

The Multi-level State:

Canada in the Semi-Periphery of both Continentalism and Globalization

Stephen Clarkson, University of Toronto

Copyright © Stephen Clarkson 2000. Reproduced here with the author's permission

Article summary

This article looks at an old subject (the state of the state) under new conditions (accelerating globalization and fragmentation), using Canada as the case in point.

My first concern is linguistic: such labels as "post-Keynesian," "post-welfare," and even "post-national" tell us more about what the state may have been than what it has become. These "post-" categories do not capture the extent to which governmental functions have been redistributed -- upward to international institutions, downward to sub-national states, and laterally to the private sector. Nor do they direct our attention to the dynamic interconnections that are linking evolving governmental forms with civil society.

I go on to consider to what extent these difficulties can be resolved by considering the "state" as a nested, multi-tiered set of institutions providing governance on five levels -- from the municipal and the regional, through the national to the continental and global. Political economy analysis of the dynamic that links these levels of governance with civil society and transnational market forces may tell us better than the post-it labels that the present capability of the Canadian, or any other, state is less bleak than it may have seemed.

Key words

globalization, governance, sub-national, political economy, regionalism, nation-state

ΕΥψού ψύγύψ Θοθού

There is good reason why, outside its own borders, Canada is rarely of interest to international relations scholars. With the smallest economy in the G7/G8, it cannot claim to exert decisive power within the world's balance of forces. It may be the second largest country by land mass, but bordering the United States, it can never play a global role in contradiction to that of its hegemonic neighbour.

Still, if the criterion for academic significance shifts from the geopolitical to the heuristic, a strong case can be made that Canada deserves a more prominent place in the laboratory of international political economy than it is generally given. Consider its autonomy-minded francophone population, which has long made Québec a leading case of linguistic but non-violent ethnic nationalism. Consider its "province-building," a phenomenon that preceded by two decades the institutional emergence of sub-national entities that startled so many analysts of the emerging European community. Consider, too, the vanguard struggle of Canada's native peoples to gain recognition for their rights to self-determination, or the multicultural transformation of its caucasian settler population through massive flows of immigrants from the rest of the world, or the extent to which its economy has been moulded by the corporate behaviour of foreign-controlled branch plants. In short, Canada's political, social, and economic reality has been a proving ground for global trends well before they have become clearly observable elsewhere.

So when Peter Katzenstein (1996) wrote that Canada is "arguably the first post-modern state par excellence," it is worth pausing to ponder the intellectual challenge laid down by this remark. Whether he was penning an accolade or an epitaph, the noted American authority in comparative political economy was presumably suggesting that Canada was moving away from modernity in a way that the rest of statekind was likely to follow in due course. If accolade, the implication was that Canada is ahead of the trend to a borderless world in which governments play a lesser role while markets are liberated to operate for the greater good of the greater (global) community. If epitaph, the postmodern label would indicate that the Canadian state has prematurely failed, having lost not only its Keynesian ability to fine tune the economy (Gonick, 1987), but also its welfare service delivery functions (Warrian, 1995), along with its capacity to sustain the Fordist labour market compromise that kept relations between management and the unions stable for a quarter of a century following World War II.

While it is indisputable that major changes have occurred in the functioning of the advanced capitalist state since the early 1980s, the starting point of this article is to question the utility of describing them as a paradigm shift from the category of a "nation-state" to one of a post-national, post-sovereign, post-materialist or post-Keynesian kind (Crane, 1981). Apart from "post-modern" (which contains a range of suggestive

connotations derived from literary criticism concerning logic and meaning in a world of interactive communications and virtual realities) and "post-Fordist" (which has been infused with highly specific content (Jessop, 1994 and Tickell and Peck, 1995), these "post-it" labels constitute an epistemological quagmire. They are characteristically empty of positive content, merely suggesting that a central phenomenon in human society has been pushed off the historical stage. While empirically light, they tend at the same time to be normatively heavy, infused as they are with nostalgia, apocalypse, negativity, and teleology.

The nostalgic quality of the post-it notions of the state derives from their tendency to reify a late-lamented sovereign state by idealizing the regulatory capacity of what in the Canadian case amounted in actuality to little more than a "bastard Keynesianism" (D. Wolfe, 1977) and by exaggerating the social harmony and stability in what was at best a "permeable Fordism" whose bargain between business and labour leaders excluded other social forces (Jenson, 1989).

Besides looking backward with regret, the "post-" labels look forward with despair. Their apocalyptic tone endows the sovereign state with a terminal character: its proclaimed transmogrification into a neo-liberal monster implies that the Keynesian welfare state is history, its Fordist chapter toast. While it is true that politicians have been zealously paring down welfare programs even when they have no mandate to do so, the neo-liberal model is no closer to being accepted as a sustainable societal contract in Canada than it is elsewhere. (Clarke, 1997). The alleged demise of the social-market economy has been too hastily lamented on the left: the retrenchment of state services is vigorously contested throughout countries with advanced social support systems. (Pierson, 1996)

Even if the public came to accept as persuasive the Maastricht- or market-imposed necessity of deficit and debt reduction, the panacea of budget cutting was politically negative, offering no long-term programmatic direction. The meteoric flameout of Newt Gingrich's Contract with America and its tentative replacement with a "compassionate conservativism" suggest that the nineteenth century nostrums of the radical right are well on their way to being discredited and disavowed. Social-democratic, left-liberal, and Christian-Democratic governments have retained their state-supplied social services where budgets permitted. When forced by external pressure to cut back these programs, they have done so reluctantly in the hope that they can subsequently be restored, if in modified forms, once their fiscal situation improves.³

More troubling analytically, the "post-" labels bear a teleological load that imputes to the state certain *a priori* functions which it ought to carry out. One is given to understand that, if the state does not fulfill them, these activities will not occur at all and the "dismantled" state itself will shortly lose its legitimacy (McBride and Shields, 1997). In the case of Canada, whose economic vulnerability and cultural fragmentation has long

given the political order a vital, society-constructing mission, this lament has a particular bite (Shields and Evans, 1998 and Smiley, 1988).

In the context of dramatic increases in internationalization (understood as cross-border interconnectedness), liberalization (understood as deregulation of markets), and globalization (understood as transcendence of territoriality) – phenomena which have transformed the human geography of trade and capital (Scholte, 1997) -- some analysts have gone so far as to pronounce the nation state in general to be terminally ill (Ohmae, 1995). Less extreme is the Strange (1996) view that, through the agency of the transnational corporation (TNC), massive powers have shifted from nation states toward world markets. There is no consensus on how far state decline has proceeded and why. Strange's thesis is challenged as exaggerated even by scholars who concede that globalization has substantially undermined the state's material base (Bienefeld, 1994). Rejecting any mourning for the state, Robert Wolfe (1996) insists that the nation-state still remains the only legitimate form of authority in global governance.

Trying to capture the essence of its disempowerment, Cerny (1990) writes of the "competition state" which has taken on new, more complex functions in a more interdependent world. For Jessop, the key contrast is between the late, lamented Keynesian welfare state and the new, uncelebrated "Schumpeterian workfare state" (Jessop, 1997). For Cox (1993), what is significant is the state's role as "transmission belt" from the global to the national order, enforcing at home policies made and decisions taken at the global level by the new institutions of multinational governance.

Instead of pursuing the somewhat scholastic debate on whether the state's role is declining or growing, this article proposes to extend the notion of multi-level governance that captures the complexities of policy-making in the European Union to describe the Canadian state in its global context. Understood as the structure that engages in socially authorized rule-making, adjudication, enforcement, and redistribution, the state in my view now needs to be reconceptualized as a set of interconnected jurisdictions that stretch from the local through to the global. In this optic the *sovereign* or *territorial* state is less a single entity fighting for its autonomy than the central component of a larger set of structures operating on a number of tiers, at least five of which have identifiable processes and institutional forms rising from the municipal and the regional through the federal to the continental and global.

The degree of institutionalization of a particular state level can be expected to vary both across time and space, as will its degree of legitimacy, whether democratic or effective. Municipal governments, for instance, may enjoy high democratic legitimacy, because a city hall is closest to its voters, but they may enjoy the least effective legitimacy if the municipality is a constitutional vassal of a higher state level.

Functional responsibilities may shift from one level to another of the multi-level state. The federal state may gain some powers from the sub-national while it devolves

ΕΥψού χύγύγ ΟσΟσύ

others to the provincial or *Land* governments. Similarly this regional level may download regulatory duties to its cities while recapturing taxation power from them. Other tasks may be assumed by the continental tier, or filled globally. Some functions, such as cultural reproduction, may be affected at all levels of government. This five-layered political reality becomes still more complex upon considering the multiplicity of relationships that link each state tier not just vertically with other levels but horizontally with markets (in the form of corporations and their lobbies) and civil society (as embodied in non-government organizations, interest groups, religious denominations, social movements, and other forms of civic citizen activity.)

Such a process-centred approach to understanding the state is premised on the view that nothing is static. Like collective identities, the state is being continually reproduced in the process of contestation and negotiation that forms the essential dynamic of the national and international political economies. Vertical relations among tiers within this framework are in constant flux. Horizontal relations also experience continual change, for instance, as the provincial state devolves the responsibility for delivering previously state-provided services to self-regulating networks in civil society and as municipal governments' regulatory functions are taken on by firms or industry associations in the market place.

Re-conceptualizing the state in this multi-tiered fashion leads us to the hypothesis that, even while confronting the disintegration and devolution of its internal functions, the territorial or nation state may be kept operational and have its legitimacy sustained *because of* its interactions with the other state levels as well as with the organizations and markets to whom it has "lost" functions. One way to test this proposition would be to examine how this sovereign state is affected by the evolution of other levels of governance. The hypothesis will be invalidated, for instance, if the continental regime supplants the state, leaving it bereft of activity and purpose. It will be demonstrated if, on the contrary, the development of new governing activity internationally and subnationally redefines the sovereign state by giving it a new intermediating function.

Since those global policies and decisions that have arguably had the greatest effect in changing the Canadian state are the rules governing international economic activity and the commercial disputes that have been adjudicated on their basis, I will centre this article on trade policy. Although fiscal, social, industrial, and regulatory policies have much to tell us about any state's responses to globalization, Canada is so directly affected by the United States's international agenda, whether through the continental or the multilateral agreements that Washington has promoted, that trade policy has become the master disciplinarian of Canadian government. Extensive economic treaties signed in the last two decades contain not just hundreds but thousands of pages of rules which have major implications for Canada's constitutional, statutory, judicial, administrative, and even coercive orders. This second generation of "trade" agreements explicitly embraces

investment policy, that is the capacity of states to regulate investments of foreign-owned firms, and has expanded the notion of trade from goods to the production, delivery, marketing and investment in *services*. So intrusive and so open-ended are these rules that they potentially affect almost all areas of government.

After briefly reflecting on the dramatic changes in continental and global governance that trade politics has engendered over the past decade in Canada (I), I will proceed to discuss how that country's state forms are evolving in its five levels (II).

I Trade Policy in a Globalizing World

The General Agreement on Tariffs and Trade (GATT) was so weak as a forum for making trade rules and arbitrating commercial conflicts that it was dubbed sarcastically the "general agreement to talk and talk." Its replacement in 1995 by a more muscular World Trade Organization (WTO), which has an autonomous, supranational capacity and an integrated structure with legal personality designed to impose the discipline of collectively negotiated rules on even the most powerful sovereign state, suggests a substantial change at the global level of governance in the institutionalization of the trade policy function (Winham, 1996).

The negotiation of trade rules has now become an endless cycle of confrontation, negotiation, adjudication, bargaining, and then renewed disputation and negotiation. Along with the other trading nations, Canada participated energetically and with considerable effect in the creation of this new system (Ostry, 1997) and continued to play an active role in the negotiations that extended its norms to telecommunications, informational technology, and beyond. As an active participant, it has tried to affect the ongoing trade agenda (which includes rules for competition policy, human rights, and the admission of China), while bargaining on the side to achieve bilateral trade deals with Israel and Chile. All the while the Canadian government is continuously interacting within its primary continental regime, the North American Free Trade Agreement (NAFTA), and has an ongoing, daily involvement in the United States capital where every roaming lobbyist and the least expected congressional hiccup can spell trouble for the world's largest dyadic trade relationship. At the same time it works to promote intercontinental liberalization through Asia Pacific Economic Cooperation (APEC) and is an enthusiastic participant in the pre-negotiations of the proposed hemispheric Free Trade Area of the Americas (FTAA).

Given the growing interconnection between the flow of commerce and the flux of capital, rules governing trade practices cannot be isolated from norms specifying the treatment of foreign direct investment. Global codes on investment were established at the continental level with the construction first of the Canada-United States Free Trade Agreement (CUFTA) in 1987 and then in the far more intrusive Chapter 11 of its successor NAFTA in 1993 (Smythe, 1995). These rules to strengthen the rights of

ΕΥψού χύγύγ Θοθού

transnational capital are being renegotiated and internationalized -- if not by the Multilateral Agreement on Investment (MAI) at the Organization for Economic Cooperation and Development (OECD) then at a future round of talks at the WTO.

The implications of trade-policy's ever-broadening scope for the state's structure and functioning grow more difficult to analyse as the distinction between "foreign" and "domestic" policy becomes blurred. Such nominally domestic policy areas as the regulation of anti-trust and financial services now overlap with external trade and investment norms. The inclusion of cultural, environmental, food, and labour policies within the scope of trade disputes signifies a new and deeper kind of interpenetration between the global and the national.

Further complicating a federal state's trade-policy function is the de jure jurisdiction and de facto powers of its sub-national governments.⁴ The broad, constitutionally entrenched jurisdiction of Canadian provinces over natural resources and transportation, education and social policy used to be of secondary moment when the Canadian government's economic diplomacy revolved around border barriers such as tariff rates. But the extension of "trade" issues to include investment rules and services constrains the federal state's ability to negotiate in international fora on these issues without giving the provincial governments some considerable say. Provinces and cities are also engaged in courting foreign investment in the hope of attracting projects that will generate tax revenues and jobs, but the subsidies and concessions they offer give rise to claims of unfair trading when they lure an investor away from another jurisdiction.

Besides being conscious of the way that different levels of government interconnect vertically with each other in these trade palavers, we must also follow how they interact horizontally with players in the private sector and civil society. In the domain of international trade politics, the TNC is playing a growing and contradictory role, alternatively undermining and reinforcing the sovereign state in its participation in global governance. The same export-oriented corporation, which may be calling for the privatization of crown corporations and the deregulation of their economic sector in Canada, may also be soliciting municipalities for serviced land on which to locate its plants, importuning provincial governments for subsidies and tax incentives to support its research and technology development, and lobbying the federal government to negotiate a phrase change in an international agreement that will favour its interests. It may also work directly with Canadian officials strategizing over a trade dispute within NAFTA or an issue at the WTO. TNCs, whether they are foreign- or Canadian-owned, press officials in Ottawa to respond to their needs, needs which may also be articulated by special interest groups lobbying for big business (Business Council on National Issues), a business sector (Canadian Manufacturers Association), importer or exporter associations (Canadian Importers Association), a particular industry like steel or such an industrial sector as auto parts (Rugman, 1988). The policy community in trade matters is no longer

restricted to business interests. What was once an arcane bureaucratic dossier looked after by unknown officials haggling over customs codes is now a congested policy field crowded further by representatiaves from civil society. Among the most prominent of the constituencies which have recently become aware that their interests are affected by the new phenomena of global governance and deep integration are trade unions and environmental organizations.

Environmental issues dramatize most clearly how national policy-making has become simultaneously internationalized and localized. The provincial government of Ontario's attempt to require that all beer be sold in recyclable glass bottles sparked claims of protectionism from American breweries using aluminium cans and resulted in an adverse ruling by a GATT panel whose implementation was mediated by the federal government. Greenpeace is the flagship for the new environmental non-governmental organization (ENGO) which is able to mobilize a transnational coalition of counter-elites against a particular target such as the British Columbia forest industry's practice of clearcut logging (Dale, 1996) or the seal hunt in Newfoundland. By intervening in global and continental for these ENGOs are stimulating the crystallization of a supra-national consciousness that is linking trade questions to environmental issues and supporting transnational coalition building among ENGOs. Ecological questions have already become annexed to trade issues at the continental level in NAFTA's North American Agreement on Environmental Cooperation. Since the protestations in Seattle, they are candidates for inclusion on the WTO's agenda. Environmental politics clearly transcend the scope of the old nation-state because it combines features of the national with the transnational (interest groups operating across national boundaries), and the infranational (officials from member-states collaborating on their specialized agendas). But attachment to sovereignty dies hard, and sovereign states, which still control whatever subsequent governmental action is taken, can be seen to matter when they remain more committed to trade expansion than ecological sustainability -- as the disappointing follow-through from the Rio and Kyoto environmental summits reminds us.

Provinces or Länder are constrained by their position in a federation: they can only achieve some of their goals if their fellow provinces concur. And they are both restricted and enabled in other dimensions by federal government's policies in whose formulation they often participate. Likewise, sovereign states can only achieve some of their goals if their fellow states concur. And they are both restricted and enabled by actions taken at the global or continental levels of governance in whose decision-making they often participate. I will now proceed to look at how Canada's stateness is enabled and restricted in these new tiers of governance.

II The Multi-level State at Higher Levels of Governance

ËÝÿõÙ,ÿÛýÛÿ ŌŏÒõÛ

1. Global Governance

The international institutions established in association with the UN were structures meant to perform specialized functions -- regulating aviation (International Civil Aviation Organization) or allocating broadcasting frequencies (International Telecommunications Union) -- if not in a supranational, at least in an intergovernmental manner. Hobbled by the ideological negativities of the Cold War, many of these functional organizations had difficulty realizing their full potential. Following the collapse of international socialism, many have experienced a renaissance. Despite its rusty machinery and precarious funding the United Nations became more feisty, even able to defy the United States or at least coexist with its irresponsible excesses. The International Monetary Fund (IMF) has also become more active. Within the monetarist consensus linking the infranational community of officials who are seconded from the IMF's members' finance and treasury departments, Canadian officials express the views of mid-sized powers which want more generous provisions put in place for economies in crisis.

Even as inter-governmental an institution as the annual G7 (now G8) summit, which has no fixed address and no headquarters staff, is nevertheless a leading structure in global governance. Its annual, highly mediatized get-togethers of heads of government and finance ministers are premised not on the diplomatic, zero-sum logic of war-by-othermeans but on the managerial, positive-sum logic of confidence-building, persuasion, and collective norm-making. In the background is an infranational elite of foreign-office sherpas, finance-ministry staff, and political officials who form the Economic Summits' virtual infrastructure in which Canadian officials lobby for their government's positions, e.g. for stronger oversight of national banks' credit worthiness to preempt global financial crises. Having met every year since 1975 to manage the interests of the leading capitalist economies, the G7/8, supplemented by the institutional expertise of the OECD, seems on occasion to have appropriated an embryonic global mission of the macro-economic management which nation states lost when capital became mobile (Kirton, 1995). Whatever global Keynesianism results from summit decisions, the actual fine tuning is executed by those states which have agreed collectively to increase aggregate demand or lower interest rates in their own economies. In these cases national sovereignty is not so much lost as coordinated in a multilateral forum.

Whereas the elected heads of government of the major world economies meet with annual fanfare, the appointed governors of the major state banks convene monthly behind closed doors at the Basle Committee on Banking Supervision to manage the world's monetary systems according to their own collective consensus (Coleman, 1994). Here, too, the discrete coordination that takes place in Basle is an instance of global governance by international cooperation. In the case of cooperation among central bankers, their autonomy from their national governments can turn this infranational network into a powerful instrument of external influence on the national economy (Drainville, 1995).

 $\ddot{E}\acute{Y}\ddot{v}\tilde{o}\dot{U}_{,}\ddot{y}\hat{U}\dot{y}\hat{U}\ddot{y}$ $\tilde{O}\tilde{o}\dot{O}\tilde{o}\hat{U}$

When this community of bankers abandoned Keynes in favour of Friedman, it had powerful effects on national economies. In the case of Canada, the central bank became the transmission belt of this transnational consensus of which it became the most zealous exponent. Perversely demonstrating that, though it was part of the state, it was autonomous, the Bank of Canada generated what many appalled economists dubbed a "made-in-Canada recession" in the early 1990s through a restrictive monetary policy aimed to suffocate inflation.

The national bankers' closeted efforts to manage their money markets and exchange rates in a concerted coalition contrasts dramatically with the unpredictable, even hysterical impulses that grip the world's inter-connected capital markets, making every country's exchange rate vulnerable to speculative attack. During the 1994 Mexican peso crisis, other perfectly sound currencies came under pressure for no reason other than a "tequila effect" of market nerves. The connection between this anarchic, market-based self-regulation and the fate of the sovereign state is direct: the bond traders' hourly mood changes about a currency's credit worthiness constitute one of the main determinants of national exchange rate levels. Concern about their currency's externally and arbitrarily determined value becomes a major element in finance ministers' economic strategizing.

Somewhere between the uncontrolled mood shifts of the bond markets and the measured deliberations in Basle are the private-sector agencies which evaluate, for a fee, the credit ratings of corporations and countries. The phrase "government by Moody's" suggests how the regulatory process has been turned on its head in financial markets. Regulation is no longer a one-way process of states supervising corporations. Now putatively sovereign states -- particularly those like Sweden and Canada, which have large amounts of their debt denominated in foreign currencies -- manage their economies under the surveillance of the capital markets' risk assessing companies.

The associated development of a civil society that escapes the confines of national territory is evident in many areas. Not the least interesting in this regard are the native peoples in Canada who are getting to know their counterparts in Mexico and Australia, gaining political strength as they broaden their international connections and hone new political skills. Such talent was shown by the Cree nation when it mobilized political support in the New York state assembly and the US congress to scotch the Québec government's projected vast expansion of its James Bay hyrdo-electric operation for export to the American market. The Canadian government is not above trying to harness such non-governmental activity to its own ends: it supported other native groups in their colourful, if fruitless, lobbying in Brussels against the European Union's ban on the importation of pelts trapped by allegedly inhumane first-nation methods.

The evolution of a global level of governance that has both public and private dimensions clearly constrains the freedom formerly enjoyed by sovereign states to run their own affairs as masters in their own houses. To some extent Canada experiences this

Ε΄Υψοὺ ἄὐγὑψ ΘοΘοῦ

constraint by globalism as an extension by other means of an overbearing American dominance with which it has long had to deal. Two illustrations from the WTO make this clear. Trade-related intellectual property rights (TRIPs) were adopted thanks to years of sustained lobbying from the US information, entertainment, and pharmaceuticals sectors. First incorporated in the Uruguay Round's Dunkel draft, then embedded at US insistence in NAFTA, they ultimately became part of the WTO's General Agreement on Trade in Services. With TRIPs enshrined in the new trade order, Washington, supported by the EU, pressured Ottawa to adopt these norms. This gave Canada's branch-plant pharmaceutical giants extended protection for their branded drugs and eliminated the legal base for its public health system's much cheaper, generic drug suppliers (Kent, 1994).

Although CUFTA had grandfathered such cultural policies as the banning of splitrun editions of American magazines, Time Warner induced Washington to lodge a case with the WTO's new dispute settlement body against Canada's barring a Canadian advertising edition of *Sports Illustrated*. In this second example, the WTO dispute panel and appellate body rulings achieved a goal that had long eluded the United States government: it reached back into Canadian political history by declaring cultural policies legitimately legislated years -- even decades -- before to be illegal under the WTO's new rules (Magder, 1998).

While the internationalization of US norms represents a globalization of Canada's historically long-standing continental integration, it also signifies a transformation of its status as a semi-peripheral state. If peripheries act solely as objects of global forces adopting the rules that are made elsewhere, semi-peripheries can be understood as both objects and subjects -- both rule takers and rule makers. Canada was a rule taker through joining NAFTA and the WTO. It was also a rule maker through its participation in the deliberations that established these agreements' norms, regulations, and disciplines. In 1987, for instance, Ottawa's negotiators were instrumental in inventing the dispute settlement mechanism that became the hallmark of CUFTA and NAFTA. In 1990, half-way through the long Uruguay Round, Canada proposed the more substantial institutional structure that transformed GATT into the WTO with its more authoritative dispute settlement body.

As a mid-sized state it believed itself better off in a rules-based system endowed with an organization strong enough to administer the rules. One such set of rules, for instance, deals with the safety of food and agricultural products for which international standards are established in the Codex Alimentarius; its application in the WTO's beef hormone decision against the EU's embargo on North American beef worked to Canada's advantage (Cromer, 1995). The same round of trade talks also yielded what had escaped the grasp of Canadian officials when negotiating CUFTA with the United States. The WTO's subsidy code promises to reduce the vulnerability of Canadian exports to the

Ε΄ΥΥ̞σὑ χὑγὑγ Οσὸσὑ ""

constant harassment of American trade remedy actions alleging unfair subsidies and imposing stiff countervailing duties. Canada used the code successfully to challenge Brazil's subsidies to the aircraft manufacturer, Embraer, while at the same time its own subsidies to Bombardier, its own national champion in the aircraft industry, were declared illegal. The uneasy coexistence of rule-taker and rule-maker in the hegemon's semi-periphery recalls Wolfgang Streeck's (1996) argument that the member states of the European Union have compensated for their loss of *internal* sovereignty by exercising *external* sovereignty in inter-governmental bargaining in the EU's various institutions.

For half a century "multilateralism" described Canada's strategy of offseting its asymmetrical dependency on the United States by participating actively in intergovernmental activities such as the military preparedness operations of the North Atlantic Treaty Organization. In the post-Cold War period, when intergovernmental institutions have become more global than Atlantic in scope, Canada's ranking in the international hierarachy has become vulnerable to downgrading. Its relative importance has diminished because of the loss of its geo-strategic position on the missile and bomber flight path between the United States and the Soviet Union. Its absolute ranking has declined from seventh (measured by GDP), having been displaced by both China and Brazil. But this decline seems to have re-doubled, rather than deflated, the federal government's efforts to participate in a global governance for which its diplomatic culture as a middle power gives it a historical predilection. Multilateralism -- building coalitions with other sovereign states and exploiting with them the machinery established by the available international institutions -- has now become a vitally important thrust of the Canadian government's trade strategy and makes Canada a candidate for the moniker "catalytic state" (Lind, 1992).

In sum, the other side of the global-governance-as-state-loss coin is its constituting a fifth tier of stateness through the transposition into a multilateral forum of some functions performed by the sovereign state. This reformulation parallels the designation of the "globalized corporation" (a company whose headquarters is in one market and which extends its operations into other markets) or "global civil society" (which is in good part a transnational extension of national NGOs' activities). A similar extension of the nation-state into a fourth tier can be observed in the development of continent-wide systems of governance.

2. Continental Regimes

Continental structures vary in sophistication from the highly articulated institutional, legal, and economic policy processes of the European Union to the heterogeneous and inchoate Association of South-East Asian Nations. CUFTA created nominal institutions (the Canada-United States Trade Commission), decreed major constraints on public policy, established new rights (mainly for corporations), and enshrined processes for

dispute settlement that were hailed by President Ronald Reagan, not without good reason, as a "new economic constitution for North America." Though broadened by the accession of Mexico, NAFTA's institutions are so weak as to make talk of an embryonic system of continental governance appear seriously overstated.

Less than a formal organization but more than a temporary arrangement, NAFTA may be more properly described as a continental <u>regime</u>, having a "shared and long-term commitment to a set of governing arrangements and also a willingness to sacrifice some independence for the good of the community." (Bennett, 1991) There are some signs that continental integration is developing a new political identity (Schwartz, 1996). It is arguable whether NAFTA has a positive momentum (Deblock and Rioux, 1993), but the transnationalizing process is becoming hemispheric, with the two continents merging into one mega-system (Thérien, et al., 1996) Transnational coalition building among NGOs in North America can be seen as a "continentalization from below" that is starting to create a continental civil society (Gutiérrez-Haces, 1996, Drainville, 1997). In contrast with the asymmetry-inhibiting qualities of the EU's institutions, NAFTA's promote asymmetry through a penetrative convergence process in which American actors gain greater access to decision-making in both Mexico and Canada.

The structures of this continental regime may be rudimentary but its norms, which are specific, detailed, extensive, justiciable, and relentlessly neo-liberal, constitute a legal order in its own right. Intellectual property rights enhanced the position of the pharmaceutical TNCs and telecommunications clauses set up American telecomm TNCs to buy into Canada's formerly protected regional telephone monopolies. Powerful investment provisions gave foreign investors more rights than national companies to sue federal, provincial, or municipal governments for "expropriation" of their profits. Complex rules of origin created a protected zone on a continental scale for the American-dominated textile and automotive sectors. No wonder that transcontinental capital, having achieved its objectives at the inter-governmental negotiating table, should have reorganized their separate branch-plant operations in each country to plants producing for an integrated continental platform (Blank, 1993). NAFTA constitutes, in sum, a continental mode of regulation for a continental regime of accumulation.

If an integrated North American market is being forged by corporations operating continentally according to NAFTA's new regime of accumulation one might think that the Canadian state was on the road to irrelevance. But NAFTA eschews supranational government. In the name of their national autonomy, the member governments have already reined in NAFTA's putatively autonomous Commission for Environmental Cooperation (CEC, 1997). They are resisting the creation of a North American monetary institution equivalent to the European Montetary Union (Clarkson, 2000).

This new legal order has altered Canada's traditionally dyadic American relationship by involving Ottawa with Washington's Mexican relations and giving each of

 $\ddot{E}\acute{Y}\ddot{y}\tilde{o}\grave{U}_{,}\ddot{y}\hat{U}\dot{y}\acute{U}\ddot{y}\ \tilde{O}\tilde{o}\grave{O}\tilde{o}\hat{U}$

the three partners some say in its relationship with the others. Mexico is still in part a third-world country needing Canadian aid as it deals with the social upheaval caused by its efforts to conform to NAFTA-mediated American prescriptions of structural adjustment. But it has now become an industrial competitor, successfully vying for an increasing share of North America's incoming foreign investment and challenging Canada's position as prime supplier to the US import market. The two semi-peripheral states are also growing, if small, markets for each other's exports and act at times as diplomatic allies defending, for example, their protectionist cultural policies against American pressure for completely unfettered flows of information and entertainment products.

Continental regimes overlap. Beyond belonging to CUFTA and NAFTA, Canada would be a charter member in the Free Trade Area of the Americas should the Miami Declaration of 1994 bear fruit. The Organization of American States (OAS) is another bicontinental organization in which Canada plays happy soldier and so demonstrates its Western hemispheric presence. As a multilateral network with a renewed dynamic, the OAS offers Canada an additional mechanism for distinguishing its identity from that of its dominant neighbour through coalition building. A dramatic example of such self-assertion through association was Ottawa's initiating in this traditionally U.S.-dominated organization a resolution that successfully passed – over the United States government's objection – condemning its Helms-Burton bill (McKenna, 1999). In addition, Canada participates in APEC because of its Pacific geography. Its enthusiastic activity in this budding consultation forum among states sharing frontage on the Pacific Ocean shows how old-fashioned, politically focussed multilateralism has taken on an inter-continental, commerce-related form as the Canadian state reconstitutes itself in the new, trade-centred order (Curtis, 1996).

The growth of a continental economic regime has an effect on the Canadian state parallel to that of globalism. The most controversial is the strictures on the range of permissible government action imposed by the trade agreements on many policy areas formerly considered to be at the sovereign discretion of the state. This is the equivalent to the negative integration that characterizes the European Union's market-centred and state-limiting processes (Scharpf, 1995), but its actual constraint on the Canadian state has been difficult to observe for three basic reasons. A shift in the managerial paradigm of both elected and bureaucratic Canadian policy-makers away from a social-democratic activism and towards neo-liberal tenets makes it difficult to determine whether a reduction in interventionist practices is due to officials' fear of falling afoul of the new continental rules or to their belief that less government is better government. Secondly, non-decision making is notoriously uncongenial to scholarly observation: government outsiders can rarely tell to what extent NAFTA has inhibited state actions that might have been taken in its absence. Finally, Canadian governments may be renouncing activities

Ε΄Υψοὺ ἄὐγὑψ ΘοΘοῦ

such as subsidizing national enterprise not because of external constraints but because of their internally-driven agenda to eliminate budget deficits.

III The Multi-level State on Traditional Ground

3. Regional Government

The politics of deficit and debt reduction by the federal state in Canada, with its familiar program slashing, transfer-payment reductions, and civil-servant firing, has had a direct impact on the unstable federal-provincial balance of power. If one level reduces its activity in a policy field, the other level may move into the vacuum unless ideological positions or funding constraints militate otherwise. A case in point is the broad set of policies aimed to increase economic competitiveness. The federal government gradually withdrew from micro-economic policy-making in part because of the Mulroney Progressive Conservative government's (1984-1993) conviction that previous efforts to formulate a national industrial strategy had failed and in part because the subsequent Chrétien Liberals' (1993-) attack on their inherited deficit radically restricted the funding available to support entrepreneurial innovation and productivity.

A further reason for relocating policy activity from the federal to the provincial level is the belief among experts on the subject that subnational regions are the more natural loci for public sector encouragement of private sector partnerships and alliances (David Wolfe, 1997). In a huge country containing several geographically distinct economic areas so disparate in their characteristics that they do not even comprise an optimal currency zone, the federal government has great difficulty developing a coordinated economic activity that satisfies all regions. It follows that the provinces may be the more appropriate administrative scale for encouraging innovative systems that galvanize private-sector initiatives within a knowledge-based, post-Fordist, technoeconomic paradigm.

In actual practice the extent that new functions were adopted by the provincial state was highly contingent on political agency. From the mid-1980s, Ontario governments under the control first of the Liberal (1985-90) and then of the New Democratic Party (1990-95) tried to appropriate the industrial strategy function they felt Ottawa was neglecting. Many initiatives were taken to foster neo-corporatist sectoral partnerships. Since the mid-1990s their neo-conservative successor (1995-) cancelled most of such programs designed to stimulate economic development, preferring to create business-friendly conditions through cutiing payroll taxes, limiting trade union shopfloor rights, and relaxing both the standards and the policing of environmental regulations. All that remains of a once intellectually assertive industrial provincialism is a concentration on skills training as a way of meeting the requirements for highly trained personnel of such globally operating sectors as telecommunications equipment, software engineering, and automotive parts design (Eves, 1998).

 $\ddot{E}\acute{Y}\ddot{y}\ddot{o}\grave{U}_{,}\ddot{y}\^{U}\dot{y}\^{U}\ddot{y}~\tilde{O}\ddot{o}\grave{O}\ddot{o}\^{U}$

This passive approach, which even rejects subsidies for businesses considering investment sites in the province, offers a suggestive contrast with the more defiantly interventionist New Democratic government in British Columbia. A still more successful defender of an activist role for the state is the Parti Québécois (PQ) government which, through concerted consultations with the private sector and its social partners, ⁶ crafted a consensus to the effect that, for Quebec to retain an activist role for the provincial state and its crown corporations, it would first have to respond to the demands of the bond-rating agencies for a zero deficit (Drache, 1997).

It has long been hypothesized that continental integration was related to federal disintegration: the more North America became a single political economy, the more Canada's provincial economies would reorient their commerce from an east-west interprovincial pattern to a set of north-south provincial-state relationships (Stevenson, 1974). Recently this argument has resurfaced as the proposition that Ontario has become a "region state" that is losing its former role as motor of the Canadian economy in favour of a consolidation with the several states of the Great Lakes (Courchene and Telmer, 1998). There can be no doubt that, as the US share of Canadian exports has risen to 87 per cent, the provincial economies have become increasingly enmeshed with their neighbouring states. But it does not follow that globalization is causing the federal state to lose its raison d'être in the face of irresistible province building. As the tussle over regulating the internet has proven, new regulatory challenges can be exploited by the federal government. Over the objections of the provinces, Ottawa passed a statute to regulate privacy on the internet, claiming authority from its jurisdication over trade and commerce. In another instance, the Supreme Court reallocated to the federal government jurisdiction over telecommunications because of this sector's globalizing qualities.

Alongside its hesitation in assuming the federal government's economic functions, there is a question about how far the provincial state can go in displacing Ottawa in order directly to represent its interests abroad. Even though regional government may have a considerable potential for international relations in a globalizing world, practical budgetary constraints and formal problems of recognition limit provinces in their ambitions. Taking a feather from the cap of Germany's Länder, they could demand from the Supreme Court guarantees that the federal government not alienate any of their powers in the course of its international bargaining and even insist on direct representation in the new continental and global regimes. Provincial voices may often sound discords in the federal state's international tune, but they actually sing as part of a federal chorus when "Team Canada" sallies forth in federal-provincial trade missions in Asia, Latin America, or Europe. Since provincial bureaucratic capacity is inadequate to project regional interests abroad, provinces have relied more on the federal state to represent them in intergovernmental fora in the 1990s, the decade of highest globalization. Cutbacks of their quasi-embassies abroad not just by Ontario but by

Ε΄Υψοὺ ἄὐγὑψ ΘοΘοῦῦ

Quebec confirm that, under conditions of deficit reduction, provinces experienced serious limits to their capacity for direct participation in global governance. Even in continental governance they have not developed into "region states". In fact, contrary to expectations raised by the signing of NAFTA, long-standing transnational linkages of Canadian provincial governments with contiguous states of the U.S.A. are not expanding to include close relations with states of the Mexican federation (Munton and Kirton, 1996).

4. Municipal Administration

The sub-national state in Canada may not be expanding its sphere of action to the global or continental tiers as much as Ohmae's (1995) talk of regionalism may have led his readers to expect, but -- whatever pressures it may be experiencing from exogenous forces -- it is jealously guarding its control over its traditional fiefdom, the municipal tier. At this, the lowest rung of our five-level hierarchy of governance, cities are also the most vulnerable to experiencing the most disadvantages and reaping the fewest benefits of the political effects of globalization if investments, whether national or foreign, relocate.

To the extent that the character of an economy's physical and social infrastructure is central to the locational decisions of transnational corporations, city governments potentially play a significant role in the global competition for economic development. The quality of their administrative regimes helps create the environment that is either attractive or repellent to corporate decision makers in sectors such as telecommunications whose employees seek a high quality of cultural life and recreational amenities for their working context (BCG, 1997). As the most localized level of governance, municipalities may also play a supportive role in responding to the knowledge economy's need for direct business-university partnerships in their locality. They can facilitate investment activities through expediting building permits.

Alleviating poverty and coping with social distress are no longer purely local concerns: the way these problems are addressed can make the difference between a city being chosen for transnational investment. The largest Canadian cities -- Toronto, Montreal, and Vancouver -- are conscious of their dependence on the good will of global capital markets and do what they can with limited resources to generate positive signals. Success can, of course, have its downside. Winning the installation of such footloose capital as financial services firms with their high-paying jobs may aggravate existing income disparities, foster economic polarization, and encourage spatial dislocation, altering thereby the balance between public and private institutions and poisoning relationships with other cities.

Since cities come under the constitutional tutelage of the provinces in Canada, they have little to do with their own success or failure in these matters. Canadian cities are so completely controlled by their provincial masters that they have scant opportunity proactively to take up the economic challenge of competing with cities abroad as

Ε΄Υψοὺ ἄὐγὑψ Θοὸοῦ "

investment locations. At the same time they have no choice about having to cope reactively with responsibilities that are unilaterally downloaded on them by provincial governments. In this process they complete the cycle of globalization in which wealth is redistributed from governments to corporations and in which the financial burdens involved in the provision and regulation of collective goods such as water and subsidized housing are shifted down to municipalities. Without the fiscal powers they would need to maintain the quality of these services, the buck is passed on to the individual citizen in such forms as user fees or simple non-provision of proper treatment for mental or physical needs. The ultimate symbol of governmental downloading and buck-passing is the deranged panhandler squatting on a square metre of a downtown sidewalk.

The case of Toronto illustrates how the global-local connection may be both direct and indeterminate. The metropolis of Toronto, with its population of 2.4 million is the fifth largest city and fourth largest financial centre north of the Rio Grande. For forty years it enjoyed a much praised federal system of government that gave its six municipalities considerable autonomy to deal with community-based issues but dealt with metro-wide issues in a central Metro Council. Although the site for one sixth of Canada's employment, globalization has raised the spectre of the city losing its competitive attractiveness for investment. As a result the NDP government of Ontario decided to address the question of Toronto's economic functioning in relation to the surrounding conurbation of 4.7 million people known as the Greater Toronto Area (GTA).

Although expert opinion unanimously favoured the development of an intermediate regional governance system that would enable the GTA to deal with its collective development issues, the neo-liberal government of Mike Harris rejected such advice. In a move remarkably similar to Margaret Thatcher's dissolution of the London County Council, Ontario flew in the face of public opinion expressed by referendum and abolished Toronto's municipalities. Amalgamated into a "megacity," the new Toronto's government appeared too huge to respond to community needs but too small to deal with its commuter-shed's broad economic challenges. Voters in the suburbs feared that a new meso-regional structure would make them pay in the form of increased taxes for the externalities created by their transportation, cultural, and social needs, which previously had either been subsidized by the province or internalized by the core city. The logic of control by a provincial government sensitive to its electoral prospects trumped the logic of glocalization.

5. The Federal (or sovereign) Tier

Where, then, does Canada's federal state fit in this confusing picture of losing some functions, retaining others, and gaining new ones? Its liabilities seem clear. Internally, it has retrenched the direct provision of services to citizens. Externally, it has lost many of its powers to protect the economy. As a result it is suffering from a crisis of credibility on

the part of citizens who do not perceive its value but sense that the levers pulled and the buttons pushed by federal decision makers may not be connected to any effective machinery of government. "The federal government is irrelevant out here," said the minister of finance from the province of Alberta in 1996.

Still, the sovereign state may have regained in the roundabouts what it lost in the swings. It remains stubbornly at centre stage with institutional machinery and a bureaucratic culture developed over decades of federal-provincial relations and suited for inter-governmental diplomacy. The federal state is also central in the literal sense that it is suspended in the middle, the intermediary between the provinces with their vassal cities below and the resurgent continental and global institutions above. It is central as well because, long after TNCs and NGOs have intervened in these extra-territorial fora and returned to their bottom lines and home bases, it is the federal government that is held responsible in international law for implementing what has been decided, even if many treaty provisions affecting, for instance, the environment or labour, can only be effected at the provincial level.

Now that it has graduated from a decade and a half of deficit politics into the more pleasant dilemma of dealing with a budgetary surplus, it is attempting to regain some of its lost role in welfare provision. The federal state's surprising survival in the face of what seemed to be globalization's crippling impacts returns us to the hypothesis that the Canadian state may be supported by the new configurations of governance that globalization has induced. The argument can be developed as four further propositions.

1. Democracy supports the lower tiers' legitimacy against the higher. Much has been made of the democratic deficit which undermines the legitimacy of such continental institutions as those of the EU. The flip side of this argument reminds us that the legitimacy of sovereign states and their sub-national and municipal tiers is constantly reasserted by their long-established rituals of electoral politics. These are further legitimized by formal constitutions whose provisions are themselves solemnly reaffirmed by a never-ending succession of court rulings. The national political structure has a reality for the mass media which reinforce it in every news broadcast, further embedding the state as the prime political reference point in the citizenry's consciousness and political culture. As a result, political issues are still seen by the media -- and so the public -- to be essentially municipal, provincial, or federal, even if Canadian policymaking is becoming increasingly internationalized (Doern, Pal, and Tomlin, 1996). And when tear-gassed protesters in the streets of Seattle rail against the undemocratic actions of the WTO, they are ipso facto reaffirming the democratic credentials of their nation states.

Even if the boundaries between state, market, and civil society have become more porous, it does not follow that the state is declining just because airlines administer

 $\ddot{E}\acute{Y}\ddot{y}\tilde{o}\dot{U}_{,}\ddot{y}\hat{U}\dot{y}\dot{U}\ddot{y}\ \tilde{O}\tilde{o}\dot{O}\tilde{o}\hat{U}$

immigration procedures at their check-in desks. Similarly, the transnational activity of social movements, epistemic communities, and NGOs (Risse-Kappen, 1995) may complicate inter-governmental relations but may not endanger the raison d'être of sovereign states. While strong states might lose some of their monopoly control over foreign affairs, weaker states may be buttressed by "their" NGOs' transnational endeavours, in some cases whether they want this or not. The Council of Canadians was instrumental in blocking the Multilateral Agreement on Investment in 1998 and so prevented the federal state from abandoning more of its sovereign powers by extending foreign investors' rights.

- 2. States compensate for their losses. The compensation argument would maintain that the sovereign state tries to replace lost functions with initiatives taken in other ways. This can occur in two dimensions. States may compensate for the loss of *de jure* sovereignty (actual powers being signed over to continental (NAFTA) and global (WTO) regimes) by increasing their participation within these levels of governance. In the EU, for instance, Denmark uses its participation in the politics of the European Union to reaffirm itself as a state. Loss of *de facto* sovereignty (the federal government losing relevance because it is unable to maintain its role in environmental regulation, for instance) may cause it to become more assertive internationally just to proclaim its own existence. Canada's fish war with Spain illustrates how the "post-modern" dilemma of ineffectiveness in achieving satisfactory intercontinental resource management could impel a sovereign state to resort to pre-modern gunboat diplomacy.
- 3. States travel in convoys. Keynesian policy approaches spread by a process of intellectual contagion throughout the industrial world and were displaced by a similar process of policy osmosis. The convoy argument emphasizes the interconnections among sovereign states in their collective evolution: it is difficult for one state to change if its influential partners refuse to budge. In other words, the move from a "nation-state" to a paradigm of multi-level governance will be slowed down if a state's principal partners resist the trend. The United States' increasing reluctance to accept multilateralism shown in its preference for unilateralism forced Canada back into defending its national interests against US commercial aggressions. Canadian responses to such American trade protectionism as countervail or anti-dumping actions against its agricultural (wheat), resource (softwood lumber), and industrial (steel) exports show that -- contrary to the apparent logic of continental integration -- American economic nationalism is a prime force sustaining Canada's own state structures.
- 4. The layers of the sandwich support each other. We have seen that the Canadian state is so tightly interconnected with governance above and below that it is just one tier in an

evolving and nested multi-level state structure. This characteristic may ensure, not endanger its survival. Propped up as it is with the municipal and provincial state levels below it and the continental and global state tiers above, the sovereign state may be unable to collapse. It stays in place by playing the role of intermediary -- so much ham in the sandwich -- as it implements international norms it has helped create. In its multi-level configuration, the sovereign state feeds off and is kept alive by its collaborative and contradictory relations with the other levels of governance. If its forestry industry's exports are threatened by American unilateralism, then Canada seeks support in the WTO's rules, trying to bend to its own survival purposes the articulation of the global system's norms as they are contested and reconstructed.

Conclusion

By concentrating on international commerce this article has taken the policy area where the globalization of capital markets, production systems, and distribution networks can be seen most directly to threaten the sovereign state's capacity to perform the functions it developed during its Keynesian phase. Were there space for other fields to be added to the analysis, globalization's challenge would be put in a less menacing perspective. Scholarship on judicial policy would show how litigation under the universal rightsinspired Charter has reinforced pan-Canadian values at the expense of provincial particularisms. Monitoring native peoples' politics would reveal the emergence of yet another form of governance at the local level -- the largely autonomous aboriginal or territorial jurisdiction. Social policy analysis would show the powerful attachment of all demographic strata in the Canadian population to state provision of universal health care. Regulatory policy studies would show how the federal state has retained its capacity to regulate telecommunications. It has proceeded to use this authority to accelerate deregulatory processes which enable Canadian oligopolistic telecomm companies to merge with their former American rivals. The ultimate result will be a wide loss of state control over what was once considered a key sector of the economy.

However incomplete the picture painted by trade-related issues may be, it does allow us to appreciate that Canada's heuristic relevance for scholars abroad is not so much in being a model to copy as a case from which to learn and clarify one's understanding of other states' responses to globalization. This state is "post-modern par excellence" in having its central authority continually contested, in the multiple identities of its population, in its fragmented power structures. It is predominantly Anglo-Saxon in political culture, but with a European touch. It is a semi-periphery in a highly integrated continental system, but retains an autonomous central bank. It has a parliamentary system of British provenance, but sports a written constitution. Its federalism has a high level of tolerance for centrifugal forces and explicitly contemplates the possibility of Quebec's

secession, but as a sovereign state Canada continues to play an active role internationally.

If the Canadian state has been "denationalized" and "hollowed out" (Jessop, 1997), this change has been compatible with resisting a deterioration of after tax income inequality and sustaining the core of the welfare state, universal health care and public education, though in straitened circumstances. If the political system has been "destatized" through the growth of the government's role in "meta-governance" (steering, rather than rowing the political boat), it appears reluctant to let this process go too far now that dealing with surpluses has replaced dealing with deficits as the hot topic on the public agenda. The neo-liberal pendulum has lost its momentum, having failed to deliver a higher standard of living and an improved quality of life. This is particularly evident in Ontario where extreme conservatism was most virulent and where the privatization and deregulation of the public infrastructure has been causally linked to fatal outbreaks of e-coli contamination in the water supply of municipalities.

Canada's Fordism was imperfect from the beginning, but the Canadian Auto Workers have recently managed to increase their wages and fringe benefits despite the auto industry's continentalization and the union movement's decline in other sectors. Its welfare system may never have achieved the generosity of its European counterparts, but health care remains mostly universal and free to every citizen. Canada's failures and successes in dealing with the challenges posed by globalization will provide instructive watching, but not because a set of labels fits or does not fit its characteristics.

The extension of the Canadian state's participation in continental and global governance contrasts with other semi-peripheral states with which further comparative research could prove enlightening. Apart from its connection with New Zealand and its membership in APEC, Australia participates in global but not continental governance. Norway, by comparison, does not formally belong to the EU, but has extensively adapted its political order to conform almost entirely to the *acquis communautaire* while being less affected by the WTO's new global governance. With its civil law system under severe strain from having to incorporate American norms via NAFTA and the WTO, Mexico's provides the greatest contrast but also the greatest similarity to Canada in the more balanced extension of its state structures to the continental and global levels.

The Canadian state is not powerless (Weiss, 1992), because it has adapted on five interconnected levels to changing exogenous and endogenous conditions. Non-Canadian political economists should stay tuned.

References

BCG (Boston Consulting Group), (1997) Financial Services at the Crossroads: The Current and Potential Role of Financial Services in the Greater Toronto Area (Toronto: BCG).

Bennett, Colin J., (1991) "What is Policy Convergence and What Causes It?" *British Journal of Political Science* 21, 215-33.

Bienefeld, Manfred, (1994) "Capitalism and the Nation State in the Dog Days of the Twentieth Century," in Ralph Milliband and Leo Panitch, eds., *The Socialist Register* 1994 (London: Merlin), 94-129.

Blank, Stephen, (1993) "How Globalization and Freer Trade are Creating a New Architecture of North America," *Hofstra Labor Law Journal*, 10, (Spring), 609-621.

CEC (Commission for Environmental Cooperation), (1997) *NAFTA's Institutions: The Environmental Potential and Performance of the NAFTA Free Trade Commission and Related Bodies* (Montreal: CEC).

Cerny, Philip G., (1990) The Changing Architecture of Politics, (London: Sage).

Clarke, Tony, (1997) Silent Coup: Confronting the Big Business Takeover of Canada (Toronto: Lorimer).

Clarkson, Stephen, "The Joy of Flux: What the European Monetary Union Can Learn from North America's Experience with National Currency Autonomy," in Colin Crouch, ed., *After the Euro: Shaping Institutions for Governance in the Wake of European Monetary Union* (Oxford: Oxford University Press, forthcoming).

Coleman, William D. and Tony Porter, (1994) "Regulating International Banking and Securities: Emerging Co-operation among National Authorities," in Richard Stubbs and Geoffrey R.D. Underhill, eds., *Political Economy and the Changing Global Order* (Toronto: Macmillan).

Courchene, Thomas, and Colin R. Telmer, (1998) From Heartland to North American Region State: The Social, Fiscal and Federal Evolution of Ontario (Toronto: Faculty of Management, University of Toronto).

Cox, R.W., (1993) "Structural Issues of Global Governance," in Stephen Gill, ed., *Gramsci, Historical Materialism, and International Relations* (Cambridge University Press), 259-89.

Cox, Robert, (1994) "Global Restructuring: Making Sense of the Changing International Political Economy," in Richard Stubbs and Geoffrey R.D. Underhill, eds., *Political Economy and the Changing Global Order* (London: Macmillan), 45-59.

Crane, David, ed., (1981) Beyond the Montarists: Post-Keynesian Alternatives to Rampant Inflation, Low Growth and High Unemployment (Toronto: Canadian Institute for Economic Policy).

Cromer, S., (1995) "Sanitary and Phytosanitary Measures: What They Could Mean for Health and Safety Regulations under GATT," *Harvard International Law Journal* 36, 557-69.

Curtis, John, (1996) "Whither APEC?" Paper presented to the Centre for International Studies, University of Toronto, (Dec. 3).

Dale, Stephen, (1996) *McLuhan's Children: The Greenpeace Message and the Media* (Toronto: Between the Lines).

Deblock, Christian, and Michèle Rioux, (1993) "NAFTA: The Trump Card of the United States," *Studies in Political Economy*.

Doern, G. Bruce, Leslie A. Pal, and Brian W. Tomlin, (1996) *Border Crossings: The Internationalization of Canadian Public Policy* (Toronto: Oxford University Press).

Drache, Daniel, (1997) *Jobs and Investment Strategies: The Challenge for Policy Makers* (North Sidney: Austrialian Business Foundation).

Drainville, André C., (1995) "Monetarism in Canada and the World Economy," *Studies in Political Economy* 46 (Spring), 7-42.

Drainville, André, (1997) "Continental Integration and Civil Society in the Americas," *Social Justice* 24:1 (Spring), 120-47.

Eves, Ernie, (1998) 1998 Ontario Budget. Budget Papers: Jobs for the Future, Today (Toronto: Ministry of Finance).

Gonick, Cy, (1987) *The Great Economic Debate: Failed Economics and a Future for Canada* (Toronto: Lorimer) .

Gutiérrez Haces, Teresa, (1996) "Globalization from Below: The Awakening and Networking of Civil Societies in North America," paper presented to Association of Canadian Studies in the United States conference, Toronto, Nov. 8.

Jenson, Jane, (1989) "'Different' but not "Exceptional': Canada's Permeable Fordism," *Canadian Review of Sociology and Anthropology* 26: 1, 69-94.

Jessop, Bob, (1994) "Post-Fordism and the State," in Ash Amin, ed., *Post-Fordism: A Reader* (Oxford: Blackwell).

Jessop, Bob, (1997) "Capitalism and its Future: Remarks on Regulation, Government and Governance," *Review of International Political Economy* 4:3 (Autumn), 561-81.

Katzenstein, Peter J., ed., (1996) *The Culture of National Security: Norms and Identity in World Politics* (New York: Columbia University Press).

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

Kirton, John, (1995) "The G7, The Halifax Summit, and International Financial System Reform," *North American Outlook* 5 (June), 43-66.

Lind, Michael, (1992) "The Catalytic State," National Interest 27, 3-12.

Magder, Ted, (1998) "Franchising the Candy Store: Split-Run Magazines and a New International Regime for Trade in Culture," *Canadian-American Public Policy* 34 (April).

McBride, Stephen, and John Shields, (1997) *Dismantling a Nation: The Transition to Corporate Rule in Canada* (Halifax: Fernwood, 2nd. ed.).

McKenna, Peter, (1999) "Canada, the United States, and the Organization of American States," *The American Review of Canadian Studies* (Autumn), 473-93.

Munton, Don, and John Kirton, (1996) "Beyond and Beneath the Nation-State: Province-

State Interactions and NAFTA," paper for the International Studies Association, (San Diego, April).

Ohmae, Kenichi, (1995) *The End of the Nation State* (New York: The Free Press). Ostry, Sylvia, (1997) *The Post-Cold War Trading System: Who's On First?* (Chicago: University of Chicago Press).

Pierson, Paul, "The New Politics of the Welfare State," *World Politics* 48:2 (January 1996), 143-79.

Risse-Kappen, Thomas, (1995) *Bringing Transnational Relations Back In: Non-state Actors, Domestic Structures, and International Institutions* (New York: Cambridge University Press).

Rugman, Alan M., (1988) "Why Business Supports Free Trade," in John Crispo, ed., *Free Trade: The Real Story* (Toronto: Gage), 95-104.

Scharpf, Fritz W., (1995) Negative and Positive Integration in the Political Economy of European Welfare States (Florence: European University Institute).

Scholte, Jan Aart, (1997) "Global Capitalism and the State," *International Affairs* 73:3 (July), 427-52.

Schwartz, Mildred, (1996) "NAFTA and the Fragmentation of Canada," paper presented to Association of Canadian Studies in the United States conference, Toronto, Nov. 8.

Shields, John, and B. Mitchell Evans, (1998) *Shrinking the State: Globalization and Public Administration Reform* (Halifax: Fernwood).

Smiley, Donald, (1988) "A Note on Canadian-American Free Trade and Canadian Policy Autonomy," in Marc Gold and David Leyton-Brown, eds., *Trade-offs on Free Trade* (Toronto: Carswell), pp. 454-458.

Smythe, Elizabeth, (1995) "Multilateralism or Bilateralism in the Negotiation of Trade-Related Investment Measures," *Canadian-American Public Policy* 24 (Dec.).

Stevenson, Garth, (1974) in Thomas Axline, ed., *Continental Community?* (Toronto: McClelland and Stewart.

Strange, Susan, (1996) *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press).

Streeck, Wolfgang, (1996) "Public Power beyond the Nation-State: The Case of the European Community," in Robert Boyer and Daniel Drache, eds., *States Against Markets: The Limits of Globalization* (London: Routledge).

Thérien, Jean-Philippe, Michel Fortmann, et Guy Gosselin, (1996) "The Organization of American States: Restructuring Inter-American Multilateralism," *Global Governance* 2, 215-39.

Tickell, Adam, and Jamie A. Peck, (1995) "Social Regulation *after* Fordism: Regulation Theory, Neo-liberalism and the Global-local Nexus," *Economy and Society* 24:3 (August), 357-386.

Warrian, Peter, (1995) The End of Public Sector `Industrial' Relations in Canada? The coming Challenges for Labour and Management (Toronto).

Weiss, Linda, (1992) *The Myth of the Powerless State* (Ithaca, N.Y.: Cornell University Press).

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

Wolfe, David, (1977) "The State and Economic Policy in Canada, 1945-75, in Leo Panitch, ed., *The Canadian State: Political Economy and Political Power* (Toronto: University of Toronto Press), 251-88.

Wolfe, David, (1997) "The Emergence of the Region State," in Thomas J. Courchene, ed., *The Nation State in a Global/Information Era: Policy Challenges* (Kingston, Ont. John Deutsch Institute for the Study of Economic Policy), pp. 205-240.

Wolfe, Robert, (1996) "Global Trade as a Single Undertaking: The Role of Ministers in the WTO," *International Journal* LI:4 (autumn), 690-70.

Stephen Clarkson

Stephen Clarkson has long taught at the University of Toronto where, having first specialized in the Soviet theory of development, he works on Canada's evolution within the American imperium. His major books are *The Soviet Theory of Development* (London: Macmillan, 1978), *Canada and the Reagan Challenge* (Toronto: Lorimer, 2nd ed., 1985), and *Trudeau and Our Times* (2 vols., Toronto: M&S, 1990 and 1994). He is now finishing *The Contested State*, a book on the impact of globalization (especially the WTO), continentalization (through NAFTA), and neo-liberalism on Canada's political economy.

,,

ÉĐ ÕĐĐãÛø úÙú õüÛ ÝÿõøÒ ÚĐãÕÛøýÒõÙýÛ íÒÿđü ÊÿÛÙã ÜĐýÛøãÃÛãõ Đû ÀÿòÛø õÒ ûÙãú ÙõÕÛÿû ĐÙõü Ò òÝúÜÛõ ÕÝøđÿÝÕ õüÒã Ùõ ÙãÚøÛÒÕÛú ÙõÕ ûÝãúÙãÜ û Đø ÛúÝÚÒõÙĐã'

Éã õüÙÕ đÒđÛơ' ẹøÛÜÙĐãÒÿĠ ĐÙÿÿ ÒđđÿÞ õĐ ÕÝò¸ãÒõÙĐãÒÿ ùÝøÙÕúÙÚõÙĐãÕ' ẹÚĐãõÙãÛãõÒÿĠ õĐ ÜøĐÝđÙãÜÕ Đû ĀĐøÛ õüÒã ĐãÛ ÕĐýÛøÛÙÜã ÕõÒõÛ õüÒõ Ûã ÚĐÃđÒÕÕ ĀĐÕõ Đû Ò ÚĐãõÙãÛãõÒÿ ÿÒãú ĀÒÕÕ'

⁵ One indication of this strength was getting the Canadian government to acknowledge at the United Nations that indigenous peoples have a "fundamental human right of self-determination." Rudy Platiel, "Northern Quebec Cree gains a victory," *Globe and Mail*, Nov. 2, 1996, A8.

¬' îüÛ ÚĐãûũøÛãÚÛ ÕĐÚÙĐ,ũÚĐãĐÃÙØÝÛ úÛ ÍÝũòÛÚ Òãú õüÛ ÎĐÃÃÛõ ÕÝø ÿÛ ú ÛýÛãÙø ÕĐÚÙÒÿ Ûõ ũÚĐãĐÃÙØÝÛ úÝ ÍÝũòÛÚ ĐÛøÛ òĐõü üÛÿú Ùã "KK ÕĐ ÜÛãÛ øÒõÛ Ò ÚĐãÕÛãÕÝÕ Đã úÛûÙÚÙõ Òãú úÛòõ øÛúÝÚõÙĐã'

ęÈã Ò ÚĐão Ùã Ûão ûÝÿÿ Đû üĐđ ÛÿÛÕÖÿÞ ûøÒÚōÝøÛú ÚÙōÙÛÕ' ÓÃÝã ÙÚÙđÔÿ ÜĐýÛøãà Ûão ÒÃOÿÜÒÃOôÙĐãÔ ĐĐÝÿú ÿÛãú îĐøĐãôĐ Ò ûÒòÝÿĐÝÕ ÚĐà đÛõ Ùố ÙýÛ ÒúýÒãoÒÜÛ'Ġ éĐũã àÒøòÛø' ęÀÿÿ ÙÕ ÇĐÿúÛã' ÚĐÝøõÛÕÞ Đû ÅøĐÃòÙÛ'Ġ ÇÿĐòÛ Òãú ËÒÙŸ åÛÚ' ¬' "KK¬' À""

B íĐôÛøõ ÎüÛđđÒøú' ẹåĐãĘõ úĐ ÃĐøÛ õüÒã ÞĐÝ üÒýÛ õĐ'Ġ ÇÿĐôÛ Òãú ËÒÙÿ ÈÚ õ' ." "KK" À""

[&]quot;' Éã õüÛÙø ÛÿÒòĐøÒõÙĐã Đû ãÙãÛ ÙãõÛøãÒõÙĐãÒÿ ýÒøÙÒãõÕ Đû æĐøúÙÕÃ' îÙÚ ŸÛÿÿ Òãú èÛÚŸ "'KK/" úĐ ãĐõ ÚĐãÕÙúÛø ÅÒãÒúÒĘÕ ýÒøÙÛõÞ' ĐüÙÚü ÃÙÜüõ üÒý Û òÛÛã úÝòòÛú ęÕÛÃÙ,đÛøÙđüÛøÒÿĠ Ùû éÒãÛ éÛãÕĐã "'KßK'ĘÕ ęđÛøÃÛÒòÿÛĠ ÿÒ òÛÿ ĐÒÕ ãĐõ õüĐÝÜüõ ÒÚÚÛđōÒòÿÛ'

^{¸&#}x27;ÊÒõþÛãÕõÛÙã ''″KK¯¯ ′″ß'ã' Ě Òà ÙãúÛòõÛú õĐ êĐÝÙÕ èÒÝÿÞ ûĐø úøÒĐÙãÜ õüÙÕ ãĐõÛ õĐ ÃÞ ÒõõÛãõÙĐã'