

attorney, franchise agreements, and banking practices, among others, must be standardized if the NAFTA is to succeed in its goals.

There are other areas in which a lack of structural symmetry could impact the way that individuals and firms conduct cross-border business. Two areas that are of special importance are educational and professional standards (applying to medical doctors and lawyers, for example) and environmental regulations (including uniform monitoring standards for measuring air and water quality).

The Changing Business Environment

The NAFTA is creating an increasingly open economic environment which will determine where and how North America (and the world) does business. In this section we examine the changing business environment and the opportunities and challenges it presents.

The free-trade, market-oriented position of multilateral institutions created to manage the global economy (such as the GATT, IMF, and World Bank) have frequently been at odds with countries whose economic strategies stressed a strong role for government—and sometimes outright protectionism. The contradiction that emerges when countries design their own domestic industrial policies but participate in open markets at the international level was historically handled quite differently by Mexico, Canada, and the United States. In the post-World War II period Mexico was significantly more protectionist than Canada and the United States,⁹ and the Mexican government was much more proactive than the other two. Despite the entry of large U.S., European, and Japanese multinational firms into Mexico after the war, these two differences (along with differences in language, culture, and legal system) served to keep small and medium-sized firms from the United States and especially Canada from participating in the Mexican economy. Now, under the NAFTA, increasing integration in North America through trade and investment has become a fact of life. The “domestic market” is becoming synonymous with “North America,” with three (or four, if we count an independent Quebec) national economies grounded in three (four) different political, legal, and cultural systems, and two

⁹ Significant differences remain. In 1994–95 average tariffs were 6.6, 6.7, and 14.2 percent, respectively, for the United States, Canada, and Mexico.