

The NAFTA agreement allows for companies to challenge the standards and regulations adopted by federal and subnational governments to protect human life, workplace safety, and the environment. If a standard in one country is higher than the standard in another country, such regulation could be challenged as “technical” or “non-tariff” barriers to trade. Once challenged, it is to be adjudicated by an arbitration panel in order to determine the question whether or not its regulation is based on scientific principles or trade barriers in disguise. The “free trade” aspect of NAFTA enhances the mobility of capital, goods and services, while at the same time providing corporations with extensive protection of their investments. NAFTA may be considered as an investment agreement, not a trade agreement in the sense that it frees corporations from government regulation which would constitute a barrier to trade (Bernard 1995: 66-68). The question of the appropriate response of the nation toward the opportunities and threats posed by international trade and multilateralism is one of the concerns of political economy. Growing economic interdependence constitutes a challenge to national sovereignty since we are dependent on forces that may be beyond our control. If this happens, job safety and a clean environment would have to be sacrificed in order to maintain income and employment. To this extent, interdependence and openness can erode the autonomy of political decision-making of a sovereign state and constrain the nation’s capacity to decide for itself and pursue its ends.

The concept of the sovereign corporation becomes real when NAFTA undermines the control and limits that a government can impose on corporation and commercial power. The Canadian national health care system will illustrate the case in point. Canadians have a universal, single payer national health care system financed through their tax system. Thus U.S. automakers like GM and Chrysler in Canada do not have to bargain with the Canadian auto workers over rising health care