

Case 5

NAFTA Best Practices Case Studies

In the 21st century, it has been predicted that culture will be the fault line along which social divisions will occur. The events of September 11, 2001, indicate that this process of cultural polarization in the world is well under way. Cultural differences, fueled by xenophobia and stereotypes along ethnic, racial, and religious lines, have deep-seated historical roots throughout the world. North America is not immune from this phenomenon, with long-standing divisions dating from pre-colonial times. Numerous examples of cultural divisiveness exist in each of the three NAFTA nations. In the common interest of North American society, we must begin to deal with them proactively.

Borders will have less relevance.

Instead of borders, there would be moving “centers” of power, as in the Middle Ages. Many of these layers would be in motion. Replacing fixed and abrupt lines on a flat space would be shifting buffer entities, like the Kurdish and Azeri buffer entities between Turkey and Iran, and the Latino buffer entity replacing a precise Mexican border. To this one must add other factors, such as migrations of populations, explosions of birth rates, and vectors of disease. Henceforward, the map of the world will never be static. The future map—in a sense, the “Last Map”—will be an ever-mutating representation of chaos.¹

As the NAFTA economies converge and integrate, so too must the cultures of the member nations: maintaining their uniqueness and traditions, while finding new common ground in which to interact and transact. Common operating principles that transcend national culture in North America must be identified. Building the future of North America will require new levels of trust between all North Americans, regardless of nationality, and new levels of trust between peoples of different cultural origins or religious faiths within our communities. It would appear, however, that the trends and the facts are not in favor of the creation of more integrated, united communities. Instead, even within similar cultural groups, we are becoming increasingly sorted

along lines of education and income. This sorting is even more pronounced between ethnic groups. The borders that are becoming less cut-and-dried around our countries are being replaced with numerous other borders less easy to see, but much closer to home. Robert D. Kaplan writes:

Patriotism will become increasingly regional as people in Alberta and Montana discover that they have far more in common with each other than they do with Washington or Ottawa, and Spanish speakers in the Southwest discover a greater commonality with Mexico City. (*The Nine Nations of North America*, by Joel Garreau, a book about the continent's regionalization, is more relevant now than when it was published in 1981.) As Washington's influence wanes, and with it the traditional symbols of American patriotism, North Americans will take refuge in their insulated communities and cultures.²

Trust is difficult to create within diverse nations, and more difficult among multiple nations that represent broad constituencies and differing points of view. Therefore, the success of creating a socially cohesive NAFTA region will depend on smaller groups that have already succeeded in building the cross-cultural trust that allows them to take advantage of NAFTA opportunities. We must all learn from them to make our businesses, our institutions, and our societies stronger.

Lawrence Harrison has suggested that cultural differences will prevent Latin America and North America from achieving a broader partnership under NAFTA, unless cultural accommodation and change occurs that fosters the creation of common values that can serve as the foundation for compatible institutions and social cohesion. The trade piece of NAFTA is important; but it's not the whole story. The social side of the equation, namely the increase in immigration, the blurring of borders, and the coalescence of common problems, indicates the need for a greater sense of urgency around the need for cross-cultural understanding and integration, and for the creation of initiatives or institutions capable of addressing issues no longer able to be contained by national boundaries. This is really where NAFTA will impact us most directly.

What form will these initiatives, or institutions, need to take in order to be compatible? How will trust be created between increasingly fragmented societies, less willing to give their allegiance to national governments, and thus less able to be united by them? "A rule of thumb is that governments are determined not by what liberal humanists wish but rather by what businesspeople and others require."³ Idealists have dreamed of a world government for years. Supranational institutions have been formed to some degree around NAFTA, but the overwhelming preponderance of U.S. power, combined with the unwillingness of all parties to surrender sovereignty, will keep the reach of such institutions limited.

But:

A form of regional, indeed world, government is emerging, quietly and organically, the way vast developments take place in history. The increasingly dense ganglia of international corporations and markets that are becoming the unseen arbiters of power in many countries. It is much more important nowadays for the leader of a developing country to get a hearing before corporate investors at the World Economic Forum than to speak before the UN General Assembly.⁴

Globalization is real. It will not retreat. Current forms of political organization are powerless to stop it. As a percent of population, few people are consciously participating in it. The rest feel intimidated by it, threatened by it. Many blame corporations. Of the world's hundred largest economies, fifty-one are not countries but corporations. While the two hundred largest corporations employ less than three-fourths of 1 percent of the world's work force, they account for 28 percent of world economic activity. The five hundred largest corporations account for 70 percent of world trade.

To blame corporations for the changes taking place in our society and economies is misdirected. These changes are more fundamental, and corporations, rather than being the cause of the changes themselves, are simply the most adept form of human organization at adapting to them. They "are nothing less than the vanguard of a new Darwinian organization of politics. Because they are in the forefront of real globalization while the overwhelming majority of the world's inhabitants are still rooted in local terrain."⁵

In North America, examples of the trust needed to foster socially cohesive economic integration, and the building of compatible institutions, already exist in small groups and networks of family, friends, and business associates. This trust is most likely to continue to be formed inside and as a part of extended networks of customers and suppliers surrounding the activities of multinational corporations.

We all have a choice: we can find ways to learn from the winners in the new game, or reject them and cling to traditional ways. We can choose to join "McWorld," or stay closer to home by the "Olive Tree."

Regardless of our choices of where to fit in to the global economy, and the individual reasons for which we make them, we must begin to change the way we view corporations. They may be the most capable of providing goods and services globally, but they don't have a monopoly on that ability. In fact, in the increasingly "unbundled" economy, they will be relying more than ever on outsourcing providers and partners, as opposed to vertically integrated operations. So, instead of viewing them solely as exploiters, or entities that play one side off against the other for profit, we must begin to see the unheralded and seldom-mentioned other side of globalization: the role of corporations

in teaching us how to prosper in the global economy. The organization of NAFTA Community Dialogues is one way suggested to facilitate that learning. This concept will be further discussed in Chapter 7.

Creating universal cultural systems that transcend national cultural differences is the area where corporations are truly paving the way as new forms of political organization.

For instance, ABB Asea Brown Boveri Ltd. is a \$36 billion-a-year multinational corporation divided into 1,300 companies in 140 countries; no one national group accounts for more than 20 percent of its employees. ABB's chief executive officer, Percy Barnevik, recently told an interviewer that this diversity is so that ABB can develop its own "global ABB culture—you might say an umbrella culture." Barnevik explains that his best managers are moved around periodically so that they and their families can develop "global personalities" by living and growing up in different cultures. ABB management teams are never composed of employees from any one country. Barnevik says that this encourages a "cross-cultural glue." Unlike the multiculturalism of the left, which masks individual deficiencies through collective—that is ethnic or racial—self-esteem, a multinational corporation like ABB has created a diverse multicultural environment in which individuals rise or fall completely on their own merits.⁶

Somehow, corporations are finding a way to create ethnically and culturally diverse meritocratic societies, while societies at large continue breaking down along the very same lines. The Best Practices that follow in this chapter have been selected from numerous interviews conducted with different organizations that operate within the NAFTA region. The featured organizations serve as examples of practices that exist in many other international organizations, and that may yet be applied to many more.

The Best Practices within individual organizations and groups, when multiplied across society, begin to form the foundation for a convergence of cultures, in the sense of common essential values, understandings, and methods that permit free trade and the exchange of ideas, and contribute to socially cohesive communities, at the local and national levels. They permit the formation of common value systems that transcend culture and ethnicity, and promote diversity and meritocracy. They could become the seeds that, if further developed and extended to a wider network of organizations and institutions, will accelerate a socially cohesive and sustainable form of economic integration in North America organized around a framework of shared values.

With community coordination and participation, through a process such as the NAFTA Community Dialogues (see Chapter 7), the most relevant and successful practices of the pioneers of globalization may be brought to light and shared across all interested segments of society.

Corporations are increasingly the places where we work, eat, live, shop, exercise, and study. By recognizing the impact of corporations in our lives, we as individuals will be better prepared to work with them, and may also in so doing have a larger role in determining, guiding, and benefiting from, their future activities.