North American Integration and the Scope for Domestic Choice: 
Canada and Policy Sovereignty in a Globalized World

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Abstract

This paper assesses the tension between economic integration and domestic policy autonomy. We focus on the implications of North American integration for Canada’s capacity to make distinctive policy choices in the social and environmental policy sectors. We also survey other comparative literature on a broader range of cases and countries. The paper develops a framework for assessing the pressures for convergence and divergence. Harmonization or convergence can emerge from three separate dynamics: i) International constraints, either legal or economic; ii) Emulation, where nations adopt policies implemented elsewhere as a result of an international learning process; and iii) Parallel domestic pressures. But working against these tendencies towards harmonization, convergence and a narrower field of policy choice is another set of factors that sustain continuity and continued differences among countries: policy legacies, political culture and values, and political institutions. In terms of the pressure resulting from international economic integration, they vary from sector to sector, depending on the international mobility of the factors in question. Cross-national research suggests that even in areas where factor mobility is high (e.g., corporate taxes), significant cross-national differences have endured.

In the case of social policy, we conclude that Canada has been able to maintain distinctive social programs. These persistent differences in social policy result from a combination of value and institutional differences, as well as the lack of labour mobility across the border. The most significant case of convergence is employment insurance, a reflection of a lethal combination of fiscal pressures to eliminate the deficit and a broad concern to generate a more flexible labour market, not any direct consequence of economic integration. The pattern in environmental policy is different. There is both more convergence and more constraint. Trade agreements do limit the use of some policy instruments, and open regulatory measures up to potential challenges, but thus far the latter has not been a significant issue. Canadians concerned about the "race to the bottom" in the environmental area are fortunate that the US has a relatively strong track record of environmental protection, which has obviated many of the downward pressures on standards that might otherwise be present. In some cases, US pressures have helped pull standards up. One emerging difference is trends in budgetary commitments: Canada’s fiscal commitment to the environment is shrinking, while it is growing in the US. We conclude that Canada has formidable capacities for domestic policy choices in a wide range of sectors. It is up to Canadians and their elected officials to chose how to exercise that freedom of choice.
Overview

In this age of greater international economic integration, a great deal of concern has been expressed, both in popular and academic discourse, about the unrelenting forces of harmonization and the diminution of the capacity to make distinctive policy choices in the pursuit of national aspirations. For Canada, a small, open economy overwhelmingly dependent on the world’s largest and most dynamic national economy, this anxiety is particularly acute. Indeed, concerns about "Americanization" have been a part of Canadian identity, politics, and public policy since before Confederation. In the wake of increasing continental economic integration resulting from trade liberalization in recent decades, these fears have intensified. Many Canadians are concerned that we have forfeited, either through international agreement or unavoidable economic and technological change, the ability to make choices that protect and promote a distinctive Canadian way of life. Instead, we are being forced down a path of policy harmonization with the United States.

Not everyone bemoans these developments. Some conservatives embrace arguments about the constraining effects of globalization to justify their arguments for a more limited government role. More importantly, there are a growing number of skeptics who have questioned the globalization thesis, arguing that nation states still have significant room to maneuver in domestic policies. Interestingly, this more skeptical view spans the traditional ideological divide. It has been articulated not only by those on the left seeking to buttress their view that a more expansive government role in redistribution is not incompatible with globalization (Garrett 1997; McQuaig, 1998), but also those who support a significant reduction in the role of government (Watson 1998).

This paper examines the tensions between economic integration and domestic policy autonomy as they have developed to date, and attempts to anticipate some of the trends that might confront citizens and policy-makers over the next decade. How much convergence has taken place so far? Are pressures towards convergence likely to increase in the future? Building on the literature in comparative policy studies, including our own previous work, the paper develops a framework for assessing the pressures for convergence and divergence, and utilizes this framework to assess the balance of pressures in different sectors of Canadian life. After an elaboration of this framework, we examine two policy areas with some care: social policy and environmental policy. Concerns about harmonization in each of these areas was central to the debate over the Canada-US Free Trade Agreement in 1988 and the North American Free Trade Agreement in the early 1990s. Many believed that they spelled an end to Canada’s distinctive social contract, and to policy choices that many deeply believed to be more egalitarian than policies in the United States. We then move to a

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1 See for example, Gwyn (1995). For a useful summary of this view, from a dissenting perspective, see Watson (1998, Chapter 2)
more general level of analysis, reviewing several recent studies which seek to analyze a broader range of policies across a wider range of countries.

Our general conclusion from this analysis is that despite deeper economic integration, and despite some notable examples of policy convergence, Canada does retain far more capacity for distinctive policy choice than is widely believed. Our analytical framework gives us some leverage in assessing the potential impacts of various trends, to which we turn in the final section.

Analytical Framework

Our analytical framework, developed in previous work (Banting, Hoberg, and Simeon 1997), focuses on two essential questions: how much policy convergence is there, and why? Convergence is a measure of the relative similarity or difference in policy objectives, instruments, and consequences across political jurisdictions. It is a dynamic concept, asking whether policies are becoming more alike over time.

The first important argument to make is that there are several different causes of convergence -- it is not necessarily an indication of constraints emerging from the external economic environment. There are three different types of causes of convergence:

1. Convergence as a result of parallel domestic pressures. In this case, convergence results from the existence of similar domestic pressures in different nations, without any direct influence running from one from one country to another. Thus, quite independently, countries that have experienced similar patterns of urbanization and industrialization, the simultaneous impact of new technologies, increased ethnic diversity, the emergence of similar social movements, a common debt and deficit difficulties will face similar policy challenges and a similar, but not identical, repertoire of responses to them.

2. Convergence as a result of emulation. Policy making can reflect a process of cross-national learning, where governments chose to adopt policies similar to another

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2 One of casualties of globalization rhetoric has been conceptual precision. Some scholars have made effective distinctions, but there is little terminological convergence. In their book on the internationalization of Canadian policy, Doern, Pal, and Tomlin (1996) distinguish between globalization as an economic force, and the broader phenomenon of internationalization that includes trends in ideas and international social movements. Koehane and Milner restrict internalization to refer to the "processes generated by underlying shifts in transaction costs that produce observable flows of goods, services, and capital" (1996, 4). While we deploy a different set of distinctions, we agree that it is essential to be clear about what mechanism of internationalization one is referring to.

3 A fourth type of pressure, lobbying by foreign interest groups, can also act as a force for convergence. As described below, this mechanism is quite important in the environmental policy area, but because its influence important, but because its influence tends to be confined to a narrow range of policy areas, we do not elevate to the status of the other mechanisms.
country’s because they find them attractive (Bennett 1991; Rose 1993). In this case, the medium of international influence is ideas. Some international institutions, such as the OECD, have been established in part to facilitate this exchange of ideas. In the Canada/US context, because of the size and influence of the US, most cases of emulation involve the northward flow of ideas.

3. Convergence as a result of international constraints. In this case, policies converge because of the constraints in the political and economic relations among countries that limit the capacity for autonomous choice by individual states. International constraints can take two forms. First, legal agreements, such as treaties, can dictate a particular policy stance, preclude the use of certain policy instruments, or create supra-national decision-making bodies. Such enforceable international agreements by definition involve some (voluntary) giving up of national sovereignty. Second, economic integration has resulted in the increased mobility of capital, creating concerns that any policy that has the potential to raise the cost of production in one country will need to harmonized with lower-cost countries, threatening a "race to the bottom" in policy. Inherent is this is some shift of domestic power from the state to global private actors, and within the state from immobile factors (such as labour) to mobile factors (such as capital). This does not imply a loss of formal sovereignty; but it might imply a diminution of the autonomy of the state vis a vis financial markets and global capital.

Distinguishing among these causal forces is important, because it shows that convergence does not necessarily imply constraint; it can also be a result of autonomous policy choices. These distinctions are not, of course, clear cut. The most troubling ambiguity is the implications of cultural integration. If American domination of media and commerce overwhelms Canada, domestic pressures may be less separate and parallel than integrated. Nonetheless, this process of cultural influence is a qualitatively different kind of constraint than the economic and legal ones we describe. Another ambiguity is the fact that one of the main mechanisms through which international economic constraints operate is in fact by altering the distribution of influence among different domestic actors (Milner and Keohane 1996). The indirect nature of international influence can make it more difficult to discern their importance.

Moreover, our normative reactions to these paths will vary greater. Parallel responses to the same challenges should raise little concern, unless they are seen simply as spillovers across the border. Emulation is more ambiguous. To the extent that it represents the one-way dominance of economic, political, social and cultural values from the hegemonic power to smaller ones, it is indeed problematic, even if little or no overt coercion is employed. But to the extent it permits citizens and policy-makers in a given country to become more aware of policy innovations and possibilities in other jurisdictions, it is much more positive. And to the extent that a country can learn from the experience of many others, rather than just one, fears of cultural domination can be mitigated. Convergence stemming from international agreements may indeed entail
worrying constraints on domestic policy, but these are voluntary agreements in which the individual country remains largely free to choose whether the costs of accession outweigh the costs of autonomy.

It is the pressures from international economic constraints that are the most troubling. In this case, the capacity of individual governments to respond to the democratically expressed preferences of their citizens may be undermined by the force of external pressure, that have no accountability within the domestic system.

While these forces for convergence are powerful, they must contend with formidable countervailing forces that promote continued national distinctiveness. First, distinctive political cultures shape nations' values towards the role of the government in various facets of economic and social life. As a result, even if they face common problems, differences in national values can produce different interpretations of tradeoffs and result in different policy responses. Of course, analysis of how different Canadians and Americans are is something of a national pastime in Canada. To the extent that there are continuing differences of opinion, for example on the relative role of government in health care and other policy areas (Perlin 1997), they will find their expression in pressures for distinctive policy responses.

Second, domestic political institutions can refract common pressures in different ways. There are some significant differences between Canadian and US political institutions: the US system of checks and balances vs. the Canadian parliamentary system, weak parties in the US vs. highly disciplined parties in Canada, a centralized federation in the US and a decentralized one in Canada (Simeon and Willis 1997). Many scholars have argued that institutions have powerful influences over the strategies adopted by political actors, distribution of influence between various societal interests, and even how actors come to interpret their own objectives (e.g., Steinmo and Thelan 1992). Institutions do matter; and institutions are highly resistant to change, especially from external forces. The restraining influence of institutions in reinforced by the simple incentives facing politicians. While it is true that they will be judged in part by their ability to manage their country’s role in the international political economy, the fact remains that they are elected by and accountable to their domestic electorates, not to international ones.

Third, the legacy of existing public policy can also shape how nations respond to new pressures. The different program structures that the US and Canada have adopted in the past, prior to the modern era of globalization, embody the values in place at the time of enactment. The policies cast their shadow over the present because they structure the costs and benefits of altering the status quo in a certain direction. Once a particular set of organizations and instruments become institutionalized, they are costly to alter fundamentally. This "path dependence" means that policy alternatives that may

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4 One scholar have been impressed with the enduring differences (Lipset 1990). For very different perspectives in more popular books, see Gwyn (1995) and Watson (1998).
have been feasible at one point in history become less so over time (Pierson 1994). Policy legacies can thus act as another source of countervailing pressure against harmonization. One implication of this argument is that more traditional policies, such as pensions or health care, may be less likely to converge than newer policies, such as environmental protection or electronic privacy rules.

The question, then, is to weigh the balance between the forces for convergence, and in particular convergence through international constraints, and the forces for divergence. The impact of international constraints varies significantly from sector to sector. For instance, trade agreements impose powerful constraints on the use of policy instruments in certain areas, for example selective industrial subsidies (Doern and Tomlin 1996). In these cases, governments voluntarily surrender their policy autonomy in exchange for what they hope is greater benefits, typically greater access to export markets. In other areas, the impact of trade agreements is either indirect, through increased competitive pressures as in the case of environmental regulations, or nonexistent, as in the case of rights policies.

Moreover, even international economic constraints are not a straightjacket; they are a cost that citizens and politicians may or may not be willing to pay (Simeon, Hoberg, and Banting 1997). The stronger the constraints, the more it costs to adopt distinctive policies; the weaker the constraints, the lower the costs of divergence. The costs vary significantly from sector to sector, depending on the mobility of the factors of production that the policy is seeking to influence. For example, the relatively free mobility of financial capital may increase the costs of maintaining different corporate tax rates, whereas the more limited mobility of labour makes distinctive income taxes less costly. The current controversy over the impact of higher Canadian marginal tax rates on the "brain drain" actually reinforces this point: the high-income, skilled professionals in question are precisely the segment of the labour force that is most mobile.

Our earlier study concluded that there were a number of areas of policy convergence in the two countries, but that parallel domestic pressures and emulation were the most common pathways to convergence, not international constraints. Environmental policy and policies related to equality rights are good examples: the study revealed a considerable amount of convergence, but more because of common political pressures and the international transmission of ideas (Hoberg 1997; Manfredi 1997). Even in areas where international economic constraints were the strongest, namely monetary policy, Canada did find room to carve out a distinctive, albeit costly, policy (Boothe and Purvis 1997). In the case of social policy, the study revealed a substantial amount of policy divergence, that was sustained even in the wake of the intensive economic integration of the 1970s and 1980s (Banting 1997).

This study reevaluates the social and environmental policy case studies, in the context both of issues that emerged in the latter half of the decade, and in light of
foreseeable trends over the next decade or so. It also expands the range of case studies, in both policy areas and countries, by examining several important recent analyses.

**Social Policy Comparisons**

The issue of the capacity for distinctive policy choice is probably most significant in the area of social policy. The somewhat more generous Canadian welfare state that emerged in the post-World War II period has been an important part of Canadian identity and distinctiveness, as was revealed in the intense debates over the Canada-US Free Trade Agreement in 1988. Fears that economic integration would inevitably render Medicare and other Canadian social policies unsustainable fuelled much of the opposition. This section provides an analysis of broad trends in social policy in the two countries. We argue that while there has been convergence in several programs, overall the pattern is one of persistent differences between the two countries. Where convergence has occurred, it is difficult to link it in any direct way to economic integration, or to the FTA and NAFTA.

The differences between the two social policy regimes exist across three dimensions. First, Canadian policy is more comprehensive, in the sense that it covers a broader range of the population than U.S. policy does, with health care being the clearest example. Second, despite the national self-image that it is more committed to universality in social programs, Canada has actually been more effective, in comparison to the U.S., at providing transfers to the poor, precisely because it has a stronger set of selective programs that target benefits to the neediest. Third, and as a result of the first two differences, Canada’s programs have had a greater redistributive impact than U.S. programs.

This section sketches some of the major differences in the broad categories of social policy across the two countries. As Figure 1 suggests, both Canada and the United States have relatively modest welfare states when viewed from the European perspective. Nevertheless, the differences between these two liberal welfare states are significant. As Figure 1 also shows, in aggregate social policy spending terms, Canada diverged from the U.S around 1980 and has stayed significantly higher since then.

**Health Care.** Health care policy represents the greatest area of social policy difference between the two countries. Under Canada’s Medicare program, coverage for basic hospital and medical services are provided on a universal basis, without deductibles, co-payments, or significant user fees. Private health care plans are available to supplement coverage in some areas, but private spending represents a minority of total health spending.

In the U.S., government programs cover only specific categories of the population: the elderly through the Medicare program (under which there are a number

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5 This section relies heavily on Banting (1997).
of premiums, deductibles, and co-payments), disabled veterans through Veterans Affairs, and welfare recipients through the Medicaid program. The remainder of the public must rely on private health insurance. Because of the expense of these programs, a significant fraction of the U.S. population goes without any health coverage at all -- in 1992, 41 million Americans, or 16% of the population, were without health insurance (update coming).

Differences between the two countries have also grown when attention is focussed on health care delivery systems. Traditionally, both countries relied heavily on non-profit hospitals and doctors who were independent practitioners remunerated on a fee-for-service basis. Despite changes at the margin, this model continues to dominate in Canada. In the United States, however, the commercial sector of the hospital industry has expanded rapidly and the pervasive spread of health maintenance organizations (HMOs) have transformed the status of physicians and changed their relationships with patients in important ways. Compared to the dramatic transformations in the U.S., Canada has represented an island of relative stability.

The differences between the two systems thus stand out. When thinking about the future, however, it is worth noting that the differences are greatest within the traditional health care model of physician services and hospital treatment. In areas beyond the traditional model -- such as long-term care and the provision of prescription drugs outside of hospitals -- the Canadian and U.S. approaches are much more similar. In both cases, a mixed market of private coverage and supplementary public coverage for the poor and elderly dominates. Although these areas command a minority of current health dollars, they do represent growing sectors in health care, and hold the potential for greater convergence in the years to come.

Pensions. There are more similarities between the two countries in the provision of public pensions. For the average senior citizen, the major government programs -- the Canada and Quebec Pension Plans and Old Age Security in Canada, and Social Security in the U.S. -- provide comparable levels of support. The major difference lies in the programs designed to protect low-income pensioners. In Canada, the Guaranteed Income Supplement (GIS) is far more widely available than the Supplemental Security Income (SSI) is in the U.S. Whereas close to half of all seniors in Canada receive some benefit from the GIS, the SSI program in the U.S. provides support to less than 10 per cent of the elderly population. As a result, the Canadian pension system has a significantly more redistributive character.

Social Assistance. Capturing the trends in social assistance is perhaps the most challenging task because of the important changes in program structures that have occurred on both sides of the border in the mid-1990s. Certainly, there is a history of significant difference, with Canada providing much greater support for the poor. Under the Canada Assistance Plan (CAP), a shared cost federal-provincial program existing from 1965-1995, provinces were required to provide support to all those in
need. In contrast, US coverage has been far more limited. The Aid for Families with Dependent Children (AFDC) program was restricted to single-parent families. Only some states have provided support for two-parent families, and single parents and childless couples have been ineligible. Income support for people in these latter categories has been limited to Food Stamps, a federal program, and General Assistance, a poorly funded state program that has never existed in many states. In addition to the greater coverage in Canada, benefit levels have historically been significantly higher (Blank and Hanratty 1993). Due to the steady erosion of support south of the border, by the mid-1990s, the differential between Canada and the United States had probably never been greater (Banting 1997, 298).

Social assistance policies underwent fundamental changes on both sides of the border in the mid-1990s, changes which involved common elements of decentralization, block funding and benefit restrictions. In Canada, the Canada Assistance Plan was folded into a larger block grant, the Canada Health and Social Transfer (CHST). As a result, all federal money for welfare, health, and education were included in the same block grant, and all federal restrictions on social assistance spending were eliminated except a prohibition on residency requirements. In the first two years, federal funding for all three programs was expected to decline by 15% (Nash 1999).

In the US, after a protracted conflict between President Clinton and the new Republican majority in Congress, the AFDC, born in the New Deal and extended in the Great Society programs of the 1960s, was terminated in 1996, and replaced by Temporary Assistance for Needy Families (TANF). The entitlement status for welfare that existed under AFDC was eliminated, and TANF was created as a block grant to the states, but one with significant federal regulations attached. These regulations include:

- states cannot reduce funding levels below 80% of historic spending levels
- states must provide Medicaid for particular classes of people
- states must require recipients to work after 2 years of receiving benefits

There are thus important parallels between the two countries, especially in the decentralization implicit in the shift to block grants. How lower levels of government respond will be the key to determining whether the historical differences in social assistance will be narrowed. To date, differences remain salient. Although all provincial governments have adopted versions of workfare or 'learnfare', often under the influence of American examples, no Canadian province has publicly debated, let alone implemented, strict time limits for welfare support, a policy now imposed on all states by federal legislation south of the border.

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6 Another recent study concludes "...the Canadian social assistance complex in the contemporary period extends considerably more generous assistance to a range of individuals and families in need who receive only minimal assistance across the border" (Boychuk 1997, 3).
Child Benefits. Unlike the areas addressed thus far, child benefits is an area of convergence between Canada and the United States. In the mid-1970s, there were substantial differences in programs. Family Allowances in Canada were universally available, and the US was the only major industrialized country without such a program. Since then, Canada has slowly shifted towards a selective program, culminating in the creation of a single, income-tested Child Benefit delivered through the tax system. This shift is a clear illustration of the move away from universality in income-transfer programs to more targeted assistance for the needy. Meanwhile, the US created an Earned Income Tax Credit (EITC) for working poor families with children in 1975, and then expanded it significantly in several increments through the early 1990s. US benefit levels are actually higher, although the Canadian program has much broader coverage, as benefits are paid to both the working poor and the welfare poor (Banting 1997, 296).

The convergence in program structure is clear. Moreover, both countries have used these benefits in response to the common agenda of “making work pay” for low-income families. There are, however, differences in how this is being done which reflect the political cultures of the two countries. The EITC drives a wedge between two categories of poor families, the working poor who receive the benefit and the welfare poor who do not. By increasing the income of the working poor, the U.S. seeks to make work more attractive than welfare. In the Canadian case, child benefits are a much more inclusive program in that all poor families receive the payments. A coordinated federal-provincial initiative in recent years has sought to make work pay north of the border as well. The federal government has repeatedly enriched child benefits in recent years; and provincial governments have simultaneously reduced welfare payments in respect of children by an identical amount, reinvesting the savings in other children’s programming. The long-term aim is to float kids off welfare and on to child benefits completely. At that point, welfare benefits, which would be payable only for adults, would be similar to the income provided by minimum wage jobs, thereby eliminating the “welfare trap” criticized by many. Thus the two countries have very different approaches to “ending welfare as we know it.”

Unemployment Insurance. Unemployment insurance is an area of remarkable convergence in social policy. Until recently, the differences in the programs have been significant, but because of changes in Canadian policies in the late 1980s and 1990s, the programs have become very similar according to some basic measures. Figure 2 shows this remarkable trend for the percentage of the unemployed who receive regular unemployment insurance benefits. In the late 1980s, the two countries were over twenty percentage points apart on this measure; in 1997 they were virtually identical.

The Canadian program is exclusively federal, and financed by contributions from employers and employees. In the US, the system is administered differently. It is a more decentralized, federal-state program, financed solely through a payroll tax on employers. The federal government imposes a tax on employers, which it then rebates if states establish a program meeting federal standards, thereby eliminating the dangers
that some states will simply not act. The state governments establish qualification periods and set benefits levels and their duration, although the federal legislation produces considerable convergence in qualification periods and duration of benefits. The Canadian program was expanded dramatically in 1971. While benefit levels were not higher, they were provided for a longer period, and the eligibility requirements were less stringent. Canada also expanded coverage to include maternity benefits; no such benefits are available in the US. This divergence in programs grew due to program changes and funding cutbacks in the US during the Reagan years (Burtless 1991).

The policies began to converge in the early 1990s as a result of program changes in Canada. Government contributions were terminated in 1991. Qualification periods were increased, the duration of benefits was shortened, and benefits levels were reduced. Canada withdrew significant resources from the program, especially in affluent parts of the country, and the response in terms of the reduction of support for the unemployed has been dramatic indeed. As Figure 2 shows, the percentage of unemployed receiving assistance has been reduced from over 80% in the late 1980s to about 40% in 1997.

Redistributive Impact. Now that we have given a general overview of the patterns in the major program areas, we can turn to examining the impact these programs have on the distribution of income in the two countries. Even with the convergence in unemployment insurance and child benefits, the pattern remains one of both more comprehensive coverage and more targeted programs to the poor in Canada. As a result, Canadian programs have had a much greater impact on the redistribution of income. This more powerfully redistributive state has contributed to the dramatic difference highlighted in Figure 3. [Not available in electronic form.] It compares Gini coefficients for the two countries. In the mid-1970s, both countries were about 0.40 on this measure. After that, a dramatic divergence began. By 1996, Canada was still around 0.40, but the US increased to 0.46. Income inequality in the US has experienced steady growth since the early 1970s, while in Canada it has remained relatively stable. There has been a slight increase in inequality in the second part of the 1990s in Canada, which undoubtedly reflects in part cutbacks in unemployment benefits, social assistance and other programs. Despite this worrisome trend, the continued divergence with the United States could not be more striking.

Social Policy: Explaining Patterns

The pattern of social programs is complex. Some programs, such as unemployment and child benefits, have witnessed substantial convergence. Other programs, such as pensions and especially health care, reveal persistent differences. Overall, the Canadian welfare state is somewhat more generous and continues to provide greater protection for the poor. How can we explain this pattern? The differences result from a combination of different national values, political institutions,
and policy legacies. The areas of convergence are more a result of parallel domestic pressures than they are of direct effect of economic integration.

There are three main reasons why the Canadian welfare state is more expansive than the US welfare state: the pattern of social divisions in the two countries; the structure of their political institutions; and their relationship to the wider global economy (Banting 1997, 271-85). In terms of social divisions, the social pressure for a more activist welfare state has been stronger in Canada because of its stronger labour movement. In comparison to Europe, both US and Canada have weak labour movements. But union density is significantly higher in Canada than in the US. Moreover, unions have played a more active political role in pushing social legislation, through their links with the New Democratic Party, than have unions in the United States. In addition, racial divisions in the United States have undermined political support for welfare. Scholars have long argued that the more homogenous a national population is in terms of race, ethnicity, and language, the stronger support for redistributive programs is likely to be (e.g., Wilensky 1975). The main division in Canada has always been linguistic, but this has not created a major cleavage over social policy because dependence on social benefits is not significantly higher in Quebec than in the rest of Canada (Banting 1997, 276). Despite the increasingly multicultural nature of Canadian life, the politics of social policy has yet to be cast in racial or ethnic terms.

In contrast, racial conflict has been a core feature of welfare politics throughout the history of the US welfare state. During the New Deal period, resistance by southern members of the US Congress to extending benefits to cover large number of African Americans limited the growth of the welfare state. As Great Society policies expanded welfare programs, the fact that racial minorities constituted a disproportionate share of the case load led to increasing resentment by working class whites. In combination with civil rights reforms of the same era, welfare policies contributed to a new politics of race which reshaped the entire electoral alignment, giving Republicans a new advantage in Presidential politics and transforming the US south from a one-party Democratic stronghold to Republican-dominated region (Edsall and Edsall 1991; Carmines and Stimson 1989). One result was a reduction in political support for anti-poverty programs.

These differences in social structures are reinforced by differences in political structures. The exceptionally fragmented nature of the US institutional structure give opponents of government action powerful tools. In social policy, those vetoes have been effectively exercised by southern conservatives opposed to more expansive welfare policies. The defeat of Clinton’s health care proposals in 1994 -- which would have produced greater convergence with Canada -- is one more example of the triumph of institutional obstructionism over policy activism. In Canada, federalism has had a less decisive impact. At times, it has been a barrier to policy development; but in the case of health policy it actually facilitated change as social democrats captured provincial governments and enacted path-breaking legislation, which were then influential in federal legislation.
The structure and ideological predisposition of political parties has also had a significant impact on difference social policies. The presence of an active social democratic party in Canada is perhaps the most important difference. Not only has the New Democratic Party held power in several provinces, but during several important stages of policy change were very influential while the Liberal party held a minority government. During the welfare state retrenchment that occurred in the 1980s, the ideological inclinations of the parties in power also led in different directions. In the US, the Reagan administration reforms left middle class program virtually unscathed while they slashed programs for the poor. In Canada, the Mulroney government took a different tack, reorienting spending towards a greater targeting of benefits to the poor (Banting 1997, 283).

The third explanation for difference between the two countries is that Canada's relative openness to the international economy has contributed to a stronger tradition of collective response to social needs. In recent years, concerns about globalization have been focused on pressures to scale back social programs. But influential comparative studies have shown that small, open economies are more, not less, likely to have expansive welfare states. The argument is that social programs help cushion workers from the turbulence of international markets (Cameron 1978; Katzenstein 1984; for a more qualified view, see Rodrik 1997). To the extent that this logic has operated in North America, it would be expected to create pressures for Canada to have a more expansive social policy. We will consider this issue in more detail below in the “broader picture” section below.

As the comparison of social programs shows, however, some programs -- child benefits and employment insurance -- are converging. How can we explain these developments? Are they an indication of the triumph of international economic pressures? We argue that these developments result largely from parallel domestic pressures rather than international constraints. First, the convergence in child benefits in part results from the introduction and expansion of the program structure in the US, and this U.S. policy has clearly not been driven by closer economic integration with Canada. Convergence here reflects similar domestic concerns about low-income families and the relationship between welfare and work. Second, the dramatic convergence in unemployment benefits, which did involve Canada moving sharply towards a less generous U.S. norm, was not a simple response to integration. The change reflected a lethal combination of fiscal pressures to eliminate the deficit and a broad concern to generate a more flexible labour market, a concern shared broadly with many OECD nations. Examples of emulation and the transborder flow of ideas have left their mark on social policy, to be sure. Experiments with workfare and training programs for have been avidly tracked on both sides of the border, and have had an influence on social assistance and other labour market programs in both countries. But concerns over the deficit were the most important force driving convergence in programs such as employment insurance. The relevance of international economic...
constraints to social policy thus depends on how one interprets the origins of the deficit agenda in Canada. As we argue later, the political dominance of the deficit in the 1990s has more to do with the international flow of ideas and domestic political pressure than economic integration per se.

The question of labour mobility, or its lack of, is crucial to the issue of the capacity of Canada to maintain its distinctive welfare state. Labour mobility at the low end of the income spectrum could create concerns about jurisdictions tightening eligibility criteria to avoid becoming "welfare magnets." Absent any truly fundamental change in Canada-American relations, this is unlikely to happen. Far more relevant in the near term is the issue of mobility at the high end of the income spectrum, the so-called "brain drain" phenomenon. Concerns about the loss of highly skilled professionals have created significant political pressure in Canada to reduce marginal tax rates. If such pressure makes it more difficult for Canada to generate sufficient tax revenues to afford the welfare state it wants, this could be a significant problem. However, recent evidence suggests the brain drain phenomenon is greatly exaggerated (Helliwell 1999). Understanding the political economy of labour mobility will be critical to assessing the future of a distinctive social policy regime on the northern half of the North American continent.

ENVIRONMENTAL POLICY

As with social policy, concerns about harmonization and a "race to the bottom" in environmental standards played a major role in the debate over the Canada-US Free Trade Agreement and NAFTA, and continue to be a concern with the World Trade Organization and discussions over a new investment agreement (MAI). Unlike social policy, however, international agreements play a more important direct role in environmental protection, and international economic constraints have the potential to play a bigger role as well. In addition, there is significantly more evidence of a pattern of policy convergence in the environmental area. Much of this convergence has resulted from parallel domestic pressures and emulation rather than international constraints. But there is increasing evidence of international constraints, both legal and economic. Interestingly, in most cases this has led to more stringent environmental protection in Canada, not less.

This section begins with a survey of some relevant environmental policy indicators. It then examines trends in the internationalization of environmental policy, and analyzes their effects on Canadian environmental policy and the capacity for distinctive policy choice in Canada. Particular attention is paid to two cases frequently cited as strong cases of US influence on Canadian environmental policy: pesticide regulation and MMT. The section then goes on to provide an explanation for the patterns observed in environmental policy and an analysis of future trends in the area.

Environmental Policy Comparisons
Policy Indicators

In our earlier work, a wide range of policy indicators was presented, showing a complex pattern we described as convergence amidst US leadership (Hoberg 1997). In some areas we discovered convergence, and where there were differences, the US policies were more stringent in more cases. We have been able to update some of the indicators, and the pattern seems to be similar, although there is some indication of a divergence in spending, which may prove to be critical.

Automobile Emissions. In the case of automobile emission controls, the story is one of US leadership and Canadian "catch up". Historically, US standards have been far more stringent than those in Canada. Prior to 1988, Canadian standards were between three and seven times less stringent, depending on the pollutant in question. New standards that went into effect in 1988 made Canadian regulations equivalent to US standards. The US jumped ahead again with its 1990 Amendments to the US Clean Air Act, which required much more stringent standards to be implemented between 1994 and 1996. In Canada, new regulations were eventually brought in for the 1998 model year to achieve the same 1990 US Clean Air Act standards. A number of states have now moved beyond the federal standards, however. Auto emission standards in California are considerably more stringent than the 1990 Clean Air Act requirements, and by 1994 12 eastern states had followed suit and adopted California standards. As a result, 37% of the US population will be covered by standards significantly more stringent than those voluntarily agreed to by Canadian manufacturers. Thus, there has recently been a considerable amount of convergence in air pollution regulations, but US standards are still somewhat more stringent than those in Canada.

Air Pollutants. Some of the best quantitative evidence available in the environmental area is found in the data on trends in air pollution emissions and ambient levels (the concentration of pollutants in the surrounding air). While differences in measurement complicate straightforward comparisons of levels across the two countries, comparisons of rates of change give us some indication of the impact of efforts to reduce air pollution. These measures show a complex pattern. Figure 4 shows trends in emissions for six pollutants. Canadian progress has exceeded that of the US for one pollutant (sulfur dioxide): the US has exceeded Canadian progress for three pollutants (particulates, carbon monoxide, and volatile organic compounds); and for two pollutants their performance is virtually the same (carbon dioxide and nitrogen oxides). Figure 5 shows trends in ambient concentrations of air pollutants. Here there is a clearer pattern of convergence, as each country has achieved substantial reductions in concentrations of these pollutants. Another way to portray air pollutants is emissions per unit of GDP, as in Figure 6. This measure can either reflect the relative pollution intensity of industry in the two countries, or some measure of regulatory stringency. While its implications are uncertain, the pattern is clear: Canada emits more pollution per unit of GDP in all five of the pollutants measures. Overall, the pattern in the case
of air pollutants in complex, but the US appears to have achieved more progress overall.

Spending. Changes in government spending reveal important areas of divergence. Government spending is both an indicator of government commitment to a policy area, and a measure of capacity to develop, monitor, and enforce policy. The previous study revealed convergence on spending: spending on the environment as a percentage of total budgets was roughly equal, and both countries seem to have responded to the burst in environmental concern around 1990 with similar increases in spending between 1986 and 1991. Figure 7 updates these figures, and shows a marked divergence. Whereas the US budget figure increased again in 1997, in Canada environmental spending declined from 1991-1997. Indeed, Canadian spending dipped below what it was in 1986.

Breaking the spending down by governmental level points to part of the explanation for divergence. The major increase in spending occurred at the state level. The US regulatory system involves a great deal of federal regulation implemented by state governments. When federal environmental concern declined somewhat, states continued to implement regulatory programs. In Canada, there is much less regulation generally, and certainly much less federal regulation (Harrison forthcoming). When concerns of deficits put pressures on environmental spending, there were no regulatory requirements to require the provinces to keep spending on environmental programs, and they were able to cut back spending as well. Over the past three years (from the 1994-95 budget to the 1997-98 budget), the Ontario government reduced spending on environmental protection by a staggering 43% (Canadian Institute for Business and the Environment 1997). Again, domestic institutions, and the ideology of governing parties matter.

Environmental Policy: International Influences

In the environmental area, four types of international factors influence environmental policy in Canada, and they all tend to promote convergence with the US: (1) the escalating importance of international environmental problems and the increased attempts at international collaboration to address those problems; (2) economic integration, including formal trade agreements such as the Canada-US Free Trade Agreement (CUFTA), the North American Free Trade Agreement (NAFTA), and the World Trade Organization; (3) the cross-national transfer of ideas; and (4) cross-border lobbying.7

International Environmental Agreements. While international environmental problems such as those on ozone depletion, biodiversity, and climate change have received a significant amount of social, scientific, and political attention in the 1990s, Canada and the US have a long history of international environmental disputes and collaboration, dating back to the Trail Smelter conflict in the early part of the century. While all nations

on earth share the biosphere, Canada and the US share a much more specific biophysical environment -- a land mass, an air mass, and waterways and oceans. In the west, conflicts over shared salmon habitat have been simmering for years, and in central and eastern Canada, cross border water and air pollution, most of it flowing northward, have been a source of friction between the two countries. On a polluted day in the Windsor-Quebec corridor, up to 50% of the ambient smog has its source south of the border.

There have been successful instances of collaboration. The International Joint Commission was established to address shared environmental concerns in 1909, and the Migratory Birds Convention was forged to protect habitat in 1917. The Great Lakes Water Quality Agreement was signed in 1972. While they took much longer to put in place, recent agreements on transboundary air pollution have been enacted and are leading to significant reductions in emissions. In 1991, the two countries signed the Canada-U.S. Air Quality Agreement. Admittedly, the agreement was only made possible because the US was finally able to get its domestic house in order and commit to substantial reductions in acid rain pollutants (sulfur dioxide and nitrogen oxides) in the 1990 Amendments to the Clean Air Act. Nonetheless, the commitments have now been enshrined in international law between the two countries. Both countries agreed to approximately 50% reductions from major sources, although the deadline for achievement in Canada was 1994, and in the US it was 2000. The US has committed to a reduction of 10 million tons from 1980 levels by the year 2000, and a permanent cap of just under 9 million tons annually from its electric utility industry (its largest source) by the year 2010. The US appears to be making good on its commitment. By 1997, reductions in sulfur dioxide emissions had exceeded its initial target level by 23%. By 1997, Canada has already exceeded the national cap it had committed to for the year 2000 (International Joint Commission 1998). Acid rain is a case of relative convergence, with Canada exercising leadership.

In the late 1980s and early 1990s, mounting concern for global climate change and threats to biodiversity elevated international issues to the forefront of the environmental agenda. The agreement on the 1987 Montreal Protocol to reduce ozone depleting substances represented a significant collaborative achievement. Both countries exercised leadership in this case, which resulted in policy convergence on very substantial reductions in ozone depleting substances. There is also a convergence on greenhouse gas emission reductions, although here both countries were quite reluctant to agree to significant reductions. The Kyoto Protocol, approved in December 1997, commits Canada and the US to similar reductions: Canada's target is to be 6% below 1990 levels by 2008-2012; the US target is 7%. While these reductions may seem modest, both countries have in fact experienced increases in carbon dioxide emissions since 1990, and given projected increases over the next decade, will be required to reduce emissions about 25% below "business-as-usual" projections (http://www.ec.gc.ca/climate/fact/challopp.html).

In an increasing number of cases, Canada has bound itself to international environmental agreements, some bilateral with the US, others multilateral. In all cases,

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8 The two countries are in the process of developing a ground level ozone agreement.
Canada has chosen to sacrifice policy sovereignty for gains in environmental protection. In the case of acid rain, stratospheric ozone, and greenhouse gases, substantial convergence has resulted.

International Economic Integration: Non-Legal Aspects. In addition to the globalization of environmental concerns, economic globalization also has potentially profound implications for environmental policy, although the direction of its impact is not yet clear. There are two broad categories of effects, those that result from greater flows of good and services and the increased mobility of capital, and those that relate more directly to the mechanisms of international trade agreements. First, pressures towards harmonization of standards may occur as a result of the costs that environmental regulations impose on firms competing in international markets. In the case of "product standards" which control the characteristics of the product itself (such as limits on the quantity of a particular chemical contained in a product), firms have an interest in uniform regulations across nations so they can take advantage of the economies involved in producing the same product for a larger market.

In the case of "process standards" which control the way products are produced (such as effluent controls on a chemical plant), firms may suffer a competitive disadvantage if the costs of complying with environmental regulations exceed those of their competitors. Firms in such a situation are likely tolobby their governments to reduce regulatory burdens, creating the potential for a "race to the bottom" in which each nation attempts to create a competitive advantage for its firms by weakening environmental standards. This phenomenon is widely cited as a concern by environmentalists. It also appears to be a belief widely held by policy makers.

Empirical studies show little evidence of such an effect, however. Economists have been searching for evidence of a race to the bottom for the past decade, and study after study concludes that they cannot find significant evidence of this effect. One explanation is that the data available to perform these analyses is poor, but even analyses with solid data have failed to find the expected effect (Levinson 1999). The other, more plausible explanation, is that environmental control costs are relatively small compared to other factor costs. According to a US government study, "compliance costs are not a major share of total costs for any industry, and are only one of many factors determining competitive advantage" (Office of Technology Assessment 1994). There may be cases where control costs may actually be high enough to really make a difference in plant location decisions, and it may be the case that some areas of Canada, which still relies on pollution-intensive commodity production such as pulp and paper, mining, and smelting, may be vulnerable to this phenomenon. But the evidence suggests that concerns of both environmentalists and politicians about this problem are exaggerated.

9 For an overview see Johnson and Beaulieu (1996).
10 For comprehensive surveys, see Jaffe et al (1995) and Levinson (1996). For a theoretical assessment of the relation between trade and the environment, which "yields a somewhat surprising conclusion: freer trade appears to be good for the environment," see Antweiler, Copeland, and Taylor (1998).
There is also evidence that, in the case of environmental policy, there is a competing phenomenon of a "race to the top." David Vogel refers to this as the "California effect," after the state that has led the way in US environmental regulation.

The California effect refers to the critical role of powerful and wealthy "green" political jurisdictions in promoting a regulatory "race to the top" among their trading partners. Thus, just as California's relative size and wealth within the American economy helped drive many American environmental regulations upward, so has Germany's relative size and wealth contributed to the strengthening of the European Union's regulatory standards (Vogel 1995, 6).

Which dynamic will tend to win out in which case depends upon the specific context. In Canada's case, it is fortunate that its largest trading partner tends to have relatively stringent standards. If the balance of trade flows within NAFTA changed, and 80% of Canada's exports went to Mexico rather than the current level of 3%, the balance of pressures would obviously be quite different.

While strong US standards have mitigated the downward pressures on Canadian policy, there are also clear cases where economic integration with the US and elsewhere has pulled environmental controls up. For instance, the Canadian forest products industry is being forced into more environmentally "friendly" practices as a result of market pressures from consumers outside the country. American states and municipalities require newspapers to contain a certain percentage of recycled fibres, forcing Canadian exporters to increase their capacity to supply recycled newsprint. Demands from European governments and consumers for chlorine-free paper products and more environmentally sensitive forest practices have encouraged the industry to adopt expensive controls to reduce emissions of dioxins and furans and the province of British Columbia to overhaul its regulatory regime (Harrison 1998a; Bernstein and Cashore 1999).

International Economic Integration: Effects of Trade Agreements. In addition to the general effective of more integrated economies, specific trade agreements may encourage the harmonization of environmental standards, and open countries' environmental policies to challenge by competitors on the grounds that they provide unfair subsidies or are a non-tariff barrier to trade (Esty 1994; Esty and Geradin 1997; Johnson and Beaulieu 1996). Many environmentalists in Canada were highly critical of the Canada-US Free Trade Agreement and NAFTA because they feared it would lead to a weakening of Canadian environmental standards (Shrybman 1993; Marchak 1998). Some US environmentalists expressed similar fears about NAFTA and the GATT/WTO. Public Citizen, a prominent US public interest group, has a "harmonization alert" on its website (http://www.harmonizationalert.org).

Nothing in the three major international trade agreements explicitly requires harmonization of environmental standards. In fact, they all recognize the right of countries to have different standards. The environmental side agreement to NAFTA explicitly addresses the issue; but even it focuses on the enforcement of each country's
own laws, and contains no requirements that those laws be changed.\[1\] There are some measures which are designed to encourage harmonization. For instance, Section 7 of CUFTA establishes a bi-national working group to "work towards equivalence" in pesticide regulation, discussed later in more detail. NAFTA's sections on Sanitary and Phytosanitary Standards, as well as Standards-Related Measures, contain provisions that encourage the adoption of international standards, but the measure is intended to promote upward harmonization. Parties are urged to "pursue equivalence" and use international standards, but "without reducing the level of protection for the environment." Countries are explicitly allowed to exceed international standards (Esty and Geradin 1997, 310).

Despite these assurances, these international trade agreements may constrain environmental policy in five ways.

• The principle of national treatment explicitly permits countries to adopt their own regulatory rules, but also requires that the same rules apply to domestically produced and imported products.

• The ability of countries to use trade measures, such as import bans, on products produced according to environmentally-damaging processes is limited. In a landmark 1991 case, a GATT dispute resolution panel ruled that the US could not impose a ban on tuna imported from Mexico because of fishing practices that threatened dolphins (Esty 1994, 27-32). The results were reinforced in March, 1998, when the World Trade Organization rejected a US ban on shrimp imports from nations that did not adequately safeguard sea turtles (Crutsinger 1998). Canada may actually take some comfort in these rulings, as US environmental groups have begun a campaign to press for trade sanctions against Canada for its failure to adopt federal endangered species legislation.

• The NAFTA side-agreement on the environment may make it more difficult for a country to engage in routine non-compliance with its own environmental standards, although the procedural hoops that a country must go through to impose sanctions on a country that fails to enforce its own laws are quite daunting (Charnovitz 1994). This section had been used by some environmentalists to challenge the enforcement of Canadian laws, but thus far they have not succeeded.\[12\]

• NAFTA's Chapter 11, on Investment, has a novel provision (Article 1110) that allows corporations to sue member governments for compensation for expropriating or reducing the value of their investment. The MMT case, described below, is an example of this measure being employed against Canadian environmental policies.\[13\]

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11 A prominent expert on trade and the environment denounces this provision as "retrogressive": "An international obligation based on each government's own standard is the weakest conceivable form of international agreement...[T]he three governments resorted to an atavistic, uninspiring approach aimed at the wrong target" (Charnovitz 1994, 22).

12 For a registry of cases, see http://www.cec.org/english/citizen/index.cfm?format=2

13 Another case that has recently emerged is US-based company, Sun Belt Water Inc., suit against Canada over BC ban on bulk water exports.
While this provision remains untested, in a worse case scenario, it could be interpreted as giving corporations a right to compensation for "regulatory takings" by governments seeking environmental protection. If this were to occur, it would indeed have a chilling effect on regulatory policy autonomy.

- Policies that distort trade are subject to challenge or retaliation by competitors. Under the WTO, policies aimed at conservation and environmental protection are exempted from these challenges under Article XX of WTO, but whether or not the environmental justifications are legitimate is a matter of interpretation and subject to the dispute resolution process (Esty 1994). Under NAFTA, if trading partners believe that standards exceeding the international norm are a barrier to trade, they can challenge the standard under the agreement's dispute settlement measures. NAFTA does require the standards to be 'based on scientific principles,' and 'not maintained where there is no longer a scientific basis.' The party challenging the regulation bears the burden of proof. According to leading trade experts, "placing the burden on the challenging party effectively creates a presumption that the environmental regulation is valid" (Esty and Geradin 1997, 312). Environmentalists remain concerned that requirements for scientific support will make it harder to enact precautionary measures in the face of scientific uncertainty. Because there is no case law under NAFTA on these issues, perceptions about their implications boils down to how one thinks future dispute settlement panels will decide.

Overall, economic globalization is a force for convergence, both in terms of economic integration and trade liberalization. But it is important not to overstate the magnitude of this factor. The trade agreements do impose some limits on national regulatory sovereignty, but they still provide a great deal of room for regulatory divergence. Much of their impact will depend on the manner in which they are interpreted by dispute resolution panels in the future. The recent nature of these trade agreements means more time will have to elapse before we are able to assess their effects adequately. One major study up through 1994 concludes that the net effect of trade liberalization up to that point has been to improve environmental standards: "To the extent that trade liberalization has affected the level of consumer and environmental protection, it has more often strengthened than weakened it" (Vogel 1995, 5).

Emulation. Another potential force for convergence is emulation, where one country adopts another country's policy innovations (Heclo 1974; Bennett 1991). In North American environmental policy, this phenomenon is pervasive, and virtually unidirectional, from the US to Canada (Hoberg 1991a). Emulation usually occurs through one of two primary modes. The first is elite driven, when officials or policy specialists evaluating policy alternatives are attracted to the American experience. Officials may learn about US policies through the media, specialized publications, or through participation in transnational policy communities. In many cases, formal meetings are

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14 For an intensive analysis of the growth hormones dispute between US/Canada and Europe in the context of WTO dispute resolution, see Walker (1998).
scheduled between government officials in the two countries to share information and discuss common concerns.

The second mode of emulation is activist driven, when political activists use the existence of an American program or standard to support their argument for policy change in Canada. In this case, activists try to "shame" the government into acting, with the logic that "if it is good enough for them, it is good enough for us." This dynamic is facilitated by the penetration of US mass media into Canada. When an issue of importance emerges in the US, it is often picked up by Canadian policy activists or the media itself, forcing the government to respond.  

The emulation dynamic goes beyond the bilateral influence of the US on Canada. Indeed, much of the strategy of nascent international institutions relies less on making international rules that are binding on nation states and more on publicizing comparative information about the environmental policy performance of different nations. Although the Rio Conference in June 1992 did not yield much in the way of substantive agreements, it did set in motion an institutional process whereby national governments submit reports to a new Sustainable Development Commission (Haas, Levy, and Parson 1992). Similarly, NAFTA requires reports to the new Commission for Environmental Cooperation. These reporting requirements create the possibility that exposing the performance of different national governments may "shame" laggards into improving their performance. Certainly Canada, and Ontario in particular, were not pleased when the North American Commission on Environmental Cooperation released comparative pollution statistics showing Ontario to be one of the largest polluting jurisdictions in the region. In some cases, Canada's own efforts to show international leadership have been used against them. A case in point is endangered species legislation, where seven years after leading the charge on the Biodiversity Convention, Canada still has not made good on its commitment to enact national legislation.

Cross-Border Lobbying. The fourth and final international influence on environmental policy is cross-border lobbying. Interest groups from one country increasingly engage in efforts to lobby the government of another country (Keck and Sikkink 1998). Cross-border lobbying has occurred in several areas of environmental policy in North America. The northward flow of lobbying is reflected in efforts by US environmentalists to block further hydroelectric developments in northern Quebec; the southward flow in efforts by Canadian environmentalists to get Congress to adopt acid rain controls in the 1980s. In the 1990s, the forest sector in British Columbia has been the main target of these efforts. Environmentalists, led by Greenpeace, have become increasingly sophisticated at combining cross-border lobbying with market pressures as a way to influence corporate environmental behaviour (Bernstein and Cashore 1999). This is a case where the pressures of economic integration have been to promote not dampen

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15 For a case study involving the pesticide Alar, see Harrison and Hoberg (1994, Chapter 4).
environmental protection -- much to the dismay of the provincial government and industry.

There is fine line between activist driven emulation and cross-border lobbying. The former refers to tactics of domestic groups, the latter of foreign groups. These days, with close ties between national groups and international groups within the environmental movement, it is frequently impossible to make the distinction. In fact, one way that domestic groups try to increase their influence is by soliciting support from sympathetic groups outside the country. These tactics can shift the political balance of power working on Canadian policy makers.

Case Studies of US Influence on Canada

MMT. The MMT case is an important one because it is often used by environmentalists and other critics of trade agreements as an example of how Canada’s regulatory sovereignty is infringed (e.g., British Columbia 1999). MMT is a gasoline additive, produced by the US-based company Ethyl Corporation. There are two concerns about MMT: it may be toxic to humans, and it may damage modern emission control equipment in cars. The US EPA has long banned the use of MMT, but Ethyl won a court case in 1995 that required EPA to approve its use. Despite the lifting of the ban, most major US refiners have stated they do not intend to use MMT. EPA statistics show that only .02% of the US gasoline supply contains MMT (Environmental Defense Fund 1999). Canada is the only OECD country in which MMT has been widely used (Canada 1998, 22).

In 1997, Parliament passed an Act banning the interprovincial trade and importation of MMT. The justification for the Act was not based on the toxicity of MMT, but rather the impact of MMT on emission control devices, which were then linked to concerns about degrading air quality and its impact on public health (Marchi 1996). Ethyl Corporation then invoked the investor suit provision of Chapter 11 of NAFTA, and sued the Canadian government for $251 million. In July 1998, the government announced it was reversing its ban, and agreed to a settlement of $13 million US with Ethyl, “representing its reasonable costs and lost profit in Canada” (Environment Canada 1998). The decision set off alarm bells in the environmental community, in Canada and the United States, that Canada had abandoned its responsibilities to protect public health in the face of NAFTA investor suit.

In fact, the MMT case is not very revealing about the limits of trade agreements on Canadian policy autonomy. It shows more clearly how clumsy Canada was in its choice of policy instrument and how weak the evidence for the ban was. It is important to realize that Canada chose to act through a trade ban, not an environmental measure, which increased the vulnerability of the ban to challenge under trade agreements. If Canada truly considered MMT a public health issue or an environmental threat, the

16 In addition, four provincial governments invoked the first ever challenge under the Internal Agreement on Trade, claiming the Act violated the new agreement (Canada 1998).
Canadian Environmental Protection Act should have been used. But apparently the government did not feel that there was sufficient scientific justification to employ that Act.

The scientific dispute over MMT's effects is complex, but after a long, protracted dispute with Ethyl, the US EPA concluded that Ethyl had adequately demonstrated that MMT does not harm vehicle emission control devices (Ethyl v. EPA 1995). EPA tried to continue its ban based on its concerns about the direct health effects of MMT, but the court ruled that it erred procedurally in doing so. The court emphasized that EPA had other regulatory mechanisms to pursue that argument. EPA declined to pursue those mechanisms, although it has initiated additional studies. In the Ethyl case in Canada, one piece of evidence was a statement by Health Canada that "All analyses indicate that the combustion products of MMT in gasoline do not represent an added health risk to the Canadian population" (American Council on Safety and Health 1999).

If Canada had used CEPA and then defended it before a dispute settlement panel, we would have a much clearer indication of NAFTA's implications for environment regulation in the face of uncertainty. On the other hand, because it was not pursued through those channels, the case also does not provide any evidence that a NAFTA government can, in the pursuit of the precautionary principle, regulate in the midst of uncertainty and survive challenge. We simply have not had that issue tested yet.

Pesticides. Perhaps that most telling case study on the impact of trade agreements on Canadian environmental policies is the issues of pesticides. It is the only environmental regulatory issue explicitly identified for harmonization in CUFTA and NAFTA, and this just happened to be in one of the areas where certain aspects of Canadian regulations were more stringent than those south of the border (Hoberg 1991). Moreover, it is a classic case where technical standards would likely produce trade frictions. With some Canadian standards for pesticides in food more stringent than those in the US, farmers in the US exporting to Canada would be concerned that the tighter standards would affect the marketability of their goods north of the border -- a situation likely to provoke a challenge under the dispute settlement mechanisms. Yet the experience with pesticides has not shown much cause for concern for Canadian health and environmental regulations.

Section 7 of CUFTA establishes a bi-national working group to "work towards equivalence" in pesticide regulation. (This group has been expanded to include Mexico after the implementation of NAFTA.) At the time, Canadian environmentalists were

17 In the event of the emergence of a trade irritant, procedures have been established to promote resolution (NAFTA Technical Working Group 1998). Thus far, only three cases have arisen, all involving challenges to US regulations, one from Canada and two from Mexico. In Canadian case, the US is apparently going to alter its regulations to satisfy the Canadian exporter. In the Mexican cases, the US refuses to consider them until they complete their reviews mandated by the US Food Quality Protection Act.
very critical of this section, in part because it adopted a risk-benefit standard instead of the risk-only standard which is permitted, but not required, by Canadian law. This section was also cause for concern, because as Table 1 shows, 38% of Canadian limits for pesticide residues on food were more stringent. However, there is no indication that trade pressures generally, or US pressures in particular, have led Canada to harmonize its standards downward. In the nearly 10 years since the Free Trade Agreement went into effect, there has been remarkably little change in the comparison of standards across the border.

Table 1: Maximum Residue Limits on Foods, Canada and the US

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<thead>
<tr>
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<tbody>
<tr>
<td>Canada more stringent</td>
<td>38%</td>
<td>32%</td>
<td>38%</td>
</tr>
<tr>
<td>identical</td>
<td>60%</td>
<td>60%</td>
<td>56%</td>
</tr>
<tr>
<td>US more stringent</td>
<td>2%</td>
<td>9%</td>
<td>6%</td>
</tr>
</tbody>
</table>

The pattern of stability in this table actually masks an underlying trends towards more stringent standards on both sides of the border. The US EPA, recognizing that it was out of step with international norms and under pressure from its own environmental lobby, proposed a revision to its process of setting residue limits that should result in a significant tightening of its standards. This process received a tremendous endorsement when Congress enacted, unanimously, the Food Quality Protection Act in 1996. This Act has mandated that EPA review its residue limits for all pesticides, in light of the new, more risk-averse standards established in the statute. It is anticipated that will lead to the elimination of many existing pesticides currently on the US market. This case shows how the threat that economic integration with the US might pose for Canadian environmental policy is reduced by the strong US environmental lobby.

Environmental Policy: Explaining Patterns

The patterns in policy in the environmental area are complex. Unlike the social policy area, however, the more dominant pattern seems to be one of convergence. While there are several instances of Canada have stronger policies (pesticide residues, acid rain), the pattern of convergence amidst US leadership still appears to hold. The one trend creating a potentially significant departure from this pattern is the shift in spending during

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18 We are grateful for Chris Begley, UBC political science department, for his research assistance in gathering this data.

19 For a general summary of the statute see http://www.epa.gov/oppfd001/tolerance/tisinfo/
the 1990s. Environmental spending as a fraction of total government spending continues to increase in the US; in Canada is has fallen back below 1986 levels.

In our earlier study, we stressed the importance of parallel domestic pressures and emulation, rather than international constraints, as the major causes of relative degree of convergence. Parallel domestic pressures and emulation are still clearly powerful dynamics. The latest directly comparable public opinion polls come from 1992, and show a remarkable amount of similarity in attitudes in the two countries (Frizzell and Pammet 1997). Since then, a common pattern seems to have held. While there is strong support for environmental protection on both sides of the border, it has not been a "top of the mind" issue in either country since 1990.

International constraints on Canadian environmental policy are growing in strength. International commitments, especially the Kyoto Protocol, are going to create real challenges for Canadian policy makers. International environmental campaigns in the forest sector are creating significant political and economic pressures for change. There is no evidence that trade agreements have had any significant impact, but they have yet to be tested. The area of greatest concern is the potential for the investor suit provision of NAFTA to be used to create a chill against new regulations that may affect the value of foreign investments. If water were to be interpreted as a tradable commodity, the implications for Canadian sovereignty and culture, if not ecosystems, could be significant (see e.g., Marchak 1998). Yet these pressures clearly cut both ways: if some trade agreements may constrain environmental regulation, environmental treaties create a strong incentive for public action.

Compared to social policy, Canadian environmental policy is more constrained by economic integration with the United States. In general, however, closer economic integration has not posed a threat to Canadian policies of environmental protection, largely because regulations in the US are at least as stringent as they are in Canada. A prominent example is automobile emissions. The North American auto market is highly integrated and dominated by the US. If Canada had sought to impose emission controls beyond those in force in the US, it would have faced strong resistance from automakers who would have had to produce a different product for a relatively small portion of the market. In fact, because the US was far ahead of Canada in emission controls, it was much easier for Canada to harmonize its regulations with the US once it decided to do so (Hoberg 1991a). In the case of pesticides residues, where US standards were less stringent than Canadian ones, environmental pressures from south of the border have relieved potential pressures for downward harmonization. Again, the pressures are double-edged: criticism of tough environmental policy from U.S. business can be counterbalanced by lobbying from US interest groups.

In terms of trends, it is likely that all four of the aspects of internationalization -- international environmental agreements, trade pressures, cross national learning, and cross border lobbying -- are likely to intensify. The balance of these pressures on Canada is unlikely to change in the foreseeable future, absent either a fundamental shift in US
environmental politics, or a major shift away from the US as the dominant trading partner. The former is only slightly more likely to occur than the latter. While many environmentalists remain very apprehensive about deeper economic integration, one hopeful sign is the relative level of international consensus among the major economic powers on the importance of environmental values in trade agreements -- witness the outgoing president of WTO's suggestion for the creation of a parallel "World Environment Organization."

Four other major trends pose major challenges for Canadian policy makers in the environmental sector, one from without and three from within. Chapter 11 investor suits, an apparently unforeseen implication for regulators, could pose a significant constraint on policy autonomy if it is interpreted expansively. None of the NAFTA countries has compensation for regulatory takings enshrined in their own jurisprudence; it seems mysterious that they should choose to create one in this manner.

More worrisome are the trends of decentralization, and especially de-funding, from within. Both Canada and the US have fragmented policy making institutions, but along different dimensions. The particular combination of features in the US -- a legalistic regulatory framework that forces action even upon reluctant policy makers -- makes the system more resistant to retrenchment than the Canadian system (Hoberg 1997). The combination of pressures for decentralization resulting from intergovernmental politics, and the fiscal pressures on all levels of government, has led to a reduction in funding for environmental programs. While the consequences are not yet measurable, this cannot help but affect the capacity to develop, implement, monitor, and enforce environmental policies.

The savior may well be another major trend in this area, the increasing popularity throughout the developed world of voluntary, non-regulatory instruments for sustainable development that place greater reliance on the private sector. The problem with these sorts of tools is that they require the credible threat of government coercion to work. Thus, when implemented within a highly regulatory environment like the US, they may be a welcome innovation. In the Canadian context, however, where there is a tradition of negotiated agreements and cautious government enforcement, they may not result in the desired behavioural changes.

One particularly formidable trend for Canada will be the combination of increasing international agreements and decentralization. This conflict between the federal government and the provinces became palpable at Kyoto when the Prime Minister committed Canada to more than he had agreed to with the provinces. But that conflict

20 These effects should be considered unforeseen, if we take as evidence either early environmental criticisms of NAFTA (Swenarchuk 1993) or the major law treatises on the environmental implications of NAFTA, none of which noticed the provision (Charnovitz 1994, Esty and Geradin 1997; and Johnson and Beaulieu 1996).

21 For a recent survey and critique, see Harrison (1998b).
over commitment will pale in comparison to the coming conflict over implementation. How to balance international negotiation, which favours centralization, and effective implementation, which favours intergovernmental cooperation and consensus, will be a great challenge for Canadian governments.

There are significant differences between social and environmental policy in the patterns of convergence and divergence. In both there is a complex interplay between the factors promoting convergence and those sustaining difference. Convergence is clearly more dramatic in the environmental case. There are several reasons why this might be so. First, relative to social policy, the environment is a new policy area. The legacies of historically distinctive policies, such as health care and a more generous income transfers regime, are thus more powerful in social policy. Second, environmental policy is clearly much more of a global issue that can only be dealt with through global cooperation. While rates of poverty and social distress are clearly influenced by international forces, social policy is far more 'contained' within each country. Third, and closely related, in the environmental field there has emerged a global environmental policy community and set of networks. In social policy, domestic social programs and foreign ones, such as aid and relief programs, are in quite separate policy communities.

THE BROADER PICTURE

Our initial study, and this update and extension, focused only on the Canada-US context. How do these findings stack up against other comparative policy studies? Fortunately, several recent policy studies survey a broader range of cases, including the European Union. In the context of future trends for North America, if further economic integration is expected to occur, the European case provides an excellent comparative vantage point because of the much higher degree of economic and political integration there. For example, in addition to the presence of supranational institutions beyond any of those contemplated in North America, there is a monetary union (and now a common currency) and free labour mobility.

In a study entitled Convergence or Diversity? Internationalization and Economic Policy Response, edited by Brigitte Unger and Frans van Waarden (1995), the authors compare a wide range of policies over a number of countries, with a focus on the EU. Unger and van Waarden develop an analytical framework similar to that in Banting et al. They emphasize international influence occurring through three forces:

• market forces of exchange, trade, and the mobility of factors
• imitation
• enforcement, either by multinational corporations or foreign governments through international agreements.

They argue, as we do, that the balance for forces between convergence and divergence will differ from sector to sector. The policy areas most likely to be affected are those, like macroeconomic policy, where capital mobility is most important. Where it is less important, different national cultures and policy legacies (or what they refer to
as "institutionalization") act as important forces for divergence (Unger and van Waarden 1995, 21-2). Dealing with the European Union as they do, many regulatory policies are also influenced by international agreements that tend to promote harmonization.

Their survey of policy areas shows that the forces entrenching divergence tend to win out over the forces promoting convergence. As expected, the room to maneuver in monetary policies is limited. But they are surprised by the amount of divergence their analysis revealed. "Nevertheless, we observe even in monetary and fiscal policy different policies and policy outcomes between countries. The more so in policies less dependent on capital mobility. Asymmetries of factor mobilities (by nature, or politically or socially produced) and institutional differences make for persistence of policy differences" (ibid. 29). In cases where they did find convergence, such as environmental policy, it was not a "race to the bottom," but a convergence on high standards. In one case where concerns about "convergence towards the worst" in social policy are raised, they are blamed not on European integration but on "the rightward shift in the ideological and political center" occurring everywhere. (Mosley, 1995, 194)

These main conclusions of these studies are further bolstered by an analysis by economist Nancy Olewiler of national tax rates in OECD countries. Olewiler notes the globalization hypothesis that "it will be harder to sustain significant tax rate differentials for mobile factors. Tax rates will have to converge. Mobile factors such as portfolio capital and highly skilled labour will be more difficult to tax" (Olewiler 1998, 2). Her results are striking. Effective marginal tax rates on high income earners were no lower in 1995 than they were in 1978. There has been a decline in the dispersion in high income tax rates, suggesting some convergence in marginal tax rates over the period. Tax rates for low income people have increased, providing some support for "the hypothesis that with globalization, less mobile labour will face higher marginal tax rates" (ibid., 5). When she expands the analysis to include a broader range of tax policy instruments, including payroll and consumption taxes, she finds that there is "no conclusive evidence that globalization significantly alters the tax mix" from mobile to non-mobile factors (ibid., 8).

The most remarkable result of Olewiler's analysis is the absence of any significant change in corporate tax rates. Corporate taxes should be one of the policy areas most affected by globalization. Capital mobility would lead one to expect that any country that imposed higher taxes on capital than its trading partners would be punished by capital flight. It is the most clear-cut case for the "race to the bottom" dynamic and the need for policy harmonization. But remarkably, the globalization hypothesis fails the test. Among G-7 nations, the average corporate tax rate stayed constant between 1983 and 1997, and the variation among countries actually increased. In 1996, seven years after the implementation of the Canada-US Free Trade
Agreement, the effective tax rate on large Canadian business was 80% higher than the US rate (Olewiler 1998, 7).

The most important study on the implications of globalization on domestic policy choice is a recent article by Yale political scientist Geoffrey Garrett, entitled "Global Markets and National Politics: Collision Course or Virtuous Circle?" (1998). Garrett smashes a number of persistent myths about globalization. First, he notes that one area where economic integration has clearly constrained government is in their ability to run budget deficits. Given the mobility of financial capital in international market, governments that run deficits are forced to pay an interest rate premium (ibid., 788). This phenomenon has not yet had any apparent effect on the size of government in OECD countries. Garrett shows that from 1960-1994, there has been a steady upward trend in total government outlays as a percent of GDP (ibid., 813).

He also provides a broader measure of corporate tax changes than Olewiler, examining the entire OECD rather than just the G-7. The trend in effective rates of capital taxation, accounting for both changes in the marginal rates and in the tax base, "has been upward, strongly so" (ibid., 814). Whether one examines rates of change in total government spending, deficits, or corporate taxes, the "descriptive data can only support one conclusion: fiscal policies among the OECD countries have not converged in recent years" (ibid., 815). Countries that have large public sectors and high corporate tax rates did not experience significant capital flight. There was some correlation between size of government and higher interest rates, but deficits are far more important than size of government in influencing interest rates.

Garrett turns much of the current rhetoric over globalization on its head. While increased mobility increases "exit options" for capital, it also increased the sense of economic insecurity among certain segments of the population, leading to greater political demands to use government to cushion society from market-generated dislocations. While that argument has academic proponents, with strong empirical support, for several decades (Cameron 1978), Garrett also argues that government can be good for business in a global economy. He claims that too much attention is paid to the economic costs of government intervention, and too little to the fact that "numerous government programs generate economic benefits that are attractive to mobile finance and production" (Garrett 1998, 789).

These studies provide powerful support for the argument that, at least as of the mid-1990s, the data simply do not support the argument that globalization is producing...

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22 See also the studies cited by Watson (1998, 58-9).
23 In a more recent analysis, Garrett has expanded his data set to include most of the world. Its finding are consistent with the OECD article, except that the broader paper shows a stronger link between size of government and interest rate penalty, which he notes governments have been willing to pay. However, in that broader analysis, he has not separated out the effects of size of government from government deficits, so was unable to draw the sort of distinction he drew for the OECD data set (Garrett 1999).
policy convergence. The most striking finding is the continued divergence of corporate tax rates, the area one would expect to experience the strongest pressures for convergence. Economic integration does impose costs. One significant effect is that it makes it more costly to run a budget deficit. But the cross-national data suggest that countries can afford to increase their tax burden without suffering the dire consequences that many alarmist accounts of globalization have promoted.

CONCLUSION

This analysis shows that despite all the rhetoric about globalization and its impact on domestic policy autonomy, there is still significant room for maneuver. Our analyses of social and environmental policy reveal two distinct patterns. In social policy, Canada has been able to maintain a distinctive welfare state in many areas. In comparison to many European countries, the distinctions are not significant, but in the North American context, in the words of one pithy book title, they are Small Differences that Count (Card and Freeman 1993). Fiscal pressures have and will continue to strain Canada's ability to maintain this distinctiveness. But as the Garrett analysis reveals, blaming fiscal pressures on international economic integration is too facile. Cross-national evidence from OECD reveals that governments that run deficits do pay a penalty, but governments that have larger government sectors without deficits do not. The biggest constraint on Canada's ability to maintain a distinctive welfare state is not globalization or Americanization but the willingness of the Canadian people to pay the taxes to support it.

The pattern in environmental policy is different. There is both more convergence and more constraint. American influence is felt first and foremost on their export of pollution across the boundary, making it more difficult for Canada to manage its own environment. Trade agreements do limit the use of some policy instruments, and open regulatory measures up to potential challenges, but thus far the latter has not been a significant issue. Canadians concerned about the "race to the bottom" in the environmental area are fortunate that the US has a relatively strong track record of environmental protection, which has obviated many of the downward pressures on standards that might otherwise be present. In some cases, US pressures have helped pull standards up. Indeed, policy makers in the environmental area at times are uncomfortable with constraints in the continental relationship precisely because they are being pushed in a greener direction than they might otherwise choose to go -- witness forest policy makers in British Columbia or federal and provincial officials grappling with endangered species legislation.

Each of these policy sectors has a dynamic that many people believe poses serious limits on the capacity for distinctive policy choice: the brain drain in social policy and the race to the bottom in environmental policy. One can't help but be struck by the similarity in the relation between the relevant policy knowledge and the

24 Again, this conclusion is supported by Watson's survey of the evidence (1998, Chapter 4).
widespread belief. In both cases, solid economic analysis downplays the phenomenon, but that knowledge has had remarkably little effect on elite discourse.

Concerns about globalization and Americanization are driven both by ideological concerns about what it means to be Canadian and empirical beliefs about the nature of constraints created through greater international economic integration. The research that addresses the empirical questions is quite powerful.  Canada has maintained distinctive social programs, and has done a more effective job at caring for the nation's needy. In the broader picture, perhaps the most striking findings come from the research on comparative corporate tax rates. In the policy sector most susceptible to downward harmonization, corporate tax rates across OECD countries have increased and diverged.

It is not our purpose to deny that international pressures of many sorts have a critical affect on the Canadian policy agenda, and on the capacity of governments to address that agenda. Nor is it our intention to deny that governments are not everywhere and always constrained. Of course they are. But we do suggest that the sorts of external pressures we have focused on constitute only one set, among many, of the constraints facing citizens and policy-makers. The most powerful of these in recent years in North America have been debts and deficits. While these are clearly related to global capital markets, it was largely domestic politics that led to the imbalance of revenues and expenditures in the first place; and largely domestic factors which generated the political will to bring them under control.

Rather our purpose has been to use the evidence of two major policy areas, together with a broader literature, to argue that crude generalizations about the impact of globalization on the loss of policy autonomy are not very helpful. We are simply suggesting a more nuanced view, one that recognizes that international constraints:

- vary across policy sectors, time, and countries
- should not be confused from policy convergence as a consequence of common domestic pressures and emulation/learning/transfer of ideas that they are as a result of international agreements and economic pressures
- may promote a "race to the top" as well as a "rush to the bottom"
- are counterbalanced by powerful forces sustaining policy difference and divergence
- are best seen as costs that must be weighed rather than as walls or strait-jackets that cannot be escaped
- are often chosen by domestic policymakers rather than imposed from without.

Note that while coming from quite distinct ideological perspectives, the authors of two influential recent books come to the same basic conclusion about the magnitude of constraints (Watson 1998; McQuaig 1998).
Two other questions remain. First, what of the future? Are global constraints likely to increase or to decrease in the future? Are we witnessing simply the beginning of a trend whose full effects are likely to be far greater than we have suggested, or will the interplay of similarity and difference we have described persist? We have no definitive answer. But ‘globalization’ has been a focus of attention now at least since the 1970’s, and North American integration is an even older phenomenon. So we have had considerable time for its effects to become apparent.

Second, we need to recognize that international constraints, like the economics concept of comparative advantage, should be seen not so much as fixed, or as givens, but as variables. This has the important advantage of allowing us to ask what steps citizens and governments can take to maximize their degrees of freedom, or capacity to make and implement autonomous policy choices.

Among the steps this might require are:

- Minimizing our vulnerability to international capital markets, as we have done and are doing through eliminating deficits and reducing public debt.
- Using our influence in international forum not only to pursue the goals we wish, but also to ensure that the rules do not impose unnecessary constraints on domestic policy.
- Exploring new policy instruments and exploiting the flexibility of existing ones to minimize the impact of constraints.
- Maintaining and enhancing our domestic capacity for autonomous policy debate and policy analysis, so that when we borrow or emulate, we do so on our own terms and in accord with our own values.
- Enhancing the openness and transparency of government participation in international forums. If there is a need for domestic policy-making to be more informed about global influences, there is an equal need for Canadian participants in the international arena to be more responsive to domestic policy concerns.
- Enhancing intergovernmental cooperation, in order to permit Canada to speak with one voice broad, to avoid the potential for divide and rule as international forces affect us, and to enhance the capacity for effective policy-making.

Most fundamentally, the capacity to retain autonomy in an increasingly globalized world depends on a domestic clarity about what our fundamental values and priorities are, and a sense of self-confidence and conviction about them. The most severe constraints imposed by globalization may be more in the mind than in a reality that we have shown to be enormously complex and ambiguous. Canada has formidable capacities for domestic policy choices in a wide range of sectors. It is up to Canadians and their elected officials to choose how to exercise that freedom of choice.
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Public Expenditures on Social Protection, 1960-1995 (percentage of GDP)

**Trends in Air Pollution Emissions, 1980-1994**

![Graph showing trends in air pollution emissions from 1980 to 1994 for Canada and the US.](image)

*Figure 4*
*Source: OECD*

**Trends in Ambient Air Pollutant Concentrations, 1975-96**

![Graph showing trends in ambient air pollutant concentrations from 1975 to 1996 for Canada and the US.](image)

*Figure 5*
*Source: CEQ Annual Report, Environment Canada*
Figure 6
Source: OECD Environmental Statistics

Figure 7
Sources:
For Provinces: Public Accounts of Ontario, Quebec, BC, and Alberta
For Canada: Public Accounts of Canada
For US Federal: Budgets for EPA and NPS from OMB, Historical Tables