

global issues, and alternative venues would need to be found. Lower-profile meetings and peer-to-peer working groups are probably the best way for governments and non-governmental organizations alike to provide international transfers and to build the international frameworks required to enable the poorest countries to reap the best and reject the worst that globalization has to offer. If this means a slower pace for the evolution of new initiatives for trade, environment, and other issues requiring international commitments, then that may be part of the price to be paid for restoring the fortunes of international democracy.

### **Whither Canada?**

The title of a previous section suggests a dichotomy – that there is a Canadian choice to be made between seeking ever closer bilateral relations with the United States and adopting a more multilateral strategy. Is this dichotomy a real one? Cannot Canada choose to improve and even to extend bilateral relations with the US without foreclosing chances to build a more balanced global economy and society? My general answer to this question is nuanced: there are places where a dominant bilateral focus would limit Canada's abilities to contribute to a better global system, but an appropriately defined multilateral strategy could provide due and timely attention to bilateral issues. Given the size and locations of Canada and the US, bilateral issues will often be at the top of Canadian policy agendas, whatever the nature of the overall strategy within which these issues are settled. To achieve the right balance, it is necessary to define a balanced multilateral strategy whose details reflect circumstances that alter from one bilateral application to the next.

I have previously presented evidence and arguments suggesting that further bilateral deepening of north-south economic relations, such as adopting the US dollar, offers little or no direct economic or political advantage. This, in turn, suggests that a more multilateral strategy would

not jeopardize any important bilateral opportunities. In any case, as long as the multilateral strategy provides a solid basis for dealing with bilateral issues, whether relating to softwood lumber, film subsidies, health care, or water, then it need not pose any threat to constructive solutions to bilateral problems or to imaginative projects for bilateral cooperation.

What might be the main principles for a multilateral strategy? First and foremost, it should pass the fundamental test of general adoption; that is, it should work as well or better if it were adopted not just by Canada but by all countries. Second, the fallback principle suggests that the strategy should produce good results even if it were not widely shared by other countries. Since establishing common cause internationally is a slow and uneven process, one implication of the two principles is likely to be that the scope and nature of international rules and collaboration will differ markedly from one issue to another and even from one decade to the next. There may then also be international agreements that are accepted and joined, at least at first, by a minority of countries, with subsequent accession depending on the attractions of joining and the methods adopted to deal with free riders (i.e., those who want to receive the benefits from cooperation without paying their share of the costs). For example, individual tax haven countries are likely to benefit most from a system in which many or most of their competitors in this field have accepted some international framework of acceptable practices, while they themselves are able to exploit the margins lying beyond those limits.

This raises the question of linkage, an issue that has become of central importance in the WTO, the IMF, and other multilateral organizations. Should accession to the WTO be made to depend upon adequate domestic respect for human rights, health and safety, and the environment? What linkage should there be between IMF support and reforms of domestic economic and political institutions? Given what I have already argued to be very large international differences in values, priorities, and institutions, it is likely that linkage can quickly become either imperialistic (in the sense of forcing some countries' institutional prefer-

ences onto other countries) or counterproductive (in the sense of ruling out what otherwise might have been improvements to the international order). Thus it would seem appropriate, as far as possible, to limit linkage to activities central to the agreement or sphere of action under discussion and to tailor agreements so as to naturally limit the extent of the free-rider problem. This means structuring them so as to make sure that the major advantages flow to adhering countries, which, in turn, would agree to limit their own freedom of action for the greater good.

What about objectives for individual countries and for the world as a whole? Three points spring to mind, or at least they did when I first spelled them out in a lecture about Canada given at Trent University in 1972 (Helliwell 2000, 45-6):

- 1 To develop trade of goods, services and capital with other countries to make best use of each country's specialized resources and of world resources used communally by all countries.
- 2 To obtain multilateral agreements about the rules under which trade and international relations in general take place – the establishment of international law, of tax treaties, of trade agreements, and of rules governing the international financial system and international flows of commodities, whether sold or given as aid. Some of the aspects of these arrangements are undoubtedly of value beyond the narrow economic interests of Canada, but they may be justified even in support of such interests, for the small country is the one most likely to get hurt in power plays with big trading partners. The existence of agreed rules for trade does not remove the possibilities for small countries to get squeezed, but such rules do reduce the likely costs of confrontations. There is an alternative strategy for the small country – to stick by a large ally with common interests, and to rely on the power of that ally. This strategy, however, cannot easily work for the world as a whole. If world views and bargaining positions become excessively polarized, chances increase for power confrontations between “great powers.”

- 3 Encouragement of international transfers of wealth and knowledge from the rich to the poor. Altruism aside, this clearly aids the second goal above, and the second goal is equally clearly a pre-condition of the first.

I think these objectives are as sound now as they seemed to me then, with their emphasis on sufficient openness to exploit opportunities and transfer knowledge, rules to ensure broad access on equal terms for countries large and small, and transfers from rich to poor to enable the latter to best develop their incomes and opportunities. How would implementation now be different than it would have been thirty years ago?

If I had known then the full economic and social significance of national borders, I would have recast my third point about international transfers of wealth and knowledge. It is now more apparent than it was then that the required transfers include the capacity to design and manage institutions ranging across education, health, justice, government, and business. There is much that richer countries, especially those free of the taint of power, can do to help developing countries to build their institutional capacities. This was always known, but the evidence on border effects reminds us that the job is more important and more difficult than was once thought. The gains are also larger than might previously be thought as the development of internationally compatible institutions is likely to make all parties better off. For similar reasons, transfers of wealth in the absence of institutional capacity are likely to make all parties worse off; the donors give up wealth, and the recipients may dissipate it, frequently in ways that reduce the likelihood of achieving needed reforms.

If one believed that national borders no longer mattered, and that material and social advantages would increasingly accrue to those in the larger and more powerful nations, then that might provide some reason for Canada to focus its policies in a North American context and to achieve maximum shelter for Canada under the US umbrella. It would

also suggest the need for, or at least the acquiescence in, greater alignment of domestic economic and social policies with those adopted in the United States.

If, on the contrary, the future holds at least equal promise for smaller independent countries, which have the continuing capacity to develop policies that meet local needs, then policies for countries like Canada should follow a double track. On the one hand, there would remain the option and the responsibility to develop provincial and national policies that effectively and sustainably meet the aspirations of Canadians. On the other hand, within the global context, the reality of a world of hundreds of continuing national economies linked in so many ways requires a high degree of collaborative development of the rules-based system that is needed to assure the fairness and efficiency of these ties.

What does the continuing thickness of national borders have to say about the appropriate agendas for the WTO, the IMF, and the World Bank? The first and most important point is that the continuing ability of small countries to operate successfully with thick borders means that further expansions of international densities of trade in goods and services, at least among the industrial economies, cannot be expected to provide large increases in income. Second, my recent research shows that further increases in average income levels have little influence on self-assessed well-being, while both individual and community-level measures of education, health, employment, and social capital have continuing payoffs. The combination of these two results suggests that there is no need for haste in broadening the free trade agenda into areas that might impinge upon the ability of local and national governments, and of locally based voluntary organizations, to provide the education and health, and maintain the horizontal linkages, that are seen to create a secure foundation for individual and community well-being.

For the luckier of the smaller countries, which have traditionally included Canada and the Nordic countries but have every promise of growing into a larger group more fully representative of the world's

population and future, the policy agenda should include a large component that contributes to system design and to the transfer to other countries of those ideas that have been found to work at home. It is one of the advantages of being small and relatively unimportant that investigation more easily precedes advice, and advice is more likely to be treated as an asset than an intrusion. The list of possibilities is long, but this is neither the time nor the place to set it out. Here it is enough, assuming I have done it, to have made the case that a global strategy for smaller countries could represent both good policy and good will.

If faced with a foreign policy choice between a globally oriented policy and one that has its primary focus on continuing efforts to harmonize policies with those in the United States, I think that the decision is obvious. Given the evidence I have reviewed, the latter policy is likely to represent bad economics and bad politics. North America is destined, through the joint forces of demography and catch-up, to be a smaller and smaller share of the world economy. To focus emphasis on the smaller part of the global pie may seem attractive during booming times in the United States economy, but would be a short-sighted strategy.

Fortunately, it is possible for Canada to maintain a balanced set of foreign policies that is in accord with the facts and opportunities of global markets, has a suitably broad view of the world and its needs, and still deals in a timely and consistent way with bilateral relations between this country and the United States. To implement the broad objectives outlined above, in a manner that reflects the patchwork reality of nation-states, demands joint attention to global system building and the specific problems and opportunities in each bilateral relation. To emphasize unduly the bilateral relation poses a double risk. The first is that it would ignore more attractive options elsewhere that are foreclosed by an asymmetric policy; the second is that a global perception that Canada has chosen to live under the US umbrella would limit Canada's ability to act as an independent advisor and broker in the design of the international system.

In some cases, the best Canadian contribution is as a partner in a

group of potentially like-minded states concerned with dealing with questions of system design and aid reform. Simultaneously, the specific problems and opportunities of each bilateral border can be addressed in a manner consistent with the overall strategy. Thus attempts to smooth border-crossings on the land border with the United States should be dealt with locally, reflecting the big differences in issues that arise across the width of the two countries in a manner that dovetails with the management of Canada's air and sea linkages with other countries. The broad objectives should include easing legitimate movements while maintaining the rule of domestic and international law.

The final result of well-designed national and international policies would, I predict, include continued border effects of the sorts I have documented here. These would not represent evidence of border restrictions; rather, they would reflect the fact that, for now and the foreseeable future, geographic, social and political distance acts to make it cheaper and safer to use familiar and trusted institutions and pathways. If new and better institutions and pathways are to be built, whether within or across national borders, then it will be important to build them in ways that broaden rather than diminish the underlying bedrock of shared trust.

The foregoing paragraphs are drawn directly from my last attempt (Helliwell 2000, 46-9) to spell out a balanced multilateral strategy for international policies. How would I change the emphasis on the basis of the new well-being research reported in Chapter 2 and in the wake of the terrorist attacks of September 11, 2001?

The well-being research suggests that the importance of the social fabric is even greater than I had previously thought, so that, to the extent there is any perceived trade-off between sustaining the social fabric and increasing incomes, the former now appears to have a larger and faster-growing importance than was then thought. The September 11 attacks have been described by some in the United States, by analogy with Pearl Harbor, as the start of a third world war. For Canadians with still-vivid memories of the FLQ kidnappings and murder of 1970, and the Air India

sabotage of 1985, it is more natural to treat the new terrorism as the work of clandestine cells of extremists. This form of organization makes it impossible for the perpetrators to be easily found, let alone eradicated by mass reprisals. Indeed, it is frequently the purpose of such extremists to tempt their victims, or their governments, into mass reprisals that will help to breed a new generation of terrorists willing to take the lives of innocents and to further threaten the possibility of national and international efforts to improve well-being.

Ever-faster and more widespread distribution of images has the potential for destroying as much as for building shared responses. For example, a single image of youthful Palestinians cheering news of the terrorist attacks might have posed as much risk to future peace as would have another fuel-laden plane. On one side of a potential religious and political cleavage the image was treated by some as evidence that the terrorists were simply the visible part of a widespread intent to wage war on the United States and to thus provide the incentive and need for massive military retaliation. On the other side of that looming divide, the widespread distribution of the image was treated as evidence of a US willingness and wish to demonize large parts of the Arab world. Images of damaged mosques in Canada have similar power to create distrust and to deepen cleavages.

How does this relate to the recent research results? The well-being research and social capital research both show the strong local and national basis of many linkages of social trust and understanding. Where global norms and networks are thin, and local ones are strong, there are greater risks that terrorist acts by individuals from elsewhere will be blamed on the nations or religions of their origin or affiliation. Atrocities put extreme pressures on the fragile fabric of internationally shared norms; yet it is precisely in the wake of such atrocities when shared norms, and the ability to design responses that will reduce rather than raise the risks of future atrocities, are most crucial. These events place great internal pressures on diverse societies such as Canada as these are

the societies where external cleavages are more likely to have internal echoes. Yet these are also the societies that are best placed to help avoid international cleavages based on nationality, race, and religion since repeated friendly contacts in schools, jobs, and communities contribute to shared networks and norms that can help to avoid the escalation and extension of conflict so clearly desired by the terrorists.

The September 11 attacks had two more specific effects on Canada and on the agenda for Canadian policies. US desires for heightened border security led initially to long delays in clearing both people and goods moving from Canada to the United States. These delays led some to advocate the establishment of a common North American security perimeter, with the proposals extending in some cases to a customs union, common visa requirements, and even a common currency. I was inclined then, and have been more inclined since, to focus attention on risk assessments and to argue that increasing inspections of goods flows across the Canada-US border was, if anything, less likely to turn up evidence of terrorist activity than would random checks of trucks travelling along the US Interstate highway system. In either case it was not a cost-effective way of reducing the risk of further terrorist attacks. The increased attention to border issues had some positive results, however, as the addition of new resources to border clearances of goods and people entering the United States from Canada gave some prospect of removing the long-standing imbalance. Prior to September 11, there were approximately 50 percent more staff and open lanes northbound than southbound, with a correspondingly higher number of discoveries of criminal activity. If the additional resources projected to police southbound movements are rationally deployed, then they could lead to southbound movements being faster than they were before September 11, even without any further efforts to create a common North American security perimeter. Increasing the extent of shared information on security suspects, and the development of enhanced and more harmonized clearance of goods at major international ports, could also contribute to increased

security, reduced crime, and less risk of terrorism in both countries. As for the international movements of potential terrorists, the biggest risks for both countries remain commercial airline flights from overseas. These risks are, of course, best addressed by increasing pre-clearance efforts in overseas points of embarkation. These improvements require collaboration with overseas governments, and the posting of Canadian clearance officers overseas (as Canada had already done, to considerable effect, well before September 11), without any special need for linking Canadian efforts with those of the United States (beyond the need for both countries to share in more effective multinational efforts).

Another consequence of September 11, especially as the so-called war on terrorism enters new phases, has been to expose new threats to the multilateral rules and institutions created in the middle of the twentieth century to govern international relations. In the aftermath of September 11 there has been increased unilateral action by the United States, supported initially by strong sympathy and support from coalition partners, NATO, and the UN. The further these actions get from bringing the atrocity's perpetrators to justice, the more gaps are exposed between the values, methods, public opinions, and powers of the members of the international community. More than ever before, the United States has the capacity, and possibly the intent, to take actions without the active support of the broader international community or even its NATO partners. This could pose ever-greater challenges for those who believe, as do most Canadians, in the international rule of law. In these circumstances, it is more important than ever, from a global perspective, that Canada continue to maintain a sufficient degree of independence from the United States in order to be able to provide a mediating voice and to influence the evolution of the global architecture.

Finally, I need to respond to a natural reaction some readers have had to what I have said thus far. My analysis of the well-being evidence has led me to argue that the Scandinavian aspects of Canadian life are more important to well-being than are further increases in GDP per

capita, while the borders evidence suggests that the capacity to maintain the relevant differences in policies and attitudes is still intact. But does this take sufficiently into account that the Scandinavian countries are in some sense more insulated from foreign influences than is Canada and that they are far less reliant on a single dominant trading partner? One response to this is that the separateness of Canadian attitudes and actions has been maintained for more than a century in the face of such special circumstances and, to some extent, even because of them. Circumstances make Canadians uniquely reliant on US trade and aware of (and no doubt influenced by) US attitudes and culture. Perhaps the most important difference between the Canadian and Scandinavian prospects of maintaining policies and social institutions that reflect the values of their citizens relate to flows of information and, hence, to beliefs about even the possibilities for independent action. As I have noted elsewhere (Helliwell 2001a), the predominance of northbound over southbound information flows between the United States and Canada means that Canadians are much more informed about the US than vice versa, and the predominance of US information and images may lead Canadians to underestimate the extent to which they are different, and to be unaware of the extent to which their own views may be shared by their fellow citizens. And these attitudes themselves are subject to change in response to changes in migration, education, and all forms of culture. Of course, the size, power, global reach, and relative insularity of the United States means that such asymmetries are not unique to Canada but, rather, are felt in all countries. Canada's closeness in distance and language coupled with the appearance of all the US networks on most Canadian television screens combine to make the Canadian case a special one.

Perhaps it is therefore inevitable, and even rational, for Canadians to think self-consciously about their values and circumstances at least once in each generation. Only thus can they ensure the election of governments that reflect their values and, thereby, ensure that Canada does not unwittingly drift in directions that threaten its future well-being.