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OF FRIENDS, INTERESTS, CROWBARS, AND MARRIAGE VOWS
IN CANADA-UNITED STATES TRADE RELATIONS

by Michael HART

Canada's crowbar, our instrument to lever performance, our guarantee that neighbourly obligations must be fulfilled, our very locus standi as a nation derive not from the US Congress, but exclusively from international law and treaties. Even the most active lobbyists should never forget this fact.  
Allan Gotlieb, Canadian Ambassador to the United States (1981-88)

Getting things right with the US may be a prescription open to debate in Canada but it should never be a matter of neglect... Like a good marriage, we depend on each other in good times as well as bad. Geography has made us neighbours; trade has made us partners; and trade agreements have made it possible for us to live well with each other.
Derek Burney, Canadian Ambassador to the United States (1989-93)

I BACKGROUND

In 1994, in a study of the Canada-US free-trade negotiations, my co-authors and I concluded that "despite the problems posed by an often indifferent and difficult United States, Canada succeeded in negotiating a good agreement" (Hart et al., 1994: 387). Canadians have often doubted their government's ability to negotiate good agreements with the United States, not only because of problems of indifference and difficulty, but also because the United States is a large and powerful country and is presumed to have a more extensive talent pool upon which to draw. Former Prime Minister Lester Pearson, reflecting on his early diplomatic experience in Washington, became quite indignant on the subject, protesting that "the picture of weak and timid Canadian negotiators being pushed around and browbeaten by American representatives into settlements that were 'sell-outs' is a false and distorted one. It is often painted, however, by Canadians who think that a sure way to get applause and support at home is to exploit our anxieties and exaggerate our suspicions over US power and policies."

1 Allan Gotlieb (1991: 74-5). Gotlieb was not the only veteran of Canada-US relations who liked the image of the crowbar. During her term in office as US Trade Representative, Carla Hills took pride in pointing to a picture on her boardroom wall of President Bush presenting her with a crowbar as a symbol of the zeal with which she would pursue US interests in prying open foreign markets. US legislators, in a similar vein, often refer to section 301 as the crowbar of US trade policy, a tool available to the US government to force other countries to open their markets to US competitors. Gotlieb's image of the crowbar as a lever to force the United States into fulfilling its obligations to its neighbour seems more apt, particularly since close examination of Mrs. Hills' picture suggests that President Bush had handed her a wrecking bar rather than a crowbar. Many foreign observers of US trade policy would agree that as often as not, US officials tend to prefer the blunt approach of a wrecking bar to the more delicate touch required with a crowbar.

2 Donald W. Campbell Lecture in International Trade, Wilfrid Laurier University Chancellor's Symposium, Toronto, June 14, 1995.

Pearson’s observation accurately reflects both the reality of bilateral negotiations and the inaccuracy of public perceptions about them. Canadian negotiators have proven more adept at negotiating with their US counterparts than at communicating the results to the public. Negotiating styles and approaches, however, have changed as Canadian officials have adapted to the constantly shifting requirements of dealing with their US counterparts. This paper explores what is involved in negotiating with an often indifferent and difficult United States, and traces some of the techniques and attitudes Canadian governments have developed over the years in their determination to live distinct from but in harmony with the United States.

Three key challenges confront Canadians in their efforts to negotiate agreements and resolve conflicts with their giant neighbour to the south: one is that the United States is temperamentally ill-suited to negotiate international commercial agreements; the second is that the United States is constitutionally ill-equipped to negotiate such agreements; the third is that Canada has an attitude to its neighbour that makes negotiations with the United States particularly difficult. In the Canada-US free-trade negotiations, one of the most public and controversial bilateral negotiations in Canada-US history, these factors were particularly challenging because the stakes—political and economic—were exceptionally high. Although not often thought of in such terms, the Canada-United States Free Trade Agreement (FTA) was conceived in large part as a mechanism for managing trade and economic relations between the two countries. As such it reflected a changing appreciation of the nature of that relationship and of the tools required to manage it. Of course, it was also many other things. It was equally an effort to make trade and investment between the two countries freer and thus expand opportunities for entrepreneurs on both sides of the border. That aspect of the FTA has been sufficiently explored elsewhere. This essay concentrates on the background to the decision to seek an improved way to manage bilateral relations, and on its impact as a management tool.

II THE CHALLENGE OF LIVING NEXT DOOR TO A SUPERPOWER

The impact of history and geography has perhaps made the management of Canada-US relations more challenging than the relations of any other country with the United States. Canada and the United States, together with Mexico, share a continent and boast a common frontier more than five thousand miles in length. Unlike Mexico, however, the ties of language and common ancestry have always made Canada-US relations unique. That uniqueness dates back more than two hundred years. The United Empire Loyalists, the dominant element in Canada’s governing stock during the formative years of its history, arrived from the United States with an attitude. They had rejected the American Revolution. They were the first anti-Americans. They had made a conscious decision to remain loyal to the crown and to reject the ideology of the American Revolution. Over

4 This is a uniqueness that is more readily apparent on the Canadian than on the US side of the border. Most studies of Canada-US relations are written by Canadians. Few Americans find the issues sufficiently interesting to devote a whole book to them. John Holmes (1989: 18) noted sarcastically that “there is a small band of scholars and concerned citizens in the United States who might be called Canadianists, probably smaller than the number of Albanians.”
the next hundred years these Canadians proved time and again that they did not want to be Americans; they rejected American expansionism in whatever form it was presented. When the various colonies came together in 1867 to form a country, they did so on the basis of an Act of the British Parliament. Unlike the revolutionaries to the south a century earlier who had proclaimed their creed to be life, liberty, and the pursuit of happiness, Canadians declared their goal to be peace, order, and good government. Thus from the outset, Canada and the United States exhibited a sibling rivalry like no other. The United States was founded in revolutionary fervour, based on the values and ideas of the Enlightenment. The subsequent US conquest of a continent over the course of the nineteenth century and its military and economic success in the twentieth century helped to reinforce a peculiar, religiously based concept of manifest destiny, i.e., the secular version of the Christian duty to spread the gospel, with the gospel having become the American way. This good news was spread with a self-confidence that can only be exhibited by a people who know they are right and have God on their side. Not surprisingly, others did not always accept this gospel with equanimity. The American people, while professing a deep commitment to tolerance, proved in fact to be the most intolerant of people. Subconsciously, they exhibited attachment to a set of values and habits of mind that made it very hard to see other points of view, and to accept that there might be alternative, even better ways of doing things. In short, American culture developed a strong and abiding insensitivity to the views and preferences of others.

American self-confidence and expressions of manifest destiny tend to grate, particularly on the people next door. Canadians are not Americans. They are not governed from Washington. They do not get their views from The New York Times. They do not consider Hollywood to be the realization of the Canadian dream. Like their Loyalist ancestors, many Canadians glory in the fact that they are not Americans. They revel in it and often enough, in so doing, they exhibit their own cultural insensitivity.5

Americans may share some Canadian misgivings about American values. Some resent being governed from Washington; some have nothing but contempt for Hollywood; most do not get their views from The New York Times. But that is not the same thing as Canadians questioning so-called mainstream American values. Home-grown critics form part of the decision-making, value-generating whole that is America. They are on the inside.

Canadians are on the outside. They have their own values. They have their own clichés and caricatures. Their demons are in Ottawa, at the CBC, and at the Globe and Mail. Canadians have their own cauldron of hopes and anxieties. They have their own disagreements and make their own determinations of what is important, what they want to see, hear, and read, who they want to deal with, and more. They are determined to

5 David Orchard's *The Fight for Canada: Four Centuries of Resistance to American Expansionism* (1993), which might more accurately have been subtitled *Four Centuries of Canadian Paranoia*, provides interesting insight into the pathology of modern anti-Americanism. J.L. Granatstein (1996) provides a sensitive and sensible appreciation of the issues by someone who started out as a “devout anti-American” but came to the conclusion that most modern anti-Americanism is “just plain silly.”
maintain room for their own hopes and glories as well as their own insanities and banalities. As John Holmes (1989: 21) observed, “we chew the same gum, but our political lives are distinct.”

Canadians are not alone in their desire to be distinct. Japanese, Malaysians, Norwegians, Italians, and Brazilians also want their own space. But none of these people live next door to the United States. With the exception of the Mexicans, no one else lives as close. No one else visits back and forth as easily and is as deeply saturated by the American presence as are Canadians. Nor have any other people had as long an experience of dealing with the juggernaut of the twentieth century. At the same time, Canadians are the closest thing to Americans, making Canadians insist even harder that they are not and leading Americans to wonder why. That is why Canada-US relations, viewed from the Canadian end of the telescope, tend to be as sensitive and intense as they are. From the other end of the telescope, awareness of Canada and things Canadian does not amount to much. Canada is the source of cold weather on the evening news and, unless you are professionally engaged, not much else. For many Americans, what happens in Canada is about as important as what happens in Wyoming or New Hampshire. Usually not that important in the global scheme of things! That attitude has its own way of grating. Notes Canadian novelist and Montreal enfant terrible, Mordecai Richler (1979: 38), “The sour truth is just about everybody outside of Canada finds us boring. Immensely boring.”

Finally, to US missionary fervour and confidence must be added the difficult problem of dealing with a country with the single most concentrated share of global economic, military, and political power. Superpowers tend to behave differently and to have expectations that may be somewhat more pressing than those of others. The end of the cold war as the basis for organizing much official thought in the US and elsewhere, coupled with the perceived decline of the United States as a great power, has added a further note of uncertainty to the management of relations with the United States.

III  THE CHALLENGE OF THE US CONSTITUTION

As if life would not be difficult enough living next door to the United States, Canadian governments have discovered through bitter experience, as have other governments, that the United States is not constitutionally equipped to deal with the rest of the world on a basis that most countries would consider normal. The United States does not have one government or a single center of power, but many governments and many actors with authority to exercise power. Putting aside the problems of a federal state within which fifty states exercise the authority assigned to them by the Constitution, the much touted system of checks and balances and of divided or separate power can make the US government a very trying negotiating partner. In the words of Canada’s diplomatic sage, John Holmes (1989: 26), “Canadians recognize that Americans have a beautiful Constitution, but we wish they would realize how difficult it is to be an ally of a country that can not make binding commitments.”
The US system of government is not just a matter of an executive, a legislature, and a judiciary, all with interests to promote and powers to protect, but it is also a system that divides power so finely that it allows the noisiest and most idiosyncratic individuals to rise to positions of power and influence. Former House Speaker Tip O'Neill was not describing a universal truth when he said that all politics is local, but it is an American truth. In normal countries local politics is important, but there are also institutional provisions which make it possible for national or broader interests to prevail. The Helms-Burton law, aimed at discouraging non-Americans from trading with and investing in Cuba, provides only the most recent exhibit of the case with which parochial, narrow interests can prevail in the United States. Negotiations in the spring of 1997 to conclude a Pacific Salmon Treaty provides a further illustration of the American truth that the more concentrated and local an interest, the less likely their American authorities will be prepared to make compromises and reach a reasonable settlement. Some may call this the cost of democracy; others would describe it as a perversion of democracy.

The impact of the doctrine of the separation of powers is particularly acute in the area of trade because the US Constitution assigns responsibility for regulating international trade to Congress, while it places the President in charge of the conduct of foreign relations. Thus the President may negotiate treaties, but the Congress is responsible for trade agreements, a subtle distinction not always appreciated by non-Americans. Treaties require two-thirds approval by the Senate before they become law; trade agreements must be implemented into US law by both Houses of Congress. Since 1934, the negotiation of trade agreements has been periodically delegated to the President under a series of arrangements which involve close congressional supervision and, through implementing legislation, ultimate approval by Congress.

The exercise of the president's negotiating authority can be so circumscribed as to virtually tie the hands of US negotiators. In addition to complex consultative and formal reporting requirements, the process of gaining congressional approval means satisfying the narrow interests of a sufficient number of members of Congress to pass the necessary legislation. In a country where party discipline is weak and responsible government is unknown, this is no easy task. In such circumstances, broad national interests play virtually no part. As Allan Gotlieb (1991: 43), Canada's ambassador to the United States for most of the 1980's, trenchantly observes: "in Washington, ... a foreign power is just another special interest, and not a very special one at that." Gotlieb (1991: 76) goes on to suggest that "the foreign government must recognize that it is at a serious disadvantage compared to other special interests for the simple reason that foreign interests have no senators, no congressmen, and no staffers to represent them at the bargaining table. They have no votes and no political action committees."

All they have is the State Department, and that is almost worse than having nothing at all because it creates a false sense of security. On issues that matter today, such as trade and investment, the State Department has little or no influence. Notes Gotlieb (1991: 91): "Notwithstanding the enormous importance of trade in current international relations —
unfair trade acts are a new form of international aggression — the State Department has at best a modest role in both the negotiating and policy processes.” The important players are the United States Trade Representative (USTR), Commerce, and Treasury, all of whom respond to domestic interests and pay careful heed to the machinations of Congress.

Equally critical are the courts and various regulatory bodies and quasi-judicial administrative tribunals, all of which apply laws passed by a Congress driven by special interests. The US Constitution provides individuals with the right to use the courts, or due process, to an extent that goes well beyond what is required to defend civil society — again with serious implications for US trade relations with the rest of the world. It is not difficult to point to recent examples: the Loewen case in New Orleans (private pursuit of antitrust of a Canadian-based firm modernizing the delivery of funeral services); the pursuit of liability suits on products that fully conform to US and international standards, and the US embargo of Mexican tuna and Thai shrimp to protect dolphin and sea turtles respectively. In each instance, decisions in US domestic court cases ended up as unilateral extensions of US jurisdiction and regulatory fiat.

All this might be acceptable as the price of doing business with the largest, richest, and most lucrative trading partner in the world, if Americans were not so insistent that their approach to matters is not just the best way, but the only way. All other ways are suspect and must be rooted out and made to conform to American values, preferences, and practices. This is not just a matter of doing business with Americans in the United States, but also of doing business with Americans in one’s own country. The United States is the only country in the world with a fully developed concept of the extraterritorial application of its laws. In effect, cultural insensitivity is an accepted, legal doctrine in the United States.

If truth be told, however, many American habits of mind, values, and preferences wear surprisingly well in relations between Americans and the rest of the world. The rest of the world is prepared to accept many of them, except when they come as official pronouncements out of Washington. They then become something else. They become hectoring in tone and difficult to swallow. In large measure, what happens in Washington is that these US cultural values lose balance; they become the aggressive act of a narrow interest, unprepared to place matters in perspective. Washington has become the home of the narrow-minded, as thousands of competing special interests try to prevail in law and policy. And foreign interests are the easiest to sacrifice or attack. That is the nub of the problem.
IV THE ADVERSARIAL NATURE OF TRADE RELATIONS

The challenges presented to the rest of the world by the US temperament and Constitution are, of course, not unique to trade relations, but they are perhaps more acute because of the competitive or adversarial nature of trade, and the artificial intrusion of national frontiers into what are essentially transactions between private parties. What most people would find objectionable behaviour within a country is applauded when it involves an international transaction. At heart, most people are mercantilists, even when they know better. Most people instinctively believe that exports are good and imports are bad. Such economic nationalism may not be theoretically sound, but it is a creed to live by and, intuitively, most politicians live by it. David Henderson (1986: 11-2), once the chief economist at the OECD, believes economists are the least successful of academicians because virtually no one accepts the most basic tenants of their teachings, particularly when it comes to international trade. Most people continue to confuse comparative advantage with absolute advantage. They do not accept that countries export in order to import and that the benefits come from imports.

Similarly, most business people would like to be monopolists. They accept competition because governments and ease of entry will not let them become monopolists. But competition for many business executives represents a second-best approach; as a result, the purpose of competition becomes a matter of besting your competitor and, if possible, driving him out of business. Such an attitude is not considered acceptable within a domestic market; more to the point, in most societies there are laws against acting on it. But the prevalence of economic nationalism makes such behaviour legitimate on a cross-border basis. Indeed, government policy often makes it easier because much government policy is predicated on mercantilist thinking and is designed to serve producer interests rather than broader economic welfare and consumer interests. As a result, governments are often prepared to champion the interests of their own producers at the expense of foreign producers, even in matters that clearly suggest that broader societal interests are being sacrificed.

The US doctrine of the separation of powers accentuates this internationally anti-social behaviour. The assignment of the trade policy-making authority to Congress virtually ensures that US policy will be more attuned to narrow than broad interests and be more adversarial than is the case for most other countries. International trade rules and institutions seek to curb these natural tendencies, but their implementation always represent an uphill struggle. When there is conflict, politicians often portray them as a burden rather than as a help. Thus, even though the United States has long been a leader in the negotiation of international trade rules that seek to make national trade policies less discriminatory and more liberal, US politicians consistently characterize such rules as stacked against US interests and seek ways to neutralize their impact. In September 1996, then acting USTR Charlene Barshefsky told members of Congress that “the WTO dispute settlement mechanism is proving to be a very effective tool to open other nations’ markets. ... [E]nforceability of the dispute settlement rules has made settlement of disputes a much more frequent, speedy and useful outcome.” But she felt compelled
to assure the members that “the WTO cannot force the United States to repeal or amend any provision of federal or state law or apply or enforce our laws in any particular manner.” Such ritualistic confirmations of a double standard colour US trade policy and frequently raise suspicions about US motives and goals in the negotiation of new rules.

From the US perspective, any negative fallout from international trade means that its trading partners must take steps to redress a US grievance. If US exporters fail to succeed in the Japanese market, the Japanese government is called upon to rectify the situation. If too much Canadian wheat or too many Canadian-made suits enter the US market, the Canadian government is enjoined to make amends. If low-cost exporters of textiles and clothing are too successful in the US market, it is their duty to restrain exports and stop disrupting the US market. If Canada takes steps to promote domestic consumption of Canadian cultural products, the Canadian government is called to account. A favourite mantra of US trade policy is “we have a problem, and you must do something about it.” When other countries have a problem with US measures, US officials resort to discussion of the Constitution and the importance of congressional support for other policies. When other countries have a problem, they need to learn to live with it.

It is thus not difficult to appreciate why there is sometimes conflict between Canada and the United States and why such conflicts can be very adversarial. Most Canada-US trade disputes, of course, are not between Canada and the United States but between private parties in Canada and the United States. They may involve government programs or policies, as in a subsidy or countervailing duty case, or they may involve governments as champions of their citizens, as in antidumping cases. Bilateral trade disputes may require that the government take sides on an issue in which there are conflicting interests within Canada, for example, between producers and consumers. In all such cases, it is important not to confuse the vigorous defense of Canadian interests in a dispute and what Canada’s broader public policy interests may be. Like a good lawyer, the government will defend a firm or province or policy, but a loss does not necessarily mean a loss for Canada. It may mean the establishment of better public policy. The long-running and difficult dispute about landing requirement for salmon and herring on the West Coast ultimately obliged Canada to change its requirements. From a broad public policy perspective, it is not at all clear that Canada’s previous policy served anything other than a few narrow fish processing interests.

Conflict, of course, can be regarded as a healthy sign of a dynamic relationship. In a tough, competitive world, individuals, firms, industries, and countries will work hard to gain and maintain advantage. It is not unusual in such circumstances to see conflict. At any one time, it is not extraordinary to count dozens of issues being disputed between Canadians and Americans and between the government of Canada and that of the United States. The fact that there is a border between the two countries, for example, staffed by

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6 Statement of Ambassador Charlene Barshefsky, Acting United States Trade Representative, before the Subcommittee on Trade of the Committee on Ways and Means, US House of Representatives, September 11, 1996.
customs agents, is often enough to spark a conflict. Customs agents believe it is their job to defend domestic producers. What is surprising is not that there are conflicts, but that there are relatively few which are so controverted and difficult as to require formal resolution using available dispute resolution mechanisms. The question then becomes why these disputes contain so much rancour and why they project such an adversarial nature.

The question can only be asked by a Canadian. It is not an American question. Resolving conflict on the basis of an adversarial process is as American as apple pie. Nor do Americans wonder why there is rancour. If you believe in a case, you put it forcefully, and if the other side does not respond, you speak a little louder and you get your friends to help raise the volume. In the case of bilateral trade disputes, you ask your Representative or Senator to help make noise. The fact that Senator Max Baucus is shouting on behalf of US lumber producers should not be interpreted as meaning that the whole of the United States has made up its mind on the issue. The cacophony of noise generated inside the Washington beltway is just part of the way business is conducted in the world’s greatest democracy. Diplomacy, particularly in the area of trade, is not something best left to professionals to sort out quietly. It is a matter of forceful advocacy.

Canadians have traditionally not liked this adversarial approach to bilateral issues. They prefer a more consensual approach. The parliamentary system of responsible government concentrates tremendous authority in the executive which is thus much better equipped to negotiate international trade agreements and to address problems in international trade relations. While over the years Canadian parliaments have assigned some powers to quasi-judicial tribunals under the general supervision of the courts, Canadian governments have tended to carefully circumscribe such delegated authority, even to the extent of providing the executive with continued power to intervene and overrule such tribunals. As a result, Canada has shown a strong preference for quiet rather than public diplomacy. Because Canada is a federal state, the role of the central government has increasingly needed to accommodate provincial concerns, particularly as international affairs have grown to encompass matters of provincial responsibility. But even here, Canadians have preferred a consensual form of decision-making. The federal-provincial log-rolling process and muddling through have been Canada’s contribution to decision-making literature.

Given that issues are likely to be addressed in an adversarial manner between Canada and the United States, the challenge is to ensure that appropriate substantive rules and procedures are in place that will allow these issues to be resolved on the basis of law and due process rather than power and the rancour and entrenched interests of the moment. That has been the thrust of Canadian trade policy for the past sixty-plus years, still more so as the US decision-making process has become more and more fragmented and unpredictable.
V SOME HISTORICAL PERSPECTIVES

Modern Canada-US trade relations date back to 1935. Only then did Canada and the United States finally succeed in negotiating a modern trade agreement. Canada was one of the first countries to take up the invitation of President Roosevelt to negotiate a new kind of reciprocal trade agreement under the revolutionary new delegated mandate provided by Congress in 1934. Canada followed up in concert with Britain in negotiating a more extensive agreement three years later by which time Canada had developed a team of experts with a solid base of experience in negotiating such agreements. Together with the colleagues responsible for political relations, they excelled at what became known as quiet diplomacy. They cultivated relationships with senior members of the US Administration, particularly in the then powerful State Department, which could be used to protect and advance Canadian interests. They were very good at their job and thus carved out a place for Canada in the US capital that far exceeded what could reasonably be expected of a small country just emerging from the shadow of the mother country. To be sure, there were frustrations and disappointments, but in a significant number of instances Canadian diplomats earned a role for Canada in international affairs that was more a tribute to their talents than to Canada’s natural weight. They also managed frequently to resolve problems between the two countries in Canada’s favour. Building on the warm personal relationship between President Franklin Roosevelt and Prime Minister Mackenzie King, they carved out a special relationship between the two countries that lasted through the 1960’s. One of the hallmarks of that special relationship was a willingness on the part of US administrations to exempt Canada from measures aimed at other trading partners. Historian Robert Bothwell (1992: 10) cautions, however, that we should not exaggerate the efficacy of the special relationship. When US interests were clear, such as in efforts to shift on to western Canadian farmers the burden of US concessional wheat sales to third markets, there was nothing special about the relationship.

One of the early fruits of Canadian-American cooperation was the successful conclusion of the General Agreement on Tariffs and Trade (GATT) in Geneva in 1947. From a Canadian perspective, it had the particular virtue of providing a set of rules and procedures for gradually liberalizing trade and resolving trade conflicts on a multilateral basis. Canada could pursue close relations with both of its major trading partners and not have to choose between them, as its had been forced to do in the triangular negotiations of 1937-38. In effect, the GATT became Canada’s trade agreement with the United States.

The virtues of rules-based relations and the liberalizing bias of the GATT regime were, for most of the postwar period, offset to some extent by powerful interests in Canada that saw greater benefit in maintaining protection than in adjusting to competition. Thus, throughout the period, Canadian governments kept to a delicate compromise between the mercantilist interests of domestic groups, particularly manufacturers, and the broader interest of the nation in rules-based multilateralism. There was, therefore, not always a congruence of interests between Canada and the United States. Canada maintained
protection that harmed US export interests while the US took measures that harmed Canadian interests. Canadians found US protectionism particularly galling in the face of the overwhelming economic superiority enjoyed by the United States.

While Canada professed a deep attachment to rules-based multilateralism, Canadian officials were not always convinced that the rules were enough. They were not prepared to take on US interests purely on the basis of the rules, preferring where possible to negotiate accommodations that reflected the neighbourliness worked out in the 1930's and 1940's. Both sides were loath to rely on third-party arbitration, fearful that such arbitration could lead to a loss of control by both officials and ministers. Despite a long string of irritants between the two countries, Canada did not formally invoke GATT dispute settlement procedures against the United States until 1973 when it joined in a complaint regarding the US Domestic International Sales Corporation tax deferral scheme. Until that time, close consultation and resort to pragmatic solutions were the preferred approach.

This quiet diplomacy worked better when Liberals and Democrats were in power than when Republicans were in office in Washington or Conservatives in Ottawa. The Eisenhower years saw more setbacks than triumphs as Republicans in both Congress and the Administration were more inclined to listen to US business interests than take account of broader geopolitical considerations, and tiffs between the Kennedy and Diefenbaker governments became legendary. With the return to power of the Liberals in 1963, however, neighbourliness was fully back in fashion, at least until Lester Pearson offended President Johnson over the Vietnam war. Even then, US officials worked hard to maintain good relations. The resolution of problems in the automotive industry by means of the GATT-inconsistent Autopact in 1965 typified what could be achieved as a result of the special relationship.

The auto agreement added further to the continental direction of Canadian economic development. By this time, opinion in Canada was beginning to question the wisdom of such close ties to the American economy. As if to prove the critics' case, President Nixon and his Treasury Secretary John Connally brought the special relationship to a crashing halt in 1971. Faced by a mounting drain of dollars caused by the Vietnam war and US overseas investment, as well as US responsibility as the reserve currency under the fixed-exchange regime of the International Monetary Fund, Nixon took dramatic action that effectively altered the postwar consensus on monetary cooperation. The various measures, including a ten percent import surcharge, hit Canada hard. Canadian officials trooped to Washington to explain that Canada should be exempted from the measures only to learn that they were considered a major part of the problem. There would be no exemptions and Canada would have to make its own adjustments. In case the point had been missed, President Nixon told the House of Commons the following year that he respected "Canada's right to chart its own course" – the United States would follow its own course and respect Canada's right to do the same. There would be no more special relationship.
Canada's ability to use quiet diplomacy to advance its trade interests had in part reflected the fact that during the first three decades after the end of the Second World War, trade was much less important to the United States than to Canada. With few exceptions, American firms manufactured goods and produced services for American consumers, and American consumers relied almost exclusively on American goods and services. Competition in the United States meant competition among American firms. Abroad, American firms might compete with European, Canadian, and other firms, but more often on the basis of goods produced by American branch plants than on the basis of exports. Until the 1970's, the value of neither American exports nor American imports ever exceeded five percent of GDP. The United States might formally have been the most open economy in the world during this period, but in terms of actual levels of trade, it was one of the most closed. Consequently, the number of special interests affected by Canadian and other imports was quite small, in part explaining why the State Department was allowed to subordinate so much of its trade policy to broader geopolitical considerations. The payments crisis that led to the Nixon measures of August 1971 was fueled in large part by the outflow of US investment as well as the cost of the Vietnam war, rather than by the inflow of imports or the paucity of US exports.

Trade played a much more important role in the Canadian economy, particularly trade with the United States. During the first decade and a half after the war, growth in the Canadian economy was spurred more by domestic than foreign demand, but by the end of the 1950's, when most European currencies had returned to full convertibility and reconstruction in Europe and Asia had been achieved, Canada was participating in a trade-led boom. For Canada, however, that boom was largely a matter of trade with the United States. Trade between Canada and Britain never recovered from the devastation of war, depression, and Britain's long attachment to a closed Sterling area. By the time Sterling was returned to convertibility in 1957, Canadians had developed a clear preference for American over British goods, and Britain had learned to rely more and more on European and other Commonwealth suppliers. In the following two decades, that pattern of close interdependence would accelerate further, fueled by the effect of growing two-way investment flows.

The intensification of trade and investment naturally added to the potential for tensions. Canadians might not be considered foreign by most Americans, but to those who had to compete with Canadians either at home or in Canada, Canadians did not always measure up to American standards and, without representation in Congress, were fair game for either protectionist measures at home or some extraterritorial arm-twisting in Canada. Managing these tensions proved more a Canadian than an American challenge. Even during the heyday of the special relationship, Canadians had learned that any irritant in the relationship was usually their fault and required them to take appropriate action to fix the problem. By the early 1970's, Canadian vulnerability to US actions had become acute, particularly as the long US economic lead over its trading partners began to erode and US firms learned that they would have to compete with foreign suppliers not only abroad, but also at home. Many were convinced that foreigners could only beat them on
the basis of some unfair advantage, and Congress agreed by strengthening the US unfair trade laws.

The Trudeau government’s response to the vulnerability created by Canada’s close economic ties to the United States was the Third Option. Originally conceived by Secretary of State for External Affairs Mitchell Sharp (1994: 186) in response to the 1971 Nixon measures, it became an article of faith for some ministers and officials for the next dozen years, although in many instances it involved more rhetoric than action. Sharp came to have his own regrets, remembering that “the Third Option came to be invoked enthusiastically by the government and by others to support policies that were far more nationalistic than my paper had proposed, a consequence that I deplored.”

Strengthening the Canadian economy was unexceptionable. More controversial, but widely accepted, were various policy measures aimed at Canadianizing the economy, i.e., reducing Canadian reliance on US investment capital and ensuring that new, particularly US, investments would be of “net benefit to Canada.” Not as controversial but wholly ineffective was the effort to diversify Canadian trade relations. Trade is a private sector activity and the capacity of a democratic government in a market-based economy to influence the direction and content of trade is limited, particularly when the direction it seeks runs contrary to economic and geographic forces and private sector preferences. The 1976 “contractual link” with the EC and the “broadening and deepening” agreement with Japan represented political commitments, but were never backed up by policy measures with any clout. Sharp agrees that the policy contemplated “was never really seriously attempted and, in retrospect, was probably far too difficult an undertaking for any federal government of Canada, given the crucial role of the provinces with respect both to resources and industry” (Sharp, 1994: 186). Little Canadian trade and investment was in fact diversified.

As a technique for managing trade relations with the United States, the Third Option was less than helpful. But then, as Robert Bothwell (1992: 11) observes, “Trudeau was never very much at home with Americans, and never entirely came to grips with the significance of the United States in Canadian life.” Because trade with the United States continued to expand, issues and irritants in the relationship also grew. While US officials could appreciate Canadian anxieties about over-dependence on the US market, they did not appreciate some of the policy measures chosen, whether in the realm of investment (the Foreign Investment Review Agency), energy (the National Energy Program), or culture (various measures to increase Canadian content in publishing and broadcasting). All were considered confiscatory and discriminatory. The net result was a deterioration in Canada-US relations. The Trudeau years not only saw an end to the special relationship of the 1950’s and 1960’s, but also witnessed the growing perception in Washington that Canada was becoming a problem country. There was no way that Canada could now count on the benefit of the doubt. Its friends were few and without influence.
Changes in the way Washington operated further undermined the traditional basis for managing trade and investment relations between the two countries. Exemptionalism not only did not work because Canada was no longer seen as an important and special partner, but because the centers of power had changed. In the period from the 1930's through the 1950's, Congress had ceded its trade negotiating authority to the President, who in turn had relied on the State Department to execute this delegated authority. In pursuing its mandate, the State Department often subordinated narrow commercial policy considerations to broader geopolitical interests. Canada counted on its willingness to view matters broadly rather than narrowly to defend its interests and thus concentrated its resources on diplomatic channels in the State Department. The latter was able to take a broad, national interest approach because, unlike most executive agencies such as the Commerce Department or the Department of the Interior, it did not have a natural domestic constituency. Other than a small, generally supportive foreign policy elite in New York and Washington, the State Department did not have to satisfy any special interests and could thus successfully appeal to broad geopolitical ones.

Most members of Congress were not happy with this state of affairs. While unprepared to return to the situation that had led to the excesses of the Smoot-Hawley Tariff Act of 1930, Congress did not want to be seen as responding to the narrow interests of particular industrial and agricultural sectors. It extricated itself from this role by passing legislation which mandated separate agencies to provide embattled industries with relief from foreign competition when certain conditions were met, such as foreign dumping or subsidization or levels of imports capable of causing injury or harm to domestic industries. Over the years, it tinkered with these laws to make them more responsive to domestic interests and to make their application less and less subject to administrative discretion (Destler, 1995).

Congress also established a Special Trade Representative (later the US Trade Representative) to be the principal executor of US trade policy. The State Department lost its lead role and was reduced to just another agency participating in the policy formulation process, weaker than most because it lacked any domestic constituency of its own.

Finally, Congress began to reassert its role in the trade and economic policy-making process much more aggressively in the 1970's, at the same time as the traditional power-brokering system in Congress disintegrated. In the aftermath of the Watergate scandal and the rapid decline in the Imperial Presidency established by Franklin Roosevelt, power in Washington became even more decentralized. Canadian ministers and officials could no longer count on the State Department and the White House as centers of power that could be courted to help defend Canadian interests, nor could they rely on a few major figures on the Hill capable of applying the brakes when special interests got out of hand and sought measures clearly inimical to Canadian interests. As Allan Gotlieb (1991: 30) observed, by the 1980's the Speaker of the House could deliver his own vote and little more.
Thus while the 1971 Nixon measures may have symbolized the end of the special relationship, the handwriting had long been on the wall. Even if Canada had remained the most constant of US allies, prepared to give the US the benefit of the doubt in return for which Canada could count on its friends to defend its interests, its friends could no longer deliver what Canada needed. During its heyday, Canada did not expect to win all its battles in Washington, but it had won enough of them in the more than thirty-five years since the two countries had entered into a reciprocal trade agreement to make the special relationship into a central canon for the conduct of bilateral relations. By the end of the 1970's it was clear there would be no return. Other means would have to be developed to ensure that Canada could defend its interests in the US capital.

By the early 1980's, Canada's economic dependence on the United States had reached new heights, while rules and institutions to underpin that degree of dependence had not kept pace. A growing array of irritants led to heightened anxiety among Canadian business leaders about the management of the relationship. Efforts to launch a new round of multilateral negotiations at a ministerial meeting of GATT in 1982 proved premature, leaving Canada in what was perceived to be an increasingly intolerable situation: heavily dependent on a single market but without sufficiently free and secure access to make investment on the basis of a North American economy feasible.

VI THE DECISION TO NEGOTIATE THE FTA

Against the background of a deepening but troubled relationship, what were the policy motives and objectives that led to the decision to negotiate a free-trade agreement? Free trade had proven one of the most divisive issues in the history of Canadian politics. At least two elections had been fought on the issue, in 1891 and 1911, and the supporters of free trade had lost both. Little wonder, therefore, that the origins of the decision to negotiate with the United States in the mid-1980's lay more in professional than in partisan considerations. It was not part of the agenda of new prime minister, Brian Mulroney, elected in 1984, nor had it played an important role in the agenda of the Conservative Party. Mulroney had categorically dismissed free trade during his successful leadership bid in 1983. It had been advocated by a number of prominent members of the party, including Finance Minister Michael Wilson and Justice Minister John Crosbie, but Crosbie had failed in his leadership bid and Wilson had other priorities. What mattered politically was that a number of other key Conservative goals lent themselves to a decision to pursue a Canada-US free-trade agreement: one was a commitment to place Canada-US relations on a less adversarial tone, and the second was a desire to reduce the role of government and allow markets to play a larger role in Canadian economic life. Finally, Mulroney and his ministers were prepared to accept the advice of officials and of other influential voices that free trade and better relations with the United States were not unrelated.

The immediate catalyst to the decision to pursue free trade with the United States was the combined impact of the conviction of business leaders that they needed a better way to defuse and resolve trade and investment disputes with the United States and the de-
termination of senior civil servants to find a better way to manage Canada-US relations. The FTA responded as much to a management crisis as to an economic imperative in Canada-US relations. Civil servants responsible for both the broad spectrum of Canada-US relations and the narrower commercial policy concerns of Canadian exporters to the United States were looking for a better set of rules which would level the playing field between the two sides. The most important element in the equation was not that trade would be free – although that obviously had some important ramifications – but that it would be governed on an agreed basis, i.e., that the agreement would provide a set of rules that would be equally binding on the US and the Canadian governments and contain procedures to ensure that these rules would actually be implemented.

The FTA was meant to serve the twin objectives of enhancing and securing Canada’s access to the US market, with both objectives enshrined within a binding agreement. The price for meeting these objectives would, naturally, be to enhance and secure US access to the Canadian market. Much has been written about the costs and benefits of enhanced and more open access to each other’s markets for goods, services, capital, and technology. We need not rehearse the arguments here except to reiterate that this aspect of the agreement had the effect predicted: a major restructuring of the Canadian economy along North-South lines leading to greater efficiency and prosperity and much higher levels of two-way trade and investment (Schwanen, 1997). Whether one considers these results good or not depends on one’s values. Some of these changes can be attributed directly to the FTA, others were a matter of more indirect effects, including attitudinal changes, technological developments, the consequent negotiation of the NAFTA, and the major expansion of the multilateral rules from the GATT to the WTO.

The debate in Canada on the merits of the FTA was in many ways a debate on the merits of deepening integration. It indicated that the compromises which governments now had to forge differed significantly from those that had animated the trade negotiations of the 1950’s through 1970’s. Then the debate had been largely between import-competing (read manufacturing) and export-oriented (read agriculture and resource) producers. Echoes of old imperial sentiments and appeals to new economic nationalism added spice but were essentially secondary considerations. By the 1980’s, however, Canadian producers were largely of one view. Even import-competing sectors accepted that there had to be significant restructuring if Canadians were going to compete in the global economy and that such restructuring could best take place within a framework of rules that allowed them to compete in a larger market, even at the expense of more competition at home. The new opposition came from a coalition of populist groups worried about a range of issues – Canadian culture, health care, environmental protection, gender equality, and other largely non-economic concerns – believed to be threatened by a more

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7 Daniel Schwanen (1997) of the C.D. Howe Institute has provided the best continuous analysis of the trade impact of the FTA and NAFTA. In his third report (C.D. Howe Commentary no. 89, 1997), he concludes that “the pattern of trade between the two countries has shifted roughly in the direction of pre-FTA expectations, and the competitive position of Canadian and US producers in each other’s markets has improved relative to those in third countries in many sectors that were liberalized under free trade.”
open economy as well as by closer economic ties to the United States. The debate pitted a corporate internationalist vision against a populist nationalist one.

From the perspective of those charged with managing Canada-US relations, however, the intensity and far-ranging nature of the debate seemed at times to border on the bizarre. The claims and counter claims on both sides of the divide attained an extravagance that insiders had difficulty appreciating. What made it particularly puzzling was that there seemed to be little appreciation on the part of opponents that without a better set of rules and procedures, Canada's ability to promote and protect its interests in Washington would continue to deteriorate leading to precisely the kinds of outcomes opponents most feared. A well conceived and implemented trade agreement would do more to protect Canadian sovereignty and freedom of action than the continued drift toward a continentalism without rules, i.e., a continentalism in which the United States called all the shots. The nationalist alternative of a sturdy Canada going its own way and cocking its snout at the United States was hardly more reassuring.

Of course, to some opponents, the better alternative to the FTA was a revitalized multilateral system of rules. Proponents of the FTA, however, never opposed a better functioning GATT. Indeed, many of the professionals who contributed to the FTA and NAFTA negotiations also worked on the concurrent Uruguay Round of GATT negotiations, and saw all three negotiations as individual parts of a single whole. The FTA would simply achieve more quickly and more thoroughly what was equally desirable at the multilateral level. There was also some skepticism about the ability of the Uruguay Round to deliver, given both the delays in launching negotiations and the difficulty of bringing them to a successful conclusion. Many skeptics, while not perhaps prepared to concur with Lester Thurow's catchy judgment that GATT was dead, did not believe that the final result of the Uruguay Round would be as wide-ranging and professionally satisfying as it turned out to be. At a minimum, therefore, pursuing a bilateral agreement with the United States was an act of prudence.

The unitary nature of Canada's approach is demonstrated by the extent to which the FTA was firmly lodged within the structure and values of the multilateral GATT system. The provisions dealing with trade in goods follow closely the contours of earlier free-trade area agreements negotiated under the auspices of GATT article XXIV. The agreement also addressed issues that went well beyond a conventional FTA, including some that would normally be found in customs-union or common-market agreements. Characterized as new trade issues, they were in reality the kinds of issues that need to be addressed as economic integration deepens and as the potential for cross-border commercial conflicts intensifies. Even for these, however, there was a scrupulous effort to try to negotiate rules that would fit into a GATT-plus mold and that were congruent with what would flow from multilateral negotiations just getting under way.

Finally, the agreement included some innovative provisions aimed at reducing conflict and resolving disputes. In addition to a more robust version of the general GATT approach to dispute settlement, in some ways anticipating reforms adopted during the
Uruguay Round of multilateral negotiations, it included a special dispute resolution regime related to antidumping and countervailing duty procedures. The two sets of provisions responded to the original concerns of Canadian business that had given rise to the negotiations, but with the important difference that they were firmly ensconced within a fully articulated set of rights and obligations related to trade and investment.

VII THE IMPACT OF THE FTA

Has the FTA worked? Has it helped the management of Canada-US relations? Yes, to the extent that Canadian governments have been prepared to use its rules and procedures. The existence of an international agreement does not mean there will not be conflict, only that there is a better basis for resolving conflict. The fact that there is a criminal code does not end crime, nor does the existence of courts stop civil litigation. Both the criminal code and the courts provide a more orderly, predictable, and just way of addressing conflict. They make it possible to bring a conflict to an end and resolve an issue. The same considerations hold true for international rules and procedures. A profound misreading of the FTA and the NAFTA led to many popular Canadian complaints about the rash of Canada-US trade disputes in the late 1980's and early 1990's. The existence of rules and procedures does not end disputes, and in fact, may increase the number of issues that need to be resolved on the basis of rules using formal procedures.

The agreement did at first seem to multiply disputes, as players on both sides of the border tested the will of the two governments to live by the new rules. Procedures under chapter 19 dealing with antidumping and countervailing duty cases proved particularly popular and have continued to engage parties in all three countries under the NAFTA. Under the FTA, a total of 35 cases were litigated, with a variety of results, some favouring Canadian parties, some American parties, but as William Davey (1996: 288-9) concludes in his study of all the FTA cases: "The dispute settlement mechanisms of the [FTA] have worked reasonably well, particularly the binational panel review process. The basic goal of trade dispute settlement ... is to enforce the agreed-upon rules. By and large, these dispute settlement mechanisms have done that."

Chapter 19, which was much less than Canada had originally sought, proved a pleasant surprise in reducing the cross-border temperature in trade remedy disputes, forcing administrators on both sides of the border to mind their P's and Q's, and reducing the capacity of US legislators to pressure tribunals to favour the home team. The more general dispute settlement provisions of chapter 18 of the FTA (20 of the NAFTA) have been used less frequently but as usefully. A variety of difficult issues, including salmon and herring landing requirements on Canada's west coast, the application of automotive rules of origin, and the continued right of Canada to maintain high tariffs to protect supply managed agricultural goods, have all been resolved with the help of high-quality panels and the procedures of the FTA or NAFTA. Additionally, the much improved multilateral procedures under the World Trade Organization (WTO) are now available to help resolve conflicts, as in the issue involving Canadian restrictions on imports of split-
run periodicals. In all of these cases, the application of clear rules within a set of binding procedures that ensure the equality of standing of both parties has greatly facilitated the management of relations between the two countries. Canada has not won all the cases, in large part because Canada's policies have been inconsistent with Canada's obligations. The purpose of dispute settlement is not to guarantee that Canada always wins but to ensure that issues are resolved on the basis of agreed rules and procedures rather than power politics.

Some issues, however, have not lent themselves to resolution either through bilateral or multilateral procedures, in large part because the rules are not clear, such as Canadian willingness to restrain exports of wheat in 1995. In 1997, US requests for similar restraints have to date been met by refusal, in the knowledge that the US does not have a legal basis for its request, whereas Canada does have a legal basis for its refusal. Unilateral US action could be successfully challenged by Canada under either NAFTA or the WTO. Similarly, Canada has so far been adamant that as long as its exports of men's fine suits meet the NAFTA rules, it will not restrain their export, despite strong political pressure by the US industry on Congress and the Administration to limit their imports. Finally, the Helms-Burton law, while clearly an abuse by the United States of the security provisions of both the FTA/NAFTA and the WTO, raises troubling issues that go beyond currently agreed rules. Using dispute settlement to resolve this issue could place inordinate strain on the system without leading to clear results.

The exception that would seem to prove the rule is the continuing saga of softwood lumber. Originally written out of the FTA, trade in softwood lumber has continued to bedevil Canada-US relations for more than a decade and a half. Canada's current agreement to restrain exports of softwood lumber appears to have been based on a political judgment that while Canada had right on its side, the cost of proving this point, both economically and politically, outweighed the benefits of restraining the imports and thus ensuring peace in the industry for five years and keeping the scarcity rents in Canada. Reasonable people can differ about the wisdom of this political judgment and its long-term impact on the integrity of a rules-based approach to managing relations. With this single exception, the new era of more certain rules and procedures has proven its worth. Integral to this result, however, has been Canada's willingness to practice a new kind of diplomacy.

VIII THE FTA AND THE NEW DIPLOMACY

One of the lasting impacts of the FTA negotiations was acceptance by Canada of the need to practice a diplomacy more in tune with the reality of how Washington works. Canada's experience with the US Congress and US trade laws and procedures in the 1970's and early 1980's convinced the government that it needed an agreement that would give Canadians standing in these proceedings and help to reduce disparities in power between the two countries.
Canada’s experience in negotiating agreements with the United States in the 1980’s and in pursuing and defending Canadian rights under those agreements in the 1990’s convinced the government Canadians needed not a larger but a different presence in the US capital and across the country.

Until the 1970’s, Canadian representation in the United States consisted of an embassy in Washington and more than a dozen consulates general across the country. The embassy concentrated on the traditional diplomatic functions of representation and intelligence gathering, focusing on the State Department, but also building relationships with other executive agencies, including the Defense Department, Commerce, USTR, Agriculture, Treasury, Transportation, Justice, and others. The consulates general were primarily engaged in the promotion of Canadian trade opportunities and fostered private sector contacts.

In the 1990’s, Canada still maintains a large and splendidly located embassy as well as some dozen consulates general. What these offices do, however, has changed radically. The traditional representational, intelligence gathering, and promotional activities, while still important, have been whittled down in order to make room for a range of new priorities. The embassy has become the nerve center of a vast information gathering and influence enhancing operation. In addition to its staff of traditional foreign-service officials and locally engaged specialists, the embassy now routinely uses the services of lawyers, lobbyists, and publicists to get its message out and reach the myriad of power brokers and decision-makers scattered around Washington. A congressional liaison team ensures that no law maker will be missed in an effort to ensure that Canadian interests are known and taken into account. Around the country, the consulates general spend as much energy on policy issues with both private and public contacts as they do on more traditional trade promotion activities. Taking to heart the lessons learned in the 1980’s, they help to ensure that any US interest that coincides with a Canadian interest gets its message across in Washington.

Not everyone is happy about the turn Canadian diplomacy has taken in the US capital. Mitchell Sharp (1994: 184), veteran of the era of quiet diplomacy as both an official and a minister, bemoans that under the FTA, “Canadians will have to be as outspoken, aggressive, and litigious as those on the other side of the border.” Sharp confuses cause and effect. The FTA provides a framework of rules and procedures within which Canada can aggressively defend its interests. The need to do so was dictated by changes in the relationship and in the way Washington operates. Anthony Westell (1989) agrees that Canada had little choice in raising the stakes in Washington, but cautions that media involvement will inevitably exaggerate the adversarial nature of disputes. Conflict sells; harmony is boring. Thus public diplomacy may make conflicts appear more rancorous than in fact they are.

Despite this disadvantage, the results speak for themselves. The Canadian embassy has become one of the most sophisticated lobbying efforts in the US capital, earning kudos from those in the know as the most effective foreign representation in Washington. It has
adapted well to the demands of the fragmented, interest-driven Washington of the 1990's. From a Canadian perspective, the United States might still often be indifferent and difficult, as the 1997 salmon negotiations demonstrated once again, but its decision-makers certainly are better informed and the consequences of ignoring Canadian interests better known. This enhanced Canadian presence in the United States does not necessarily translate into one Canadian victory after another. It does mean, however, that Canada wins more than it loses. In Washington, that is an enviable record for any foreign government. It is a record that is in large measure the result of the agreements negotiated in the 1980's and the intelligent deployment of Canadian resources in Washington and across the country.

IX CONCLUSION

Managing its commercial relations with the United States has always been a challenge for Canada. The explosive mix of Americans' unbridled pursuit of manifest destiny and Canadians' overdeveloped sense of paranoia makes it difficult for a government to maintain the confidence of the electorate. On occasion, Canadian officials have sought to exploit natural US neighbourliness and develop a special relationship, only to learn time and again the truth of Lord Palmerston's dictum that nations have interests rather than friends. In the United States, as Allan Gotlieb (1991: 56-7) observed, that dictum more often means that legislators, in the highly fragmented system of US decision-making, have special interests rather than enduring friends. A foreign government, no matter how friendly and neighbourly, can only rarely rise to the status of a special interest. To reduce the natural disadvantages that a small, trade-dependent country has in dealing with its superpower neighbour and ensure that legitimate Canadian interests are not too quickly sacrificed on the altar of political expediency, Canada needs the clout that comes from formal agreements with binding procedures. As Derek Burney, Gotlieb's successor in Washington, and one of the principal architects of the FTA, concluded: "Canada's pursuit of trade agreements, of rules and of dispute settlement mechanisms is not a matter of high-mindedness. It is a matter of survival. It is a reality that is brought home to us on a daily basis. As a small country living next door to a global power, we need these rules to reduce the disparity in power and thus allow us to reap the benefits of our proximity." The FTA provided such an agreement. It raised the legal status enjoyed by Canadian interests to unprecedented heights and proved a critical step toward the further negotiation of even better rules and procedures in the NAFTA and WTO. Together with stronger representation, these rules are proving to be effective tools in the arsenal of measures Canada needs to live in harmony with but distinct from the United States.

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