Crossing the Atlantic: the European Union, Canada, and NAFTA in Comparative Perspective

RELATORE
Prof. Sergio Fabbrini

CORRELATORE
Prof. Leonardo Morlino

Filippo Scolaro Lodovichi
Matr. 623412

ANNO ACCADEMICO 2014/2015
This page intentionally left blank
## Contents

### List of Tables and Figures

### List of Abbreviations

### Introduction

1. The Concept ................................................................. 1
2. The Approach ............................................................... 4
3. Apples and Oranges ......................................................... 7
4. Thesis Structure ............................................................ 8

### 1. The European Union

1.1. Introduction ....................................................................... 12
1.2. From Rome to the Lisbon Treaty ......................................... 13
1.3. Institutional structure of the EU
   1. The Horizontal Level ...................................................... 26
   2. The Vertical Level .......................................................... 31
1.4. A Federation *sui generis*? .................................................. 32
1.5. Constitutionalization and Intergovernmentalism
   1. Constitution making in the EU ........................................... 39
   2. Intergovernmentalism as a political system ......................... 43

### 2. Canada

2.1. Introduction ....................................................................... 47
2.2. Origins and Historical Evolution of Canada ............................ 48
2.3. Canadian Federal Architecture and Institutional Structure
   1. Federal, Provincial and Municipal Level ............................ 57
   2. Division of Powers ........................................................... 61
2.4. Intergovernmental Executive Federalism in Canada .................. 64
2.5. Patriation and its Consequences: Constitution Making in Canada .. 68

### 3. NAFTA

3.1. Introduction ....................................................................... 87
3.2. Origins: from U.S. Multilateralism to NAFTA .......................... 88
3.3. NAFTA’s Institutional Structure .......................................... 78
3.4. Scope, Features, and Achievements .................................... 81
3.5. NAFTA as Constitution .................................................... 84
# 4. The EU and Canada in Comparative Perspective

4.1. Introduction ........................................................................................................... 70

4.2. Nature and Principles of the Political System
   i. Post-national and Poly-ethnic Entities ................................................................. 88
   ii. Power Sharing and Subsidiarity .......................................................................... 92

4.3. Institutional and Procedural Environment for Policy Making
   i. Intergovernmentalism ......................................................................................... 95
   ii. Democratic Deficit ............................................................................................. 99

4.4. Constitution Making
   i. Constitutional Experiences in the EU and Canada ............................................. 100

# 5. The EU and NAFTA in Comparative Perspective

5.1. Introduction ........................................................................................................... 109

5.2. Policy Scope
   i. The Economic Integration ................................................................................. 110

5.3. Institutional Structure and Dispute Settlements
   i. The Economic Integration ................................................................................. 113
   ii. Dispute Settlements ......................................................................................... 115

5.4. Asymmetries ........................................................................................................ 118

5.5. Historical Process
   i. The Historical Environment ............................................................................. 119

Conclusion .................................................................................................................. 122

Bibliography ............................................................................................................... 132
Introduction

The most basic question, namely what kind of polity or political system the European Union is, has no ready-made answer. Whilst we are well aware that the United Nations is an international organization, or Italy is a state, it is far from obvious what kind of political community is the European Union (EU): is it an international organization, a state in the making, a regional economic organization or a radically new type of polity?

In this regard, the EU’s allocation of authority upward, downward, and sideways from central states has led many analysts to designate it as a multi-level system of governance (Marks et al. 1996; Hooghe and Marks 2003; Schmitter 2004).

However, even an exhaustive and descriptive evidence of multi-level governance does not really do justice to the complexity of the phenomena that are captured by this term. The reason has its roots in the fact that term multi-level governance seems to be too vague, indiscriminate and encompassing –or better insufficient –to help much in establishing what kind of polity or political system the European Union is.

Anyhow, it is not the purpose of this work to deny in any way the idea of the EU as a multi-level system of governance. In fact, herein, I start from the assumption that the EU is a multi-level system of governance. For the scope of this paper, this is a necessary and useful assumption, however, it is not sufficient. Indeed, the multi-level system category is deeply nuanced. In fact, empirical researches have uncovered a wide variety of patterns of multilevel governance under the form of system of network governance, federal and confederal states, intergovernmental organizations, and different varieties of regional economic organizations.

Subsequently, from a scientific perspective, it seems clear that the research
question this work must address is: what kind of multi-level system of governance is the EU?

In order to give a satisfying answer to our question, we, therefore, necessitate a deeper reasoning. We start from these assumptions:

a. the EU is a multi-level system of governance;

b. this starting point is necessary but not sufficient because … ;

c. … the family of multi-level systems of governance is very nuanced and diverse. It contains different genera.

Since this work aims at giving us a clearer sense of what the EU is and is not, and how it might change over time, its underlying premise is that political systems are best comprehensible in comparative perspective. A comparison between the EU and other multi-level systems of governance will give us a clear idea on how nuanced is the family of multi-level systems and to what genus the EU belongs – or better in which direction it is heading.

That being said, once I have identified two alternatives of multi-level systems, this comparative context will lead us to assess what kind of multi-level system the EU is and in which direction it is heading. To ease the analysis, I decided to put a federal multilevel-system of governance –Canada – and a multi-level regional economic system of governance –NAFTA – poles apart (see Figure I.1).

![Figure I.1. Thesis’ comparative experiment](image-url)

On the one pole, there is Canada, a multi-level system with shared governance
working inside a constitutional federal state. On the other pole, there is NAFTA, a multi-level system working around a regional economic organization aimed at benefiting from a free trade area. The EU, as illustrated, stands in-between the two extremes—a federal state and an economic regional organization. The comparative analysis on the family of multi-level systems of governance will give us an idea on what genus belongs to the EU and in which direction it is heading: is the EU more similar to a multi-level federal system rather than a multi-level economic regional organization?

Thus, the central thesis will revolve around the following questions:

a. What kind of multi-level system of governance is the EU?

b. Is the EU more similar to a multi-level federal system rather than a multi-level economic regional organization?

To answer these questions, I will first examine each of the three entities on their own; later I will compare the EU to Canada first, and the EU to NAFTA then.

1

The European Union

The end of the Second World War left a torn situation in Europe. New states relationships had to be defined, in particular regarding their economic and political ties. The EU is the result of the progression and transformation of a historic pact promoting peace among states traditionally jealous of their own national identity. From the Schuman Declaration (aimed to build a new Europe by a process of concrete steps that would create solidarity) to the Lisbon Treaty, a uniform supranational framework working around a federal Union has been developed.

The EU has a singular government structure. In institutional terms, it is a highly complex mixture of supranational, transnational and intergovernmental
features (Fossum 2004, 34) where powers are distributed at the horizontal and vertical level. Although the Union shares some basic characteristics with the principle of federalism, it cannot be properly considered a federal polity. Indeed, the EU system is characterized by a multi-level structure where relationships between the supranational and national levels “are not a priori defined by constitutional norms,” but they are “flexibly balanced by complex interactions between both the institutions at the European level as well as between the European and the national government levels” (Tömmel 2011, 54). According to the author, this permanent “balancing act” (Sbragia 1993) qualifies the EU as a federation, yet the institutional structure and the peculiar modes of decision-making qualify it as a federation sui generis.

2

Canada

Canada, like the United States, Australia and much of South America, is a colonial country. Although started with the French colonization, Britain definitely established a foothold in Canada by conquering New France in the Battle of the Plains of Abraham in 1759. First a divided country, then a confederation, Canada ended its subordination to Britain with the Constitution Act of 1982, which concluded the patriation process that led to Canadians full sovereignty.

Canada is a huge diverse country, and each community has its own unique needs and interests. In order to service most effectively, Canadian political system it is divided into three levels of government, each with its own elective representatives: federal, provincial/territorial, and municipal. It combines both federalism and a Westminster parliament. As all the federal entities, its key-defining feature is that each order of government is sovereign within its area of jurisdiction. The work of governing
the country is shared by the federal and provincial/territorial governments. Given that the *intrastate* elements of the national institutions are weak, Canadian provincial governments rely heavily on intergovernmental relations. This model has been labeled “executive federalism” (Watts, 2008, 1989; Smiley, 1980; Smiley, 1987; Simeon, 2006; Dupré, 1988). This form of federalism refers to “the relations between elected and appointed officials of the two orders of government in federal-provincial interactions and among the executives of the provinces in interprovincial interactions” (Smiley 1980, 91).

The above-mentioned model has characterized also Canadian mega-constitutional process, which has witnessed “the effort to break the intergovernmental logjam by opening a closed system of constitution making to public scrutiny and participation” (Fossum 2011b, 202). Yet citizens were only partially let into a process still organized within the general ambit of intergovernmental relations.

### 3

#### NAFTA

The North American Free Trade Agreement (NAFTA) signed by the USA, Canada and Mexico came into effect on January 1994. For each of the three founding nations of NAFTA, the decision to negotiate and sign the Free Trade Agreement (FTA) represented a sharp turn – almost a reversal – from previous policy. Concerning the United States, the coming into force of the NAFTA opened a new chapter in American foreign economic policy (Sbragia 2007, 154). The reasons behind the US shift from multilateralism to regionalism lie on two specific grounds. First, the shift has its roots in the changed security environment after November 1989.
Second, it is also a response to the very success of the European Community, which has led the United States to reconsider its own position.

NAFTA’s institutional structure is limited and minimal. As a consequence, the institutional model results to be exclusively based on loose cooperation between governments. Given its traits of cooperation rather than coordination among national governments, the model of NAFTA is “more transgovernmental than intergovernmental” (Fabbrini 2015, 120).

In principle, NAFTA only aimed at commonly benefitting a trade agreement (Milner 1998) and stabilizing economic relations among its founding countries, but due to the disappearance of tariffs across the three countries’ borders, the agreements is mainly geared at solving disputes on issues related to trade.

One of the main features is that NAFTA is asymmetrical in terms of power relations between the three countries: the predominance of the US is undisputed.

However, considering NAFTA under the lenses of an intergovernmental organization, which scope consists of creating a free trade area that provides stable relationships and trade-related benefits among the three countries, it has had a relevant success. Indeed, NAFTA has created the world’s largest FTA and increased more trade and foreign direct investments.

Although some have argued that NAFTA has become something of an “external constitution” (Clarkson 2004, 198–228), and it adds to member states’ already existing domestic constitution a supra-constitutional matrix, it seems right to agree with the interpretation that “NAFTA has not been a panacea (…) it must be assessed for what it is (…) a trade and investment agreement that succeeded in its central purpose” (Weintraub 2004, 126).
The EU and Canada in Comparative Perspective

1. Nature and Principles of the Political System
   (Post-national and Poly-ethnic Entities)

   When analyzed, both entities are poly-ethnic in that they are complex and composite community of communities with multinational and multicultural traits. As illustrated by Fossum (2004, 16), both the EU and Canada “are extremely diverse in cultural terms and neither forms a coherent and agreed-upon nation.” Seen from this angle, what set the EU and Canada apart from the nation-state template is the fact that they lack the bases to form a cohesive entity, since they are confronted with the problem that distinct national communities coexist within them. However, the degree of diversity within the entities is different. In the EU there are much larger historical, cultural and linguistic differences between member states than between provinces in Canada.

   (Power Sharing and Subsidiarity)

   As a result of the addressed reasoning in the previous chapters, it seems clear that both the EU and Canada are shared governance systems where the query of who takes action and how they are taken is as important as what should be done.

   By analyzing the EU principle of subsidiarity and the traces of it that can be detected in the Supreme Court’s jurisprudence, it seems easy to argue that, from a comparative perspective, power allocations in the EU and Canada are not so far apart at all and both entities bear a resemblance on how the principle of subsidiarity shapes the distribution of policy authority between the different constituent units.
2. Institutional and Procedural Environment for Policy Making  
(Intergovernmentalism)

Although, with no doubt, their institutional political systems are quite different (Canada is a parliamentary federation, whereas the EU is not), the comparability of Canadian and EU federalism particularly lies in the reliance on the institutional and procedural environment of decision-making. As a result of the comparative analysis, both the EU and Canada are comparable cases of procedural federalism, characterized by the fact that policy making depends more on intergovernmental bargaining and agreement than on constitutional power allocations. In this regard, by using IGR to work around the constitution, both entities are two similar cases of intergovernmental federalism. However, there are some differences: IGR is more highly institutionalized in the EU than in Canada, and the direction of the intergovernmental process in the EU is horizontal, among member states, rather than vertical as between the two levels of government in Canadian federalism.

(Democratic Deficit)

Both the EU and Canada share somewhat similar democratic deficits, as the result of their intergovernmental systems where governments (national in the EU and provincial in Canada) define and control the functioning of the entities through interstate federalism.

3. Constitution Making  
(Constitutional Experiences in the EU and Canada)

A deep assessment reveals that both the EU and Canada shared similar critical challenges to constitution making, and, moreover, they sought to handle these in analogous ways. Indeed, as it has been illustrated, both entities have gone from a highly elitist system of organized intergovernmental relations – an approach akin to
that which marks international diplomacy—to more democratic means of constitution making. However, their inability to produce popular constitutional agreements seems to be found in their most striking resemblance: both entities are multinational political communities.

5

The EU and NAFTA in Comparative Perspective

1. Policy Scope
   *(The Economic Integration)*

   A comparison of both entities’ scopes reveals that NAFTA clearly represents a less ambitious project with a narrower scope. Despite the obvious affinities, the EU as a model provides for deeper integration than does NAFTA. The difference lies on the distinction between political and economic regionalism. The former fits with the EU supranational public authority, whereas the latter concerns NAFTA’s project for benefitting of a free trade area organized by inter-governmental actors and without supranational institutions.

2. Institutional Structure and Dispute Settlements
   *(The Economic Integration)*

   NAFTA and the EU might seem to differ considerably when it comes to regional institutions. Indeed, NAFTA clearly does not present the same level of institutionalization as the EU. Its institutional architecture is very limited and completely lacks supranational characteristics. In terms of institutional depth NAFTA is, in comparison with the EU, very thin. Its structure does not include a directly elected parliament, which has become a co-legislator with the Council; a powerful Commission with the right of initiative to propose laws for adoption; or an independent judicial body as the ECJ, which established the supremacy of EU law over the laws of its member states. As a result, the institutionally rich environment
forming the EU decision-making at the supranational level is simply lacking in NAFTA.

(Dispute Settlements)

Although one might easily argue that nothing comparable to the ECJ exists within NAFTA, the dispute settlement mechanisms own certain degree of autonomy and independence. However, it is not even close to the independent European judicial body in terms of institutional significance, as the ECJ is the fabric of European law which member-state courts apply in their adjudication.

3. Asymmetries

The EU is a complex multilevel system of governance composed of larger and smaller member states. However, as observed by Wolinetz (2003), even though some members play and have played more preeminent roles than others, no one is in a position to dominate others, as the EU institutions have deliberately tried to minimize such asymmetry, and in general, the acquis communautaire has helped promote symmetry. On the contrary, NAFTA is inevitably characterized by undisputed predominance in terms of economic power and trade capability. The current free trade agreement with the poor Mexico and the rich Canada creates a context in which one country—the United States—is able to overpower the other two.

4. Historical Process
   (The Historical Environment)

As we have seen, the EU and NAFTA rose out of very distinct historical environments. The EU as a supranational polity is the result of historic agreements addressing the need to close the long period of dramatic First and Second World Wars and to prevent further destructive wars. On the contrary, NAFTA has not been developed from the same set of reasons. It is more an agreement to achieving shared economic interests. Taking these different historical environments, it seems tough to
assume that a post-Cold War economic pact will develop in the same way as a political union that was founded during the Marshall Plan era.

**Conclusion**

The two comparisons addressed within this thesis gave us the tools to answer the questions we have posed at the beginning of the analysis.

With regard to the EU-NAFTA comparison and thus with the multi-level regional economic system *genus*, part of the influential international relations literature agrees with the idea of the EU as in a *continuum* with other regional organizations – NAFTA in our case – by affirming that the EU and NAFTA belong to the same *genus*, but they are examples of different degrees of integration.

However, as the outcome of the comparison between the EU and a multi-level regional economic organization – NAFTA, it seems clear that both entities do not belong to the same *genus*. Indeed, there is a systemic difference between ‘political’ and ‘economic’ regional organizations. Concerning the nature of the regional aggregation, such a difference is not a question of degree or species, but of *genus*. Thus, looking at the comparison the thesis addressed, it seems clear that the EU and NAFTA belong to a different *genus*, not a different degree or species of multi-level regional economic system.

On the contrary, when comparing the EU to a multi-level federal system – Canada – the experiment results to be more interesting and well fitting. Undoubtedly, the analysis revealed numerous differences, however, clearly there are certain areas where the EU-Canada comparison is not only justified but also academically worthwhile.

As a result of this comparative analysis, it seems clear that the EU and NAFTA do not belong only to a different degree or species of multi-level regional
economic system, but to a different genus. Thus, I surely exclude the EU in continuum with NAFTA. Although the entities belong to the same family, they do not belong to the same genus.

Consequently, the comparative analysis between the EU and a multi-level federal system –Canada, within this thesis – has confirmed that there are some genetic similar traits between the entities.

Although the evident dissimilarities between both multi-level systems, it might be argued that the EU is more similar to a multi-level federal system than to a multi-level economic regional one. It is not obvious though, whether this is a case of very same genus or a genus-in-the-making case. It could be the case, indeed, in which the EU belongs to the same genus as multi-level federal systems or, differently, it is part of another genus of multi-level systems that is undergoing a transformation toward the federal entities.

In this regard, the experiment I have provided at the beginning of this thesis has now developed into an interesting result (see Figure C.2).

Figure C.2. Thesis’ comparative experiment (final)

At the beginning of the research, the EU stood in-between the two extremes – a multi-level federal system and a multi-level economic regional system (see Figure C.1). Conversely, by posing three multi-level systems of governance in comparative perspective throughout this thesis, we are now able to assess that the EU is heading toward the genus of multi-level federal systems, moving away from the one of multi-level economic regional systems.
In conclusion, it seems that this thesis revealed the following scenario. The EU and Canada belong to the same genus; however, the EU is a different species of the same multi-level federal genus.

Although the EU is clearly heading in the direction of multi-level federal systems, his incomplete special status leaves it in-between the two kinds of multi-level systems we have taken into consideration. The question that naturally comes out from this outcome creates three future scenarios:

1. The EU remains in-between;
2. The EU fully achieves the multi-level federal system status;
3. The EU “regresses” to the multi-level regional economic status.

A new process of constitutionalization will probably drive the EU closer to fully achieving the federal multi-level status. Stuck where it is now, the EU seems to be nothing more than a stalled entity. However, addressing these scenarios is not the aim of this work. Nonetheless, they will surely give the impetus to other researchers interested in the comparative international politics field.

In the end, with regard to future analysis, the final upshot is that, in order to understand the EU as a polity, we have to compare it to entities that belong, not only to the same family, but to the same genus: multi-level federal systems.


Breton, Albert, Alberto Cassone, and Angela Fraschini. 1998. *Decentralization And Subsidiarity*.


Fabbrini, Sergio. 2013a. 'Intergovernmentalism And Its Limits: Assessing The European Union's Answer To The Euro Crisis'. Comparative Political Studies 46 (9): 1003-1029.


Fossum, John E. 2005. 'Constitution Making And The Quest For Popular Sovereignty – The EU And Canada Compared'. ARENA Centre For European Studies.


Fossum, John E. 2011a. 'Lessons From Europe's And Canada's Constitutional Experiences'. RECON Research Report 2 (Apr.).


Hueglin, Thomas. 2013a. 'Two (Or Three) Tales Of Subsidiarity'. Lecture, Annual Meeting of the Canadian Political Science Association in Victoria, Bc.


Laursen, Finn. 2012. “Comparative Regional Integration and the EU Model: How to Achieve Credible Commitments (NAFTA and MERCOSUR).” In *The State of the Union(s): The Eurozone Crisis, Comparative Regional Integration and the EU model*, edited by Joaquin Roy. Coral Gables, FL: University of Miami.


Orban, Edmond. 1984. La Dynamique De La Centralisation Dans L'état Fédéral. Montréal, Québec/Amérique.


