986), p.14.
- 15 According to John Ralston Saul, "Quite simply, service industries only have a market as long as real industry continues to supply basic goods at an acceptable price and in a market where the public can afford to buy them." (*Voltaire's Bastards: The Dictatorship of Reason in the West* [New York: The Free Press, 1992,]

p.381.) Akio Morita, co-founder of Sony, rejects the view that service industries will replace manufacturing industries in the developed world. According to Morita, economic growth requires a flourishing industrial base that can produce real value added. (Cited by Saul from Akio Morita, with Edwin M. Reingold and Mitsuko Shimomura, *Made in Japan: Akio Morita and Sony* [New York: E.P. Dutton, 1987].)

- 16 Lester Thurow, *Head to Head: The Coming Economic Battle among Japan, Europe and America* (London: Nicholas Brealey Publishing, 1992), p.41.
- 17 Walter Russell Mead, "Why the Deficit Is a Godsend," *HARPER'S MAGAZINE* (May 1993), pp.56-63.

