

## DEPENDENT AMERICA?

### HOW CANADA AND MEXICO CONSTRUCT US POWER

Following the acclaimed *Uncle Sam and Us* and the influential *Does North America Exist?* Stephen Clarkson – Canada’s pre-eminent analyst of North America’s political economy – and Matto Mildenberger turn continental scholarship on its head by showing how Canada and Mexico contribute to the United States’ wealth, security, and global power.

This provocative work documents how Canada and Mexico offer the United States open markets for its investments and exports, massive flows of skilled and unskilled labour, and vast resource inputs – all of which boost its size and competitiveness – more than does any other US partner. They are also Uncle Sam’s most important allies in supporting its anti-terrorist and anti-narcotics security. Clarkson and Mildenberger explain the paradox of these two countries’ simultaneous importance and powerlessness by showing how the US government has systematically neutralized their potential influence.

Detailing the dynamics of North America’s power relations, *Dependent America?* is a fitting conclusion to Clarkson’s celebrated trilogy on the contradictory qualities of its regionalism – asymmetrical economic integration, thickened borders, and emasculated governance.

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STEPHEN CLARKSON AND  
MATTO MILDENBERGER

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Construct US Power

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*to*  
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*and*  
Leah  
*our partners in life and love*  
*for*  
*their insights and inspiration*

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DEPENDENT AMERICA?

HOW CANADA AND MEXICO CONSTRUCT US POWER

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# Introduction: Is America 'Dependent'?

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With its financial implosion, its military withdrawal from the Middle East, and its intermittent sparring with a resurgent China, the United States' falterings on the world stage have opened the latest in a series of intellectual debates that have accompanied the ups and downs of its hegemony over the last half-century. Back in the 1970s, Europe's recovery, the emergence of the Organization of Petroleum Exporting Countries (OPEC), and Japan's then-spectacular rise were allegedly tolling the bell for US global dominance. Yet, by the time the dust had settled from the Soviet Union's 1991 collapse, the United States had actually risen to an apparently incontestable supremacy on the global stage.

The academic research community has played a central role in detailing the vicissitudes of the United States' power trajectory as Keynesian liberal internationalism gave way to a more conservative neorealism. But whether laudatory or critical, scholars have seldom questioned that the United States is the largest economic, military, diplomatic, and cultural power in the world, even as they have debated whether America is in decline or, in Paul Kennedy's words, has just been getting back to 'normalcy'.<sup>1</sup>

Throughout, analysts have treated US power as self-determined. It would have elicited a blank stare from most professional observers if one asked from where the United States obtained its extraordinary wealth, or its impregnable defences, or its structural power in the world's institutions. Even scholars who wrote matter-of-factly about the United States as 'empire' did not use the word to suggest that the country became rich and powerful by pressing colonies to contribute money to its mint or men to its military. Quite the contrary, the United

States' power tended to be viewed as autonomously determined by its own citizens' industriousness, by their beliefs in individual freedom, by their capitalist system's inherent dynamic, and by their coast-to-coast territory's bounteous endowments in soil, water, and resources.

Beyond being compared quantitatively with that of actual or potential rivals, the power of the United States is generally assessed instrumentally in terms of whether American decision makers exercise that power wisely and effectively – that is, whether they act unilaterally on the world stage or work cooperatively within international organizations. Either way, US power is typically taken as given. The United States' massive physical assets and mission for leadership are assumed as the material and normative starting points for explaining the country's capacity to shape events around the entire globe. Understanding Washington as master of its own house, analysts routinely present its problem as how to flex its muscles: Should it exercise its will by imposing its hard power or should it work collaboratively by using its soft power – or should it try some blend of the two? At the receiving end of American might, intellectuals and policy makers in other countries normally focus on analysing the myriad ways in which the United States influences them rather than on their own governments' generally minor influence on it.

In this book we engage with another problematic. Our initial presumption is that it is not just their own human and material resources that make Great Powers great. If they have more strength abroad than can be explained by their domestic assets alone, this is because their capacity to foster economic wealth, to build military muscle, and to promote their international influence is also generated through their relationships with other states. A century ago, an imperial state enhanced its geopolitical clout by exploiting its colonies' economic resources, pressing their youth into its armed forces, and managing their international actions. But, even if it does not formally control another country, a state can become a Great Power by extending its economic reach through trade and investment relations, securing greater military heft through alliances, and building coalitions with like-minded counterparts to achieve its foreign-policy goals.

From this starting point we can imagine a matrix that identifies for any Great Power how other states in the international system contribute to its international efficacy by building its economy, by supporting its military positions, and by cooperating with it internationally. For historians of empire, it is obvious that Spain achieved its global domi-

nance in large part through having extracted hoards of gold from its colonies in the New World, that the reach of France's military depended on recruiting soldiers from its African colonies, and that much of Great Britain's clout, when negotiating the terms of peace at Versailles in 1919, came from speaking for an empire of colonies and a commonwealth of dominions on which the sun never set.

In this spirit, our study questions the presumption that the United States' power is entirely self-determined. Even if it does not have an empire in the European tradition, its industry requires more resources than can be found within its borders, its exporters must find markets, its transnational corporations seek host economies in which to set up their branches or outsource their suppliers, the Pentagon needs allies, and its soft-power legitimacy stems largely from overseas subscribers to the American dream.

Whereas much of the existing thinking about global politics has concentrated on the United States as the international order's *prime actor*, whose economic and military heft explains its consequent capacity to shape the world outside its borders, we are initially approaching the United States as an *object*. To do this we explore the extent to which its power is a function both of the benefit it has derived from other states' resources in the past and of its capacity to mobilize their material and moral support in the present. To reframe this issue in terms of our ambiguous title, we want to find out how *dependent* on foreign sources is US power. Once we establish that a significant portion depends on another country's assets, we will ask to what extent Washington, as *agent*, has attempted to neutralize its dependence on, or vulnerability to, interruptions of the flow of that power.

## The United States' Power in Its Continental Context

We are not so much scholars of global international relations as analysts of North America's political economy. Accordingly, this inquiry applies our general interest in Great Powers' dependence on their external relationships to a territorially narrower field by asking how much of its power the United States draws from its two continental neighbours.

Restating the logic of our enquiry, we are asking:

- to what extent Canada and Mexico as *agents* contribute to US power;
- whether any of these contributions create a *dependency* that makes

the United States vulnerable to its neighbours' withdrawal of their support; and

- in what ways Washington has taken the initiative, as *agent* itself, to neutralize the autonomy-reducing consequence of such dependence.

This book is the last of three studies in which Stephen Clarkson has engaged with North America's post-Cold War evolution. In 2002 his *Uncle Sam and Us* explored the significance of two paradigm-shifting transformations for Canada. At issue was how a radically new conservative ideology and its continentally (the North American Free Trade Agreement, NAFTA) and globally (the World Trade Organization, WTO) institutionalized rules had affected the Canadian state's ability to promote its citizens' social welfare, its economy's development, its culture's integrity, and its external capacity to operate effectively on the global stage. Although provincial and federal governments had cut back their programs supporting social justice, industrial promotion, and cultural expression, the book argued that Canada still enjoyed substantial domestic autonomy and continued to demonstrate a capacity for collaborating multilaterally to achieve such goals as the 1997 treaty banning the deployment of anti-personnel landmines.

In 2008 Clarkson's *Does North America Exist?* asked to what extent NAFTA's new rules and the United States' attempts to create a continental security perimeter after September 11, 2001 ('9/11') had developed an integrated North American economy and a meaningful transnational governance within the three-state North American region. The volume established that North America had no trilateral governance institutions of any importance, that its principal economic sectors were becoming globalized rather than regionalized, but that the three countries had been reconstituted into an increasingly integrated security zone driven by Washington's wars on drugs and terrorism.

It is obvious to all that the United States is the overwhelmingly dominant state in North America, with the greatest population (307 million compared to 107 million in Mexico and 34 million in Canada) and the largest economy (\$14.1 trillion compared to \$1.3 trillion for Canada and \$0.88 trillion for Mexico).<sup>2</sup> Nevertheless, in this third volume, Matto Mildenberger joins Stephen Clarkson in asking to what extent this discrepancy in size and wealth is itself due to the benefits

that the continental hegemon has derived from its two smaller neighbours. Simply put, our question is: How much have Canada and Mexico contributed to building the United States' wealth and security?

This Introduction's remaining tasks are to explain why it is not frivolous to ask how Canada and Mexico construct US power and then to outline how we propose to find answers to our query.

## **An Unfrivolous Question**

There are many reasons why it is worthwhile to ask about the components of US strength. For one thing, with the United States having driven the world's development for almost a century, its multiple powers remain a valid and vital object for study. Its economic dynamism has for decades been the capitalist world's prime growth engine as a market for other countries' exports, as a client for their resources, as an investor in their economies, and as a financial centre where international investors could confidently place or exchange their own capital.

At the same time, US muscle has determined the security parameters of almost every other country – be it friendly and to be recruited, hostile and to be contained, or neutral and to be courted. The United States has done this by leading alliances like the North Atlantic Treaty Organization (NATO), by establishing bases around the world, by sending operatives to support its allies in other states' civil conflicts, or by openly waging wars to overthrow hostile regimes.

Also, US foreign policy has long set the agenda for the rest of the world both in designing global institutions and in making crucial decisions – whether to intervene (between the two Koreas in the 1950s) or not (in the Rwanda genocide in the 1990s). The United States put its former enemies Japan and Germany back on their feet in the late 1940s by overseeing their constitutions' reforms and guiding their economies' recoveries. It supported the consolidation of Europe's formerly fratricidal states when they worked towards reconfiguring the continent as a zone of peace, a common market, and a transnational governance community. It pushed for the decolonization of its collapsing empires and provided substantial aid for the South's new states. It wore down the Socialist bloc's leaders with its relentless pressure, all the while offering their publics an alternative vision of life, liberty, and the pursuit of happiness. It maintained its Jekyll and Hyde role in the Western hemisphere, presenting itself both as a model for those seeking a market-

driven development path and as a monster for those who feared its Marines' intervention in their politics.

Finally, American culture helped build soft-power legitimacy for the United States abroad. Whether it was the soulful jazz that emanated from New Orleans' brothels, or Hollywood's fantasy of America-the-beautiful-and-bountiful, or the rock 'n' roll that blasted out the eardrums of adolescents around the world, or the risqué shenanigans of *Dallas* or *Sex in the City*'s many TV episodes, or hip-hop's provocative rapping, or Facebook's globalized intimacies, the American entertainment machine propagated the United States' appeal as the model of what (almost) everyone on the planet wanted to emulate. US mass media exports were not just hugely profitable; they helped offset the United States' coercive, hard-power face in the world's consciousness. Meanwhile, American news services refracted international affairs through the lens of US interests, and American universities set the global standards for academic research.

We are interested in understanding what built this power that fundamentally shaped the twentieth century, but we are raising our question at a moment when US dominance is itself in question. What even recently was considered the United States' unchallengeable military superiority has failed to prevail in the face of local resistance to its first two twenty-first-century ventures. Its economic pre-eminence has been jeopardized by a financial collapse of its own making. At a historical watershed when the country's relative power may be on the cusp of a permanent decline and when analysts and scholars are trying to recalibrate their understanding of its position in the global balance of forces, it is far from frivolous to deconstruct this phenomenon.

With the United States' economic strength, military might, and even values being openly challenged, it becomes even more important to determine how the sources of its power have derived from the relations it has sustained over time with its international partners. This done, we will better understand the factors that may condition its future prospects.

## Our Proposed Approach

To explain our approach, we will first outline how our thinking developed. This will lead us to detail our methodology, specify our use of key concepts, note some of the special characteristics of our analysis, and set out the book's plan.



This study was sparked by a simple curiosity about how the United States benefits from its relationship with Canada and Mexico. Having long worked in a continental scholarly tradition that positions the United States as the dynamo to which Canada and Mexico react, we started to wonder about reversing the causal arrows. At first, our interests in this inverted question were purely material. Could we establish in dollars-and-cents terms how much the United States had become richer because of its relationships with Canada and Mexico? The obvious fields of research for such an inquiry were economic: trade and investment in general, resources and labour in particular.

It did not take us long to realize that we could not simply discuss the extra jobs Americans gained when Canadian consumers buy their products, or the extra profits that US transnational corporations (TNCs) reap from investing in Mexico, as if these questions were separate from the domain of public policy. The cross-border flows of goods and services may seem to be objectively determined by market forces, but they are not solely so. Markets are political constructions in the sense that their parameters are established by government policies. For instance, US exporters' access to Canadian consumers is related in good part to Canadian trade policy, and US TNCs' ability to expand south of the Rio Grande depends on the Mexican government's policy towards foreign direct investment (FDI). Questions of policy became central as soon as our analysis bore on the determinants of the continental periphery's contributions to US power.

'Power' is a term so ubiquitous in the social sciences that it has acquired a legion of meanings. We use two. First, we view power as an *attribute* that describes a country's material assets. In this respect, we focus on such measurable foundations of US power as its economic size, material resources, and population.

National capacity does not influence outcomes if it is not actively leveraged vis-à-vis other states. For this reason, we also speak of power as a *relation*. To win the Cold War, the United States not only needed a bigger economy and armaments strong enough to deter those of the USSR. It also had to deploy those capabilities strategically to wear down the Soviet state. Within North America, we will therefore consider how Canada and Mexico have contributed to (or sometimes limited) the United States' material assets and how they have strengthened (or on occasion weakened) its capacity to realize its strategic objectives.

We will use the notions of *construction* and *constraint* to distinguish these two dynamics. To construct US power means to provide mate-

rial and/or moral resources in a way that boosts the United States' strength and supports its interests. To constrain US power means to withhold moral and material resources in a way that opposes Uncle Sam's interests.

From these first reflections, our thinking spread horizontally in terms of scope and became more nuanced in its approach to causality.

### *Scope*

Once we framed the United States' material wealth as an aspect of its global power, we naturally asked whether there were other facets of US strength to which Canada and Mexico contributed. Of course, security issues could not be calibrated as quantitatively as could economic indicators but they became no less necessary for a study that had morphed into an effort to rethink the North American continent's power realities. Questions also occurred to us about issues that were unrelated to Canada's and Mexico's geographical proximity to the United States. Did these two middle powers play any special role in determining US power on the global stage, whether in building institutions of global governance or pursuing particular foreign-policy objectives?

### *Causality*

As our interests expanded thematically, they became more complicated causally. Although our original goal was simply to document how much the United States *gained* from its relationships with Canada and Mexico, we recognized that there might be some ways in which US power was *constrained* by the periphery. The most obvious example was Mexico's nationalization of American oil companies in 1938. More recently, Canada successfully led the world community's effort to establish at the United Nations Educational, Scientific and Cultural Organization (UNESCO) rules authorizing countries to protect their cultures against the import of foreign media products. This was an initiative to which the United States strenuously objected, because UNESCO's 2005 Convention for the Protection and Promotion of the Diversity of Cultural Expression gave signatory governments a legal norm to justify restricting the distribution of such US mass media products as movies.

It was not just the question of the periphery as *agent* that was causally complex. So was the issue of the United States as *object*. We recognized that it is absurd to think of the world's most powerful state as passive

vis-à-vis the way its neighbours impinge on its own interests. Indeed, from its original Declaration of Independence, the United States has shown itself acutely conscious of the way that its adjacent territories affect its well-being. Positively, it has persuaded its neighbours to take measures that contribute to its power. Negatively, it has tried to deter them from pursuing initiatives overseas that limit the sway of its foreign policies.

The United States has vigorously sought to induce its periphery to promote its own economic, military, and international interests. It has encouraged its two neighbours to increase their supplies of energy. It has pressed them to bulk up their defences against its enemies, whether these were hostile states or drug cartels. It sought Mexico's support at the UN Security Council for its invasion of Iraq and it urged Canada to send troops to Afghanistan.

Pre-emptively, Washington has often striven to prevent Canada and Mexico from leveraging its dependence on them into significant influence over its policies and has attempted to have them change foreign policies it finds injurious. It has resisted past efforts by the Mexican and Canadian governments to restrict American TNCs' operations in their economies and has tried to dissuade them from trading with and offering other supports to Fidel Castro's Cuba.

Our conundrums with causality are not restricted to the relationships among America's three members which are so interwoven that none can be presented solely as agent or as object. We must also be sensitive to the contested quality of most public policy and we must recognize that many governmental or private-sector actions have unintended consequences. The United States' real or imagined impact on Mexico or Canada has on occasion incited domestic voices to push their government to take actions that, in turn, rebound against US interests. When, for instance, American TNCs (as *agents*) were deemed to exploit the Mexican economy or stifle Canadian culture, the periphery governments introduced measures to protect their domestic enterprises and so constrict either the actual or potential income of the affected US investors (once more the *object* in the interlocked relationship).

We do not view North American power relations through a zero-sum lens. It may be the case that Canadian integration into the US security perimeter is inherently a win-win situation that serves both Canadian and US national interests, as earlier efforts jointly to manage continental security during the Second World War would suggest. Just as important, the ways in which the three North American governments

perceive their self-interests matter a great deal. When Ottawa and Mexico City passionately adopted the US trade-liberalization agenda in the mid-1980s, the continent's periphery in effect redefined its national interests in a way that resonated with the economic preferences of many Washington elites.

Taking energy as a simple case of one of these causal chains, we know from the official data that Canada is the largest foreign supplier of oil to the US market. From this fact we could infer that Canada is the agent and the United States is the object of Canadian agency. But we also know that much of that oil had been discovered and developed by US corporations in response to Washington's tax incentives. This means that the United States must be considered as much the causal *agent*, which generated the supply it sought, as it was the causal *object*, whose power was enhanced by Canada exporting the fuel. Uncle Sam nevertheless remained vulnerable to Canada appropriating its energy output for its own use. When Ottawa attempted to do just that during the late 1970s and early 1980s, it showed that the United States was vulnerable to its neighbour's actions. How Washington partnered with domestic Canadian interests to neutralize this vulnerability to Canadian policy autonomy became the next episode in the complex causal chronology of the continent's trilateral energy-power relationship.

Another way to present our inquiry's rationale is to pose the question counterfactually: In what ways and to what degree would US power be reduced (or enhanced) if Canada and Mexico did *not* exist on its northern and southern borders? This hypothetical question can be raised in a number of ways. The simplest is to ask this question: If Canada and Mexico disappeared, would the United States be more prosperous or less so? safer or less secure? globally more effective or ineffective? For instance, if the landmass called Canada had sunk into the sea during the Cold War, the United States would have been more directly threatened by the Soviet Union's military machine and would have had to bear all the costs of its own defence without Canada's financial contribution and military support. Equally, if Mexico's terrain was all ocean, Uncle Sam would have an easier time controlling the smuggling of narcotics from Colombia.

Throughout this manuscript, our main objective is to document the extent to which Canada and Mexico matter to the United States – whether helping it to achieve its economic, security, or diplomatic goals or hindering it in these pursuits. In short, we hope to demonstrate the actual impact that Canada and Mexico have on US material, mili-

tary, and international power. To sum up our causal approach, we are primarily looking at Canada and Mexico as the *agents* and the United States as the *object*. In our nine chapters our primary aim is to find out how much Canada and Mexico make the United States richer or poorer, more secure or less, globally effective or ineffective. If we determine that US power is significantly based on an input from the periphery, we are then interested in establishing any ways in which US agency has played a part: To what extent did American actions create the relationship in the first place? How did Washington act to reduce its subsequent vulnerability to its neighbours' potential power over it?

Extensive Canadian and Mexican research has been devoted to the degree to which each country has itself been affected by the United States. Whether the United States makes Canada and Mexico economically richer or poorer, militarily more or less secure, and internationally stronger or weaker concerns us in this book only when these effects, in turn, significantly affect US interests.

### **Describing the United States' Continental Relationships**

Although our purpose is more empirical than theoretical, our study has required us – as did *Uncle Sam and Us* and *Does North America Exist?* – to reflect on the conceptual challenges involved in describing the United States' bilateral relationships with its two neighbours.

Scholars have long struggled over how to describe the connection between a giant power and its smaller neighbours. Even when there is no formal relationship, a larger state exerts a gravitational pull on smaller neighbours in its region by offering greater opportunities for their people or larger markets for their entrepreneurs. Resisting this attraction in the name of national survival leads smaller states to generate policies oriented towards autonomous development. The hegemonic state will attempt to exploit its advantages of size by discouraging lesser powers' protectionism at the same time as it protects its own space. In the North American case, the relationships are so multifarious that finding a single conceptualization for them has defied academic efforts for decades.

'Alliance' is sporadically used to describe the periphery-centre relationship in North America, but the word's application is generally restricted to security matters. Although the United States' strategic documents and political rhetoric still employ the concept when recognizing the historic participation of its Second World War military 'allies' or

Cold War containment partners, it now applies the word increasingly to its partners in its current 'wars' on terrorism and narcotics. Canada and Mexico have strengthened their anti-terrorist and anti-narcotics measures out of their governing elites' agreement to collaborate in these same two causes. Even when their publics' conviction was lacking, the periphery governments believed that, to prevent their economic relationships with the United States from being further disrupted, they had no choice but to conform to its security-policy demands for a continental security perimeter. These realities notwithstanding, 'alliance' still remains a predominantly military concept which sits uneasily on the North American reality.

'Partnership' is too broad a category for describing most aspects of these relationships because they are rarely formalized and are even more rarely symmetrical. When one side is in a balanced relationship with the other, the two parties may well approach their common problems in a partnership-like way, as occurred when the ten American Great Lakes states, Ontario, Quebec, and the two federal governments negotiated a protocol defining conditions for diverting water from this aquatic ecosystem, a development recounted in *Does North America Exist?*<sup>3</sup>

But the United States' relations with its neighbours rarely involve dealings among equals. It is in the US interest not to appear to dominate its neighbours, and it is in the Mexican and Canadian governments' interests to appear to have retained their autonomy. So NAFTA's language framed its provisions in a legal discourse which presumes that the 'parties' are sovereign states which are solemnly and equally committing themselves to precisely demarcated undertakings. The North American Aerospace Defence Command (NORAD), the Canada-US Free Trade Agreement (CUFTA), and the North American Free Trade Agreement may have been presented in legalistic discourse and for public consumption as balanced treaties between equally sovereign countries, but there has rarely been much doubt about who calls the shots in the relationships between the United States and the two neighbours who implement these agreements.

'Junior partnership' would be a more appropriate designation in most cases, but the implication of inferiority makes the phrase unacceptably invidious for public officials' discourse. While it is true that the United States formally binds itself by the same norms when signing and ratifying agreements, two geopolitical realities modify this image of nominal partnership. Though universal in their scope, free-trade principles

express American interests. For instance, 'national treatment' prohibits Canada and Mexico from effectively competing with the United States by employing the kinds of national-development policies that it used itself in the nineteenth century to promote domestic entrepreneurs as they were building the American economy. Neoconservative principles lock in the continent's asymmetries, but Washington is so powerful it can refuse to comply with unpopular rulings generated by the very same global governance it has taken the lead in establishing. In short, the continent's relationships among unequals are more like junior partnerships, since its formal declarations of equality among the three nations have rarely passed from rhetoric to reality.

'Empire' is not just politically unacceptable but is too historically identified with earlier regimes of territorial control to be helpful in describing the United States' more sophisticated relations of dominance with its two neighbours. The economic benefits it receives are on the whole generated without political coercion, since the marketplace in which US capital is typically dominant produces US profits and jobs thanks, in large part, to laws and regulatory measures which were put in place autonomously by Canada and Mexico as they pursued what the respective governments considered their own interests. This is not to say that Washington has never dictated Canada's or Mexico's measures. While preferring to clothe its fist in a velvet glove, it has, when aroused, exerted such coercive pressure to enforce compliance with its wishes that its behaviour can on these occasions be properly described as 'imperial.'

### *Perimeter*

Rather than considering Mexico or Canada to be US 'colonies' – a word that connotes direct control from the imperial centre – we found it more descriptively accurate to employ the metaphor of 'perimeter,' which carries fewer historically distracting connotations but conveys the notion of unencumbered US access to particular parts of Mexican or Canadian markets, mineral sectors, and regulatory spaces.

Extending the United States' immigration-control perimeter into Canadian space formally began when 'pre-clearance' measures allowed US customs and immigration officials in a few Canadian airport hubs to process passengers flying from Canada to the United States. This model was conceptually extended to include the whole of Canada – and later the whole of Mexico – when the United States radically tight-

ened its anti-terrorism border measures after 9/11. At that time, the idea of a 'continental defence perimeter' was greatly favoured by business spokespersons in the periphery, who believed that the United States would demilitarize its land borders if, and only if, it could be assured that Canada's and Mexico's own external borders met its standards for heightened security.

Focusing as we have in this study on how much the United States gains or loses from its relations with Canada and Mexico, we found it helpful to extend our use of 'perimeter' beyond security issues to encompass economic sectors and policy-making domains. In markets, we can consider the US auto industry as having once extended its perimeter to Canada's external borders because it had acquired virtually complete control of the Canadian automobile industry through the 1965 Auto Pact. Later, it was to see that perimeter pushed back by its overseas competitors' encroachment on the continental market. We may also talk of a partially extended perimeter. For instance, US banks have a relatively small share of the market in the north, which is dominated by the Canadian banking oligopoly, but, to the south, such US financial institutions as Citibank extended their perimeter into Mexico when they made huge inroads into its banking system.

Alberta's oil and natural gas sector is so seamlessly integrated in the United States' economy that the US energy *market's* perimeter can be seen to include this province. Whether the US energy *policy* perimeter embraces Alberta is another matter. If Edmonton imposes regulations on the corporations operating in its oil industry that are different from those in the United States, Alberta could be considered to be inside the United States' energy-market perimeter but outside its energy-policy perimeter.

These categories are not mutually exclusive. Hollywood's success in extending its perimeter to include the whole of Canada is graphically demonstrated by the US film industry, whose marketing data distinguish between foreign or overseas sales but do not break down the figures for the United States *and* Canada. Hollywood's near-complete dominance of the Canadian film market resulted in markedly coercive – in other words, imperial – behaviour by Washington, which threatened direct retaliation on those occasions when the government of Canada proposed to carve out space within its film market for domestic distributors so that Canadians could watch Canadian movies.

Having a continental policy perimeter may not be in what all Amer-



icans consider their best interests. Far from supporting a continental labour perimeter, for example, the United States has reinforced its borders to constrict the ingress of Mexican workers. Opening the US borders to unrestricted inflows of Canadian and Mexican labour generally suits business lobbies but outrages socio-cultural groups who feel threatened by losing their jobs or their identity.

### *The Periphery*

We must also make a disavowal about a word which we are simply using in its geographical connotation. In this book, the United States' two immediate territorial neighbours to the north and south constitute North America's periphery. We are not using the concept in the normative sense employed in world-systems theory to describe the most destitute and powerless states which languish at the bottom of the global power hierarchy. Nor are we using the word pejoratively to cast aspersions on Canada's and Mexico's importance. These two states are situated on the United States' geographical edges but they are not necessarily 'peripheral' in the sense of 'unimportant.' Their significance for Washington may in many issues be marginal – a research question we will address particularly in Part Three – but this is not an assumption that we make a priori.

To talk about North America's periphery presents another pitfall since it suggests that Mexico and Canada *together* constitute a meaningful economic, political, or even military entity. This, too, is an issue to be researched, not assumed. For their first two centuries as colonizing European societies taking root in the New World, Canada and Mexico had almost no connection with one another. Then, for almost half a century after they established formal diplomatic relations, neither government paid much attention to the other, despite experiencing similar challenges when trying to coexist with their overbearing common neighbour. It was only in the early 1990s, when Mexico sat down to negotiate an economic-integration agreement with Washington, that Ottawa took serious cognizance of the United States' southern neighbour, although less as a potential comrade-in-arms dealing with a mutual problem than as a rival economy competing for privileged access to the world's greatest market.

Prime Minister Brian Mulroney was so worried that Mexico might pull off a better deal than the little he had got from the Canada-US Free Trade Agreement that he persuaded President George H.W. Bush

– in return for a Canadian naval contribution to the Gulf War – to tri-lateralize these bilateral palavers. Behind closed doors, Mexico's elite discovered that it had much to learn from its Canadian counterpart's prior experience when negotiating economic-integration measures with Washington and then dealing with the resulting treaty's impact. The Canadian negotiators, in turn, came to understand that Mexico now meant more to Canada than just a place where Canadian tourists could cavort on its beaches and quaff its tequila. There were economic advantages to be gained for Canadian business from the fact that President Carlos Salinas de Gortari had recanted his party's decades-long protectionism and committed Mexico to exploiting the advantages of living next to Uncle Sam. The prospect of Mexico integrating in an expanded North American marketplace meant that Canadian firms in auto parts (Magna), steel (Dofasco), and transportation (Bombardier) could extend their productive capacity. In a short period, Mexico became a serious political and economic interlocutor for Canada.

Subsequently, NAFTA made the North American periphery an actual political-economic reality because many of its new rules applied equally to the two countries. With Mexican labourers contracting themselves under the aegis of both governments to work on Canadian farms and with Canadian companies locating plants in Mexico to take advantage of its low wages and weak social regulations, the two governments gradually developed a more substantial relationship. In 2000, when the Vicente Fox and the Partido Acción Nacional (PAN) brought seventy-one years of one-party rule to an end, his foreign minister, Jorge Castañeda, who wanted to involve Mexico more fully in international affairs, found in Canada a model middle power which shared many of his views about multilateralism. Following Washington's drastic border-tightening responses to the al-Qaeda attacks of 9/11, North America's 'third bilateral' came into its own, because the two governments found they needed to make common cause in pressing Washington not to let its obsession with security against terrorism jeopardize the continent's economic well-being by excessively inhibiting cross-border flows of commercial goods and travellers.

In this book, in contrast to the approach taken in *Does North America Exist?* we do not focus on the North American periphery in terms of the Mexico-Canada relationship. We are reporting on how Mexico and Canada affect the United States' economic strength, security, and global power. Whether they do this together or separately, consciously or

unconsciously, supporting or opposing each other depends on the issue under consideration. Even if their actions are not deliberately coordinated, they still form part of the North American political economy whose dynamic we are analysing. For instance, Canada exports huge volumes of natural gas *to* the United States, while Mexico imports natural gas *from* the United States. Nevertheless, the two countries are linked by the world market's energy prices and they are connected organizationally through such little-known institutions as the now moribund North American Energy Working Group.

### *US Interests*

A further complication arises when trying to determine just what America's 'interests' are. US interests can change markedly over time. From the nineteenth to the twentieth centuries, the US interest in guarding against a British threat coming through Canada became a need to incorporate Canada as its closest military ally in the defence of Great Britain. This is an example of long-term change, but US interests can also change very rapidly. Overnight, an incoming administration whose beliefs about what is best for the United States contradict those of the outgoing administration can reverse the official US position. Such political reversals can have serious repercussions for the periphery. As we will see, Ottawa's diplomatic effort to create an International Criminal Court (ICC) was largely in line with the Clinton administration's soft-power approach to multilateral affairs and so was seen to support US global power. When the George W. Bush administration made it clear that it considered the ICC a dangerous limit on the Pentagon's freedom of action around the world, the very same Canadian policy suddenly turned out to be a constraint on US power.

Inside the 'Beltway,' political discourse unavoidably includes the question of means: Should the United States impose its control in distant parts of the world by unilaterally deploying its coercive 'hard power' or is its long-term interest in peace and prosperity better served by exercising its persuasive 'soft power' and working cooperatively on the international stage? The point is that the United States' interests are not objectively given. Rather, they are politically defined.

Diplomatic tensions may arise when Canada's or Mexico's definition of its interests in a given issue does not coincide with the way that the US administration views the same matter. In such situations, the periphery may constrain US power in the short term. But, if their analy-

sis is sound and if they are effective in executing their own policies, the two US neighbours may end up promoting US power in the longer term. Mexico and Canada faced this conundrum in the 1980s when they opposed the Reagan administration's active support for the 'contras' in Central America's civil wars. Mexico's diplomacy favoured incorporating the insurgency movements in a political process that ultimately re-established a measure of peaceful and largely democratic governance in the region and served later US administrations' sense of their best interests there.

### *Other Necessary Simplifications*

The concepts of 'Washington,' 'Ottawa,' or 'Mexico City' present another analytical stumbling block. As shorthand for the actions of a nation-state, its capital is commonly anthropomorphized as if it were itself a player on the global scene interacting with other governments. But a capital has neither a mind nor a will. Treating a country's capital as an actor is a literary device we use, knowing full well that it is an oversimplification which always obscures the complexities that roil within any government, none more than in the United States where partisan battles and inter-agency turf wars can make it very difficult to know what 'Washington' really wants.

Even to write the words 'US government,' 'Canadian government,' or 'Mexican government' is to collapse many complicated domestic political processes into one artificially homogeneous entity. The branches of the US government rarely speak with one voice, and, even within Congress, it is often difficult to isolate a dominant set of interests that can be said to represent the United States. The formulation and implementation of any government's policy emerge from the interplay of multiple actors, not all of whom are governmental or located in the federal capital. In the case of this study's three countries, many positions taken by the American, Mexican, or Canadian executives can be overruled or stymied respectively by the US Congress, the Mexican Senate, or a Canadian province exercising its sovereign jurisdiction. What may be seen by foreign eyes as 'American' actions may be less what the US government does than the product of US corporations pursuing profits in the marketplace or American non-governmental organizations acting in civil society. The political contestation of US interests and the fashion in which Canada and Mexico insert themselves into these debates can thus become matters for our study.

## The Book's Plan

The book's three parts address the major vectors of US power – economic strength, military security, and global influence. These subjects are so vast that we do not attempt to engage with all their dimensions as might be done in a more traditional international relations study. Rather, we will in each case address only Canada's and Mexico's specific impact on, for example, the American labour market or Washington's foreign economic policy. While our general purpose is to identify the external sources of US power, our illustrative material comes exclusively from the United States' immediate periphery. Our next interest lies in understanding how the United States has worked to maximize these external sources while minimizing the constraints that its resulting dependence may generate.

Our nine chapters are less individual case studies than probes set up as open-ended explorations of our research question: To what extent do Canada and Mexico construct and/or constrain US power? In Parts One and Two, we selected what we saw a priori as the highest-profile issues within North American economic and security debates. In Part Three, we limited ourselves to three quite disparate issues in order to investigate aspects of Canada's and Mexico's international relevance for the United States. These probes were not intended as encyclopedic accounts of North America's power dynamics. Nor were they chosen with an eye to emphasize the periphery's importance, either positive or negative. Not surprisingly, in some of this research, we end up reporting little evidence of Canada's or Mexico's impact. Still, we believe that the range and diversity of our probes are sufficient to illustrate the broader significance of Canada and Mexico to US power by highlighting some major contributions while also showing the limits of the periphery's influence.

### *Part One: Growing the United States' Economy*

We start the book by engaging with the three principal facets of US material power. Chapter 1 marshals aggregate trade and investment data to identify how much Canada and Mexico contribute to the United States' prosperity by expanding its market, creating jobs, and so raising its economy's size and productivity along with American citizens' standard of living. Examples from some key sectors illustrate how the North American periphery has bolstered and/or limited US corpora-

tions' scope and success. Natural resources form a sector that is given special treatment in chapter 2, which focuses on the contribution to US resource security of oil and natural gas flows from Canada and, to a lesser extent, from Mexico. In chapter 3, migration data document how Mexican unskilled workers and highly trained Canadian workers meet various US economic sectors' labour needs.

### *Part Two: Reinforcing the United States' Security*

Since the United States' global power is intimately related to its defence capacity, this part of our study will consider the periphery's participation in (or abstention from) three aspects of US security. Chapter 4 considers traditional military defence. Canada supported US continental defence in the Second World War, cooperated with the United States inside NATO and NORAD during the Cold War, and has worked with the Pentagon's Northern Command since 2001. After the Second World War, Mexico refused to participate in this kind of partnership and actually took the lead in opposing US interventionist proclivities in the Western hemisphere, thereby constraining US power in the region. Chapter 5 acknowledges that Mexico's and Canada's vast territories can make the United States vulnerable to terrorists penetrating its territory. At the same time, the two governments have bolstered US security with a wide range of anti-terrorist initiatives. Similarly contradictory are the considerable role of Canada and the even greater role of Mexico in supplying narcotics to the enormous American consumer market. While drug gangs and cartels based in the periphery can be seen to undermine US social power, chapter 6 shows how the two governments have cooperated with Washington to interdict these suppliers, thereby buttressing US security.

### *Part Three: Constructing and Constraining the United States' Global Power*

Since the Second World War, Canada and Mexico have participated as middle powers in developing transnational governance regimes, some of which expand the United States' global influence. Chapter 7 shows how Canada's and Mexico's negotiations of trade and investment treaties propagated economic norms that supported the enhancement of US power in global economic governance. In contrast, by leading the effort to create an International Criminal Court, Canada was helping forge governance norms that could potentially constrain the US

military internationally, as chapter 8 discusses. Finally, in chapter 9 we look at how Mexico was Latin America's leader in resisting US intervention in Fidel Castro's Cuba, while, as its major foreign investor and source of hard-currency from its tourists, Canada contributed to Castro's survival.

The ambiguity implied in our title, *Dependent America?* suggests the paradox which is our principal finding. On the one hand, our analysis shows that Uncle Sam does 'depend' on the periphery in the sense that it derives a considerable amount of its wealth, security, and global clout from its intense relationships with Canada and Mexico. On the other hand, Washington has managed to neutralize its vulnerabilities. It does not 'depend' on these two neighbours because it has forestalled their wielding significant influence over it. We will develop this theme in the volume's Conclusion.

### **An Issue of Readers, Dates, and Language**

This work is directed – as was *Uncle Sam and Us* and *Does North America Exist?* – at two distinct sets of readers. On one level, we have written for colleagues who are experts in the field – whether as scholars in the academy, analysts in think tanks, or policy makers in government. But we are also addressing our study to members of the general public who are interested in current issues – either as citizens or as students. This dual objective has required us to be meticulous in seeking factual accuracy and conceptual rigour. It also pushed us to strive for clarity in our exposition and to avoid technical jargon.

These two objectives conflict when we come to the concept of neo-conservatism. Social scientists generally apply the notion of 'neoliberal' to such thinkers as Milton Friedman, whose rejection of mid-twentieth-century Keynesianism harkened back to the purer liberalism of the nineteenth-century British political economists. But 'neoliberal' can be confusing in common discourse, because 'liberal' is strongly associated in the United States with politically progressive thinking and, even in Canada, suggests positions that are centrist or slightly left-leaning on the political spectrum. As a result, this text eschews the concept of 'neoliberal,' because it can be misread as 'newly progressive.' Instead, we use 'neoconservative' broadly to describe the ideas that pushed out the Keynesian paradigm and came to animate the thinking of most political, economic, and media elites around the capitalist world following the election of the movement's two most powerful political exponents,

Margaret Thatcher in Great Britain (1979) and Ronald Reagan in the United States (1980).

The last several years have seen major upheavals in North America's political economy, changes that have only accelerated since the publication of *Does North America Exist?* We have endeavoured to keep our figures as recent as possible and have updated all figures through to the most recent data available to us in the summer of 2011.

In each of our nine separate probes, little of what we have presented about the United States' relationships with Canada or Mexico is unknown to individual American, Canadian, or Mexican policy experts knowledgeable about their subject. But rarely does an analyst's knowledge about one of North America's two main bilateral relationships extend to expertise about the other. Nor is this material generally analysed by framing Canada and Mexico together as the continental periphery. Even more rarely is this kind of information presented in the context of the periphery's *agency* in relating to the United States as the *object*. And never has it been assembled to paint a comprehensive picture of the periphery's contribution to the three basic vertices of US power – its economy, its security, and its structural presence on the global stage. Here conceived from the perspective of how much the United States derives its power from Canada and Mexico, this information gives us the chance to refresh our understanding of North America's political and economic dynamics – even if US global strategic interests involve the country in all other regions of the world to the point of ignoring its own continental neighbours.

We will argue in the Epilogue that, if the United States wants to slow down, arrest, or even reverse its global decline, it can no longer afford to take these two neighbours for granted. Their contributions have been crucial components in the construction of US power historically. While they remain key components of the United States' present strength, Canada's and Mexico's capacity to maintain their contributions is being jeopardized. How the United States rethinks its dependency on its neighbours and reactivates its relationships with them will, we believe, help determine whether it emerges weaker or stronger from its present travails.



# **PART ONE**

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## **Growing the United States' Economy**

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*Assuming that the United States' power in the world is a function of its economic size and vitality, we start our book by asking to what extent this material strength is derived from the country's links with other economies in general and its two nearest neighbours in particular.*

*For the United States, Canada and Mexico are vast markets for exports, huge sources of imports, major sites of investment by US transnational corporations, large suppliers of natural resources, and significant providers of human capital. In chapter 1 we marshal trade and investment statistics to document the degree to which Canada and Mexico contribute to the overall size of the US economy by expanding its market size, bulking up its GDP, creating jobs for Americans, and raising their productivity. Beyond its quantitative inputs to the US economy, the periphery's material contributions produce such important qualitative benefits as making the US economy more competitive. Within an increasingly integrated continental economy, trade and investment flows with Canada and Mexico have indirectly shifted production patterns to the United States' advantage by fostering more specialized and efficient production, greater economies of scale, and the faster diffusion of technology and ideas.*

*Chapter 2 documents the continental periphery's contribution to the US energy base. With generous incentives from Washington, US investments in energy and resource extraction, along with considerable domestic investment, developed the largest and most reliable foreign sources of natural gas and petroleum products for the US market. Concerned about its resulting vulnerability to supply interruptions caused by nationalist political pressures, Washington partnered with Canadian business interests to constitutionalize the Canadian petroleum industry's incorporation within its effective perimeter through the Canada-US Free Trade Agreement. The United States' energy relationship with Mexico has been far more tumultuous not just because of US corporate assets being nationalized there in 1938 but because Mexico had, until NAFTA, resisted US lobbying to open its energy sector to foreign participation.*

*Chapter 3 shows how the continental periphery has extended the reach and flexibility of the US labour market. Migration data make clear how, before the Mexican border's recent thickening made passage to and fro much more difficult, low-wage Mexicans provided a readily available labour supply that flexibly responded to the US market's needs for both skilled and manual labour. Canada's parallel contribution of high-skilled workers to the United States is less obvious, but Canadian labour flows also help fill key US labour-market needs.*

*While Canada's and Mexico's economic spaces retain considerable public sectors and domestic business communities, the United States has managed over the last century and a half to extend its economic perimeter continentally by expanding its access to its neighbours' markets and inhibiting their governments' capacity for a self-directed development path that might have competed with, rather than complemented, its own economic needs.*

# 1 Making the US Economy Stronger and More Competitive<sup>1</sup>

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“Our prosperity provides a foundation for our power,” Barack Obama told cadets at West Point. “It pays for our military. It underwrites our diplomacy. It taps the potential of our people, and allows investment in new industry.”

– *New York Times*, February 2, 2010<sup>2</sup>

The United States’ economy does not just provide the American people their much envied high standard of living: it is the *sine qua non* for US global power, the indispensable base for the American state’s global military and diplomatic dominance. Given this fact, we start our study by asking to what extent the US economy’s size and vitality derive from its trading and investment links with Canada and Mexico.

The United States has economic relations with almost every national economy. As the world’s eleventh- and thirteenth-largest economies, Canada and Mexico are far from being the most economically powerful of the United States’ commercial partners.<sup>3</sup> Nevertheless, their geographical proximity and their shared history have embedded the two North American countries within such multiple and productive sets of interlocked social, cultural, and business structures that, when taken together, they turn out to comprise the United States’ largest economic partnership, with sustained trade flows exceeding \$1 trillion per annum. Analysing aggregate economic data and then discussing specific industrial sectors, we argue that the North American periphery has critically boosted US economic strength, increased its GDP, and raised its employment levels, all the while significantly augmenting the economy’s competitiveness.

This situation did not evolve of its own accord. Reacting against Mexico's major efforts and Canada's more half-hearted attempts to give priority to their own industrial enterprises, Washington has successfully managed to induce its neighbours to reorient their policies and economic ideologies from competitively promoting their self-directed development to pursuing growth through an integration whose complementarity promises mutual economic benefits. Compared to its other economic partners, the Canadian and Mexican markets respond faster and more flexibly to the United States' economic needs. As a result, its trade and investment relations with Canada and Mexico are not just crucial to its prosperity; they are responsive and reliable. Furthermore, the continental periphery's extreme dependence on the US economy for its own domestic prosperity makes it costly for either neighbour to reorient its principal trade and investment relationship so as *not* to contribute to US economic strength.

We begin by tracing the evolution of the continent's economic integration. Highlighting instances where Mexico consistently and Canada spasmodically tried to resist the development of a dependently integrated trade and investment regime, we show how Canada and Mexico came to support a strong, binding, neoconservative architecture by negotiating the Canada-US and North American free-trade agreements. Drawing from mainstream economic theory, the chapter then assesses the aggregate effects of first trade and then investment relationships on American GDP and employment. Finally, examples from a number of sectoral studies illustrate how the United States' investment and trade relationships with Canada and Mexico enhance various components of US economic competitiveness.

### **From Autonomy to Integration: The Economic-Policy Trajectory of the US Periphery**

Although Canada and Mexico had barely any connections with each other in their first century as sovereign states, their economic-policy trajectories were remarkably similar.

#### *Canada*

With adjacent provincial markets easily accessible owing to the absence of significant border or cultural barriers, Canada served as the natural nursery for successful US companies which were learning to export