GLOBALIZATION, INTEGRATION, AND CROSS-BORDER RELATIONS IN THE METROPOLITAN AREA OF DETROIT (USA) AND WINDSOR (CANADA).

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Abstract

Focusing on one aspect of international relations, cross-border relations this paper examines the Ontario-Michigan border region at Detroit. It addresses the following question:Is there a history of trade relations that leads to functional interdependencies? Does free trade, particularly since the Free Trade Agreement and the North American Free Trade Agreement, lead, by a process of functional interdependency, to greater cross-border linkages? Moreover, do politics and institutions mediate this process and if so how?

The findings in this paper suggest that since inception the Canadian-American border region at Detroit has developed from functional interdependencies. It is argued, however, that the free trade environment leads local actors to develop resolute economic development strategies. As central and provincial/state levels of government download policy areas, constraints are greater for local level governments. Central states lose influence but rely on competition to limit the policy choices of local government. Co-operative mechanisms, whether formal or informal, tend to give in to market competition, thus limiting the mediation of free trade by politics and institutions.

Introduction

Economic globalisation and continental integration, in Europe and North America, have motivated local/regional elites to become actors in global economic competition. Since the 1970s, analysts noticed the increasing international activity of sub-national level government, which because of continental integration, global economic change, and weaker national state

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policies, is motivated to gain greater autonomy from national government (Duchacek et al. 1988). The vulnerability of local constituencies to market forces and to public or private international organisations leads them to take several directions in order to be able to exert influence in return. First, local constituencies attempt to become less dependent on state transfers of revenue, having realised that these transfers are not so reliable (Fry 1998, 57). Second, they try to diversify their economic base to protect and expand their tax base. Because they are held accountable in electoral periods for local economic wealth and job creation, local political actors are becoming more active in order to protect their electoral base, gain political prestige and respond to local needs (Keating 1988, 1990, 1993; Batik 1991; Foster 1991). Cities not only pressure the traditional inter-governmental channels of influence on central government policy-making, but, at the same time, they are becoming primary actors in the area of international economy, trade and investment.

Focusing on one aspect of international relations, cross-border relations (Duchacek 1998, 12-13), this paper, which results from a larger comparative research project on cross-border relations in Europe and North America, addresses the following two question: Does free trade lead by a process of functional interdependency, to cross-border linkages? Do politics and institutions -- particularly local level institutions -- mediate this process and, if so, how?

First, a review of the cross-border literature is presented in this paper. It leads to the identification of four determinants of cross-border linkages: (1) market forces, which may lead to relations of functional co-operation or to competition across border; (2) a supranational organisation that may also foster cross-border co-operation -- the European Commission, for instance, is key to the development of cross-border co-operation programs, which have resulted in hundreds of cross-border projects between local and national authorities and the European Commission; (2) national states may also be a key determinant because they may control flows across borders; finally, (3) the strategies of local authorities, which may co-operate or compete across borders to enhance their autonomy and resources.

In the second part of this paper, these determinants are tested with reference to the Ontario-Michigan border region. It is argued that despite a history of functional interdependencies, free trade becomes a new and influential mechanism that leads local actors to develop economic development strategies to compete with each other. As central and provincial/state levels of government reduce deficits, balance budgets, and/or download policy areas, constraints are greater for local level governments. Competition limits co-operation between the local governments of the Detroit border region.

The Literature on Cross-Border Relations

One argument in the literature on cross-border relations is that market dynamics sustain integrating forces against which central government can do little. For instance, Kenichi Ohmae suggests in "The Borderless World" that cross-border relations result from free trade (1990, 79 – 101, 1995). The author argues that in the new "Inter-Linked Economy" (ILE) the new borders are those of information flows. Ohmae provides examples of ILE and of natural economic zones across Asia, and compares them to “Region States.”[1] He admits that these regions may not be politically as influential as their economies ought to allow them to be. Similarly, Martin Lubin (1988), focusing on cross-border co-operation between Canadian provinces and U.S. states, describes different degrees of co-operation between the province of Quebec, and the states of New England and New York. Lubin argues that such linkages are politically motivated. Antoine Bailly (1988) also explains that the 1976 Convention between all levels of governments of the European Regio Genevenis is a major institutional step for a region that has important labor and economic cross-border flows. Moreover, Denis Maillat argues that a "privileged relationship" which results from a "proximity effect" (1988, 200), itself the consequence of shared language, culture, market proximity or commuter frontier workers, best characterizes cross-border relations.

However, competition may hinder cross-border linkages. This is what Rutan finds in his study of the micro-diplomatic relations between Washington State and British Columbia (1985 and 1988). A background of economic competition and distrust of institutions results in extremely limited relations in scope and intensity. These are mostly informal and personal when they do exist. Thus, cross-border co-operation may not always occur when competition exists.

International organizations might also have interests in cross-border linkages. For instance, the European Commission plays an important role in encouraging cross-border cooperation between local level actors (Commission of the European Communities 1991, 1992). Another example of an international agreement fostering cross-border relations is the United States - Canada, inter-governmental conference for the Great Lakes. The International Joint Commission for the Great Lakes in North America pools numerous partners from both Canada and the United States; federal, provincial and state and municipal governments and agencies, as well as the private sector organizations, interest groups and conservation authorities meet to work out all disputes over the usage of the Great Lakes (Environment Canada, 1993).

Studying the influence of the European Union in Ireland, however, Tannam (1995), and O'Dowd and Corrigan (1995) suggest that local level cooperation is limited, due to the centralized nature of both the Irish and British states and because of the controlling roles of both finance departments. Similarly, Hansen (1985), when studying cross-border cooperation in France and Mexico, highlights the centralist states' reluctance to accommodate cross-border initiatives at the local level, suggesting that nation-states control borders. Hence, cross-border relations may cause tensions between local and central state levels. The activities of non-central governments may endanger national sovereignties. For instance, four case studies outline transfrontier regionalism, arguing that cross-border relations cause intergovernmental tensions because they impinge upon national state sovereignties (Duchacek et al. 1988).

In short there are there are four hypotheses regarding cross-border relations:

- Market forces foster cross-border relations because these forces lead to and then foster systems of functional inter-dependency. This is a functionalist hypothesis, which is similar to Mitrany's functionalist argument (1975).

- International organizations may foster cross-border programs because they develop and manage cross-national institutions, which could provide incentives to local actors to cooperate rather than compete. This is the neo-functionalist hypothesis, which is based on the works of Haas (1958, 1964).

- Central states are able to control integrative forces. States are still important. During the 1960s and 1970s, a realist interpretation of international relations noted that the European Commission was unable either to initiate proposals or to upgrade the common interest. Taylor argues that the interests of member states are the key to convergence (1983). This interpretation of integration would lead us to assume that functional interdependencies do not develop unless they are in the interest of member states (Taylor 1983; Keohane and Hoffman 1991; Moravcsik 1991, 1993). States control the pace and the process of progressive intermingling of national and supra-national institutions. This is the realist hypothesis.

- Competition leads to fragmentation not integration. Individual political actors, seeking to serve their constituents, are not be able to maintain partnership relations across borders. Local governments are not be able to develop mechanisms of co-operation to co-produce policies across borders. The above perspective illustrates the competition hypothesis, which is founded on the dominant paradigm in urban political economy, that of the competitive city. As central governments download policy responsibilities, decentralize or organize competition for resources, local and regional governments in their need to find new resources to deal with their new responsibilities, compete with each other. Peterson suggests that market forces exert a structural constraint on local governments (1981). In *City Limits*, the author contends that the overall market structure limits the policy choice of cities, states and central states.

These complex patterns of interaction and four hypothesis are tested with reference to one case study, which details relations within the metropolitan region of Detroit (Michigan, USA), and particularly between the City of Detroit and the Canadian cities of Windsor and Sarnia. The Detroit region is a large cross-border metropolitan region with the largest trade flow in North America and significant cross-border activity, which should suggest imperatives of cooperation and competition. The goal of the fieldwork was to try to meet every possible person, from the private and public sector, who had anything to do with cross-border relations. Regional field states officials, regional officials (elected and non-elected), local officials and national officials of Canada and the USA were interviewed.[2] In all, more than 60 officials from the City of Sarnia, the Counties of Lambton, Essex, St. Clair, Macomb, the city of Detroit, the Province of Ontario, the State of Michigan, and the Federal Government of Canada were interviewed.

Detroit: History of the Border Region[3]

In the following section, which details the relations across the border with Canada at Detroit, Michigan, the focus is on the linkages the Canadian cities of Windsor and Sarnia, the counties of Lambton and Essex, and the Province of Ontario have with their American counterparts (Detroit, Wayne, St. Clair and Huron Counties and the state of Michigan). The description is from the Canadian point of view. Because Detroit was part of Canada until 1796, this paper also emphasizes broad political and economic historical characteristics of the border region. It is shown that despite the 19th century period of national state building which frustrated all border relations, a tradition of trade, an ideology of free trade and the exceptional expansion of the automobile industry won over protectionist views. Today, trade and free trade influence both national cooperation and territorial competition amongst other levels of government. At the local and regional level, competition prevents the development of co-operative mechanisms across the border.

The name of the city of Detroit comes from the French “le detroit”, which means strait. In 1701, a French Lord, Lamothe de Cadillac, successfully convinced King Louis XIV that the establishment of a fort and a trading post, offering protection to various Indian nations and European settlers, would facilitate the development of interracial trade, be a self sufficient enterprise, and would also facilitate the control of fur trade. On the 29th of November 1760, Detroit surrendered to English troops without fighting. During the British reign, Detroit did not expand, but remained very much in touch with the great merchants of Montreal. The American War of Independence, which lasted from the Declaration in 1776 until the acknowledgement of independence in 1783, did not have much impact on Detroit. The end of the 18th century, however, was a turning point in the history of Detroit. Detroit became American in 1796 by order of the British crown. During most of the 19th century, Detroit made use of the Great Lakes to trade and compete with other American cities, and New York businesspeople slowly over took the influence of Montrealers in providing financing and business services.

From 1796, and during the first part of the 19th century, the development of Detroit proceeded while turning its back on Canada. There were American and British hostilities. Detroit, moreover, was situated on the border of a new country. Immigration laws and trade barriers attempted to separate Detroit from southwestern Ontario, its traditional and natural trading area. However, some historians argue that, despite those institutional barriers, the Great Lakes region remained permeable and continued to foster ideas and flows of people and goods. Men and women crossed the border with little respect for political considerations (Smith, 1995). The Great Lakes and railways overlapped an international boundary that was a very active trading zone. The railway systems naturally followed trade routes and growing commercial links that joined American production centers to Canadian markets. In the early years of the 20th century, Detroit became the capital of the world automobile industry. The number of workers in the automobile industry followed a prodigious curve: they numbered about 2,000 in 1904, but over 230,000 in 1925 (Servet, 1987). The automobile industry solidified the old relationship between the northern and southern sides of the St. Clair River. Traditional market forces were again pulling together both sides of the St. Clair River, Detroit and Windsor, and also Ontario and Michigan. Until 1828, Windsor had only been the end of a stagecoach line. In 1836, because of the boats to Detroit, the name of the site had been changed to "Richmond" and "the ferry." Finally, in 1858, Windsor incorporated into a town. A tunnel between Detroit and Windsor opened in 1910, while in 1920, the Ambassador Bridge was built across the St. Clair River and the Canadian-American border, linking the downtowns of Detroit and Windsor. Both the bridge and the tunnel reunited Detroit and Windsor, marking the natural and historical links between Detroit, Windsor, and southwestern Ontario.

With the development of the automobile industry, there was renewed interest on the part of Detroiters to attract cheap and well-trained labor from Canada. Furthermore, Canada was a potential base for trade across the markets of the Commonwealth. American-owned automobile manufacturers used Windsor and southwestern Ontario to conquer those English-dominated markets. Windsor became an asset for the nascent automobile industry. Its convenient geographic location was complementary to, and necessary for, the automobile industry. Hence, Canadian entrepreneurs convinced Henry Ford to expand into Canada so as to have access to the Commonwealth Markets, and the first Ford automobile factory was thereby established in Windsor in 1904. Ford had only been incorporated a year earlier, in 1903, in Detroit. By 1929, Canada was the second largest car manufacturer in the world, after the USA.

Detroit: Trade and Free Trade and Economic Integration

Trade reciprocity and free trade were always subjects of contention between Canada and the United States (Granatstein, 1985). Periods of economic difficulty were, however, also periods of negotiation (the 1850s and the 1880s.) Canadian national policies always stalled the issue of free trade, as did Canadian-British relations. Despite this tug of war between Canadian and American interests, the Reciprocity Treaty of 1854 benefited both countries. During the 20th century, free trade was an issue that never abated. The 1935 and 1938 agreements cemented the transformation of Canadian-American relations. Both countries became aware of their common goals, and therefore favored adjusting tariffs to strengthen each other's economies. The Second World War brought Canadians and Americans even closer. The free trade negotiations of 1947-1948, however, did not bring free trade. Canadian opposition to the project won out because Canada remained fearful of Americanization. Then, there were no talks about free trade until the mid-60s, which nevertheless gave birth to the first industrial sector free trade agreement, the Automotive Products Trade Agreement, also well known as the Auto Pact. Not a treaty, the Auto Pact was an intergovernmental agreement, which established "a limited free-trade arrangement of indefinite duration" (Keeley, 1983, 290). Canadian manufacturers gained the possibility "of importing duty-free vehicles and original equipment parts"(290). The Auto Pact, provided an incentive for U.S. investors to come to Canada, Ontario and Windsor, because they could export automobile products duty free to the U.S.. The Pact protected Canadian auto and auto parts industries. For every car sold in Canada, one would go to the U.S. In addition, 60% of car parts had to come from Canada, thus providing a protection for Canadian manufacturers of auto parts. This remained the case until 1998.

The Free Trade Agreement of 1988 seems to foster a borderless world between Canada and the United States (Ip, 1996). Trade between the United States and Canada has grown from $45.6 Cdn billion in 1977, to $301.3 Cdn billion in 1997.[4] The degree of integration of Ontario into the North American economy is the highest in Canada. The economies of Ontario and Michigan are interdependent.[5] Ontario is a diverse trading economy that sees itself at the core of Canadian and U.S. markets. It has a locational advantage because it is within a trucking distance of one day away from half of the U.S. population (about 125 million people), and from about two-thirds of the Canadian population (about 20 million people). In 1997, the total of Ontario's exports to the USA amounted to C$140 billion, and imports, C$175 billion. Ontario's exports were equivalent to 45.6% of the GDP in 1996, up from 28.5% in 1989. The USA absorbs up to 90% of all Ontario’s exports (corresponding to 55% of all Canadian exports, which go to the U.S.). Ontario buys 11% of all U.S. imports. Michigan is, by far, Ontario’s number one trading partner, absorbing 45% of all the province's exports.

Detroit: Federal, State and Provincial Adjustments to Free Trade

Both the Canadian and U.S. federal governments have adjusted to this new free trade environment. On both sides of the border, the changes are numerous. Policies of budgetary equilibrium and deficit reduction have been the leitmotif. The free trade agreements put new pressures on federal level government and seemed to transform the relations between federal, state and province, and local level governments. In Canada, the signing of the NAFTA treaty and the ratification process seemed to modify the federal–provincial division of powers. There is no federal jurisdiction over a certain number of areas: textile and clothing, agriculture and services. In addition, the federal government “does not have full power to implement such treaties” (Dupras, 1993, 6). The Canadian government, however, is liable to NAFTA and “shall ensure that all necessary measures are taken in order to give effect…” (7). In Canada, both the federal and provincial governments are bound to cooperate for the proper implementation of the treaty. The dispute settlement mechanism relies mainly on international panels, whose decisions are binding in federal courts, but are outside those courts, thus creating international obligations that limit federal powers. Both NAFTA and the FTA develop from a specific body of law that is distinct from domestic law. This protects the sovereignty and legislation of each country, but both the FTA and NAFTA commit the federal level to the implementation of international decisions and regulations (Sinclair, 1993). Thus, provincial areas of responsibility also fall under new federal and international forms of scrutiny, thereby restraining and narrowing the policy capacity of both federal and provincial governments.

The provincial government of Ontario adjusted to free trade. The election in June 1995 of the “new” Conservative Ontarian government led to drastic change (Courchene, 1998 and 1995; White, Graham, 1997; Noel, 1997; Ibbitson, 1997; White, Randall, 1998). Since its election, this government has claimed 66 tax cuts, and a province-wide reorganization of the educational system and municipal government. The “Harris Revolution” has also meant fewer politicians: the number of members of the provincial legislature was cut from 130 to 103. The number of local politicians was reduced by 28% through amalgamation of municipal and county councils, and the number of school boards was cut. One essential target was to decrease the budget deficit. The Harris government has reduced the deficit, from 11.3 billion, in 1995, to 3.6 billion, in 1998. The ultimate goal is a balanced budget for 2001.

In this context, the border region provides a basis for the analysis of further local mediation on the impact of economic integration on local institutions and governing structures. Urbanized border regions epitomize the meeting point of two social and governing systems, in that the border clearly divides two distinct social systems. The border is transparent to flows of free trade (labeled goods, services and funds), but local level governing institutions compete with each other. Private sector organizations, in contrast, ably use the strengths and weaknesses of the neighboring territories to develop collaborative efforts and other beneficial ventures.

Detroit: Co-operation and Competition in the Border Region

Today, half of the trade flow between Canada and the U.S. takes place in the border cities of Sarnia, Port Huron, Windsor and Detroit. At the local level, there are about 120 Canadian companies that have operations in the greater Detroit region. The “Big Three” --Chrysler, Ford and General Motors -- have plants in Windsor and pay more than 10 per cent of its tax base. They employ nearly 17,000 people in a city of less than 200,000 inhabitants. Despite this impressive amount of trade and economic interaction, Windsor sees few local cross-border partnerships.

There are only a small number of complex cross-border partnerships, which have developed purely out of local initiative. The only cases of cross-border cooperation are the result of local needs, and rely on the vitality of their initiators, motivated businesspeople or a consular agent and the International Joint Commission (IJC). The IJC, for instance, has not been able to extend change in the Great Lakes region from its initial mandate on the environment to other policy domains of concern. Another example of cross-border co-operation is the "Border Kids" program, a Consular Office project of the Canadian Consulate General in Detroit. "Border Kids" targets about 1,000 grade eight Canadian and American students to teach them that Canada and the United States have different laws. This program never expanded. Another cross-border initiative is the Canada-United States Business Association (CUSBA), which has existed since 1989. It promotes contacts between the members of both business communities of Windsor and Detroit.

Clearly, most relations across the border are relations of competition between the different organized territories, the city of Detroit, Wayne County, Macomb County, St. Claire County in the USA, Lambton County and Essex County in Canada. Economic integration fosters competition between the local governments in the Ontario Michigan border region.

The City of Detroit established the Detroit Economic Growth Corporation (DEGC) in 1978. DEGC is an umbrella organization for the Downtown Development Authority (DDA) and the Economic Development Corporation (EDC). These three organizations share staff but have independent goals and boards of directors. The Mayor of Detroit appoints all board members for the DEGC, the DDA and the EDC. These organizations represent Detroit's communities, businesses, and labor organizations (See GROWTH, 1996). The DEGC is the economic arm of the City of Detroit. Since its creation, it has invested more than 690 million dollars of public funds to foster economic growth in Detroit. Its goal is to promote business retention and to attract new business. It provides revolving and micro loans, as well as tax abatement and training programs on behalf of the city of Detroit and with the support of the city's departments. The DDA concentrates its efforts on downtown development, while the EDC provides financial assistance to firms that are looking for new or modernized property. The EDC issues Industrial Revenue Bonds to help these businesses finance their projects. These three organizations are committed to the economic development of Detroit. For all its activities, the DEGC competes with peer organizations on a worldwide basis to attract and retain business in Detroit, and to help local firms expand. The DEGC's staff also manages the "Greater Detroit and Windsor-Japan-American Society," (Japan-American Society, 1994) a cross-border nonprofit organization dedicated to enhancing friendship between Canadian, American and Japanese peoples. Created in 1990, it has nearly 200 corporate and individual members. In 1994, it organized 29 cultural and sports programs that were supported by a budget of about 200,000 U.S. dollars. This is the only cross-border organization that is administered by an economic development agency in the Greater Detroit Region. This organization does not foster cross-border relations but provides a platform for social networking and cultural exchange between Canadian, American and Japanese business people. The "Greater Detroit and Windsor Japan-American Society" is not a pro-growth coalition, and it is unlikely that its activities promote economic development partnerships between Detroit and Windsor.

Cooperation may exist between the City of Detroit's Planning Department, the Detroit Economic Growth Corporation, the County of Wayne and the State of Michigan's Job Commission. These four organizations meet on a monthly basis. They discuss economic development strategies and challenges in the "Hot Prospects Meeting." Together, they tend to compete with other county organizations, whether Canadian or American. The City of Detroit and the County of Wayne, however, also need to fend for themselves. The size of Detroit may explain this institutional organizational model. The other examples in this case study confirm that municipal governments have moved the economic development function upward

In Macomb county, all municipal governments rely on the county economic development department to prospect and recruit new business implantation. This partnership was established in the early 1980s with the creation of a Community Growth Alliance (CGA) (Giampetroni 1996). The CGA is a public-private partnership that takes the form of an economic committee whose members are leaders of government, business, labor and educational organizations. It is a typical pro-growth coalition. Since its creation, the recommendations of the CGA -- low taxes and better infrastructures -- have been complemented by job creation and business retention as well as by business assistance programs. These programs have been highlighted as achievements, and have earned Macomb County a place in the top twenty of the National Association of Counties' Achievement Awards (NAC). An improvement in transportation and telecommunication networks (roads, sewers, water mains and fiber-optics) resulted from this partnership. Furthermore, the County created Business Assistance Centres that provide site selection, licensing, business planning and marketing and financial services to local businesses. Moreover, the county staff assists local communities. They provide services needed by firms looking for a new location, and help local communities decide on the appropriate level of tax and tax abatements that would be attractive to new firms. Macomb County is very competitive. In 1995, Macomb placed sixth at the NAC's Achievement Awards. Today, it uses this ranking as a marketing tool, and relies on comparative marketing publicity to attract new businesses. Macomb County prospects across southwestern Ontario to attract expanding Canadian firms. Its strategy is to sell its comparatively low tax level and convenient proximity to major markets (Mercier 1996). In 1995, Macomb County's unemployment rate was 3.5% (Selweski 1996, 3), and its tax mill rate was the lowest in Michigan. Today, its economic success is widely attributed to the county's Community Growth Alliance.

Similarly, the Port Huron and St. Clair County Economic Development Corporation (IDC) was incorporated in August of 1952 "to conduct an aggressive program for the development and acquisition of new industries, the encouragement and expansion of existing industries" (IDC 5). The cities of Marysville and Port Huron initiated the corporation. In 1978, the County joined in the partnership, and in 1979, the name of the Corporation became the Port Huron and St. Clair County IDC. Today, business and government organizations of the communities of Port Huron, Marysville, the city of St. Clair and 160 private sector members contribute to its annual budget.

Since 1991, local municipal governments have developed partnerships with the IDC to attract or provide help to expanding businesses. In 1990, State and Federal grants contributed to 59% of the IDC's annual budget. Today, local governments contribute 48% of the IDC budget, while State and Federal grants account for 14% (IDC 1996, "The Bottom Line,"). There is a strong partnership between local communities and the IDC. The IDC provides financial and development services. It prospects and markets the county to foreign companies that want to expand in North America, and assists in the exportation of local goods (IDC 4). IDC officials admit that they would like to find common ground with Sarnia and Lambton County, but that other than the modernization of the oldest bridge, there has been no form of cooperation. Officials on both sides of the St. Clair River, however, are familiar with each other.

In contrast to the successful American cooperation strategies and pro-growth coalitions cited above, which resulted in diversification of economic tax bases, the local leaders of Lambton County only committed to the Sarnia-Lambton Council for Economic Renewal --Vision 2020 -- in 1994. The location of the Canadian chemical industry (Montgomery), which developed near the city of Sarnia along the St. Clair river in the 1940s, may explain why the local elite never expected that the diversification of its economic base could become an issue. Moreover, as early as the 1940s, a rivalry grew between the city of Sarnia and the Sarnia township -- since 1988, the Town of Clearwater, which expanded along the St. Clair river. Tax revenues from the chemical industry benefited the Sarnia township, while costs of modernization fell on the City of Sarnia. From 1951 onward, the township and the county opposed all annexation attempts by Sarnia. Finally, the annexation of Clearwater by Sarnia took place in 1989. This context sets the stage for an analysis of the economic development strategies of Lambton county's townships, towns and cities. For years, the municipal governments competed with each other. However, in the 1980s, it became clear that Sarnia's chemical industry was not providing as many jobs as in the 1950s and 1960s. In 1991, the county created an economic development department, where traditional relations of conflict between local elected officials and bureaucrats, as well as the lack of confidence between most communities, frustrated any formulation of possible clear, efficient policy. In 1994, the local federal Member of Parliament, Mr. Roger Gallaway, decided that the chemical industries could lead the way to economic recovery, and initiated a plan for economic development. His consultation led to a reorganization of the county's economic development structure (County of Lambton). More than 300 people and most of the largest firms took part in the process. A strategic plan emerged in November of 1995. Today, all actors seem to be convinced that they can alter their futures by coordinating their actions. Sixteen local leaders from private and public sectors are committed to "Vision 2020." This strategic plan uses local organizations and resources to manage eight objectives (Sarnia Lambton Council for Economic Renewal). The first objective of Vision 2020 is to establish a strong community leadership. Today, the Chair of the Sarnia-Lambton Council For Economic Renewal is Mr. Brian Morris, Vice-President of Bayer Chemicals. All seven remaining objectives seek to diversify and enhance the local economy and promote job creation across the county. Industrial recruitment is one of the priorities, but none of these objectives suggests developing contacts with the flourishing St. Clair County and the City of Port Huron.

Contrary to Sarnia-Lambton County, Windsor and the communities across Essex County enjoy a long tradition of local economic partnership. They created the Greater Windsor Industrial Commission in 1958 to attract new investment to the region (Windsor-Essex County Development Commission). This organization expanded in 1974 and became the Windsor Essex-County Economic Development Commission. A non-profit organization, it provides services to investors on behalf of its members.[6] The mandate of the Economic Development Commission (EDC) is to promote the region, to attract new business and capital investment, and to help businesses expand, diversify and create jobs. The EDC promotes and maintains a favorable business climate, and offers services to businesses that are considering investing in the Windsor-Essex County region. Locally, the EDC offers the services of the small business counseling office. This office assists local businesses in selling goods to the greater Detroit region, and attempts to attract tourism from Michigan. All townships, towns, and cities of the county rely on the EDC for new investment. There is a movement upward of the economic development function from these municipal governments to the county. None of these municipalities bypasses the EDC. The largest municipalities have economic development officers who work closely with the Commission.[7] The industrial recruitment and business attraction functions are performed by the EDC, which then manages the implementation of new investments according to criteria that relate to the nature of the new investment.[8] There may be exceptional cases of partnership with local authorities of the Greater Detroit area, but the EDC admits that it competes with most other Canadian or American economic development organizations to attract new investments in the region.

Recently, the City of Windsor has tried to maximize its strategic location at the cross-roads of Ontarion and Michigan and of Canadian and U.S. trade. The University of Windsor and Wayne State University also compete to attract students, respectively, from Michigan or Ontario. Both campuses offer to out-of-state students a tuition rate break, hoping to entice metropolitan students from across the border (Walsh-Sarnecki, Abraham, 1998). In 1993, Windsor won a bid to operate a casino (Devine, Dixon, http://casinowindsor.com). Since May 1994, a temporary casino has attracted 5.5 million visits to Windsor per year. Casino Windsor has had an extremely positive impact on downtown Windsor, increasing the revenues of stores, restaurants and hotels. However, approximately 80% of the visitors to the Casino come from the USA. This, in turn, fosters more competition between Detroit and Windsor. In a 1996 referendum, Michigan approved plans to build three casinos in downtown Detroit. The mayor of Detroit, Dennis Archer, was against the casinos but is going along with the proposals due to the competitive pressures from Windsor. The assumption is that casinos would revitalize downtown Detroit (The Economist). These Casinos should be completed by 2001.

Conclusion

This short presentation of the political and economic history of the Detroit border region reveals the role and influence of market forces over patterns of co-operation and competition at each level of government. During the first part of its history, the Detroit-Windsor area was a clear example of Ohmae's zone of inclusion, where market forces remained stronger than politics and institutions. The development of the automobile at the end of the 19th century marked the strengthening of local links between Detroit and Windsor, despite the marked affirmation of each national state since 1792. Thus, competition and protectionism interfered with economic or political co-operation, whether at the local or national levels, during the 19th century. The tug of war on the issue of free trade provides a fine example of such interference. The struggle lasted for most of the 19th and 20th centuries. The 1950s Auto Pact, however, marked the beginning of new forms of co-operation under national state control, which developed with the FTA and NAFTA agreements.

Local competitive strategies of industrial recruitment do not lead to functional interdependencies across the border between the public sector actors of Detroit and Windsor or Sarnia. The few linkages that exist across the border, however, do not seem to foster tensions between local and other higher level governments on either side of the border. However, the local counties do not seem to ignore each other either. On the contrary, local actors are familiar with each other.

The Canadian-American border is transparent to goods and investments. Each Counties' individual tax mill rate and the capacity to offer tax breaks (in the USA) or other forms of incentives (mostly in Canada) seem to be just as relevant as a national border providing a tariff and quota wall would be. In the free-market environment provided by NAFTA, the national border is only relevant to people. People do not cross the border as easily as goods and investments. The U.S. Burton laws precisely address this issue of control of people crossing the border. NAFTA provides a new competitive environment, which fosters functional interdependencies for goods and investment, developing linkages between corporations, while on the contrary, maintaining people under the control of each central government. Economic integration, however, does not foster any form of cross-border public sector institutional cooperation in the Detroit, Sarnia or Windsor region. On the contrary, local communities compete to attract, recruit and retain businesses and investors. They have built coalitions at the county level. They have implemented economic policies to diversify their economic base and to secure tax revenues and employment. Some communities are guided by pro-growth coalitions that are effective, and implement very aggressive economic development policies.

None of these economic development partnerships goes so far as to involve other communities from across the border. Economic integration and the free market tend to pressure local coalitions to implement increasingly competitive policies and to develop very aggressive strategies. None of these strategies is co-operation-based. Local and regional governments tend to believe that to gain greater political and economic autonomy, and to become less dependent on central state funding, they need to compete with each other in order to diversify and develop their economic base and to protect their tax base.

Competition locally limits co-operation between all local governments in the cross-border metropolitan area of Detroit. Competition also hinders co-operation between provinces and states. Clearly, co-operation under the mutually restrictive partnership of each central government exists, while competition both in the private and public sectors regulates integration. Competition hinders and limits all forms of co-operation between local, regional and provincial or state governments. There are no significant forms of cross-border cooperation within the cross-border metropolitan area. The IJC is the only international institution which successfully brings together all levels of governments.

It would be speculative to assume that NAFTA should ever develop into any form of supranational institution. This eliminates the neo-functionalist explanation. Both the USA and Canada depend on each other for trade, which justifies co-operation and mutual interests at the federal level. This, however, does not justify a realist explanation of cross-border cooperation because central states do not control patterns of economic integration. Local market forces, a common history and similar social values could also justify a functionalist hypothesis. However, political linkages do not form across the St. Clair River. The competitive city paradigm, on the contrary, best explains relations across the Ontario-Michigan border region. Politicians seeking to serve their own constituencies develop aggressive economic development strategies and do not entertain partnerships across the border.

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End Notes

1. Ohmae contends that Region-States are for instance: Northern Italy, Wales, San Diego/Tijuana, Silicon Valley/Bay Area in California, Osaka and the Kansai region, the Malaysian Island of Penang.

2. The interview process consisted of two distinct parts: the first part followed a line of questions framed by the hypothesis presented in this paper. The second part of the interviews focused on collecting evidence about themes discussed during the interview in the form of government publications and other public reports. Interviewees were also systematically asked to recommend further interviewees.

3. The findings summarized and presented here result from primary and secondary research conducted for my Ph.D. dissertation: Cross Border Relations in Lille (France) and Detroit (U.S.A.). In all, I interviewed more than 60 officials from the City of Sarnia, the Counties of Lambton, Essex, St. Clair, Macomb, and the city of Detroit, the Province of Ontario, the State of Michigan, and the Federal Government of Canada.

4. The data of the following section come from “Opening the Doors to the World – Canada’s International Market Access Priorities 1998”, Team Canada, Department of Foreign Affairs and International Trade (1998).

5. The Ontario Ministry of Finance web site provided those data: www.go.on.ca/OMAFRA/English/

6. The City of Windsor, the Essex County and the Town of Tilbury

7. Amerstburg and Kingsville, and Leamington.

8. Mostly, land size, energy, transportation and sewage network requirements. These requirements vary with the industry sector and the size of the project.