

LIVING WITNESS UNCLE

**Canada-US Relations
in an Age of Empire**

**Edited by
Bruce Campbell
and Ed Finn**

James Lorimer & Company Ltd., Publishers
Toronto

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James Lorimer & Company Ltd. acknowledges the support of the Ontario Arts Council. We acknowledge the support of the Government of Canada through the Book Publishing Industry Development Program (BPIDP) for our publishing activities. We acknowledge the support of the Canada Council for the Arts for our publishing program. We acknowledge the support of the Government of Ontario through the Ontario Media Development Corporation's Ontario Book Initiative.

Cover design: Meghan Collins



National Library of Canada Cataloguing in Publication

Living with Uncle: Canada-US relations in an age of empire / edited by Bruce Campbell and Ed Finn.

Includes bibliographic references and index.
ISBN 978-1-55028-960-2. ISBN 1-55028-960-8

1. Canada--Foreign relations--United States. 2. United States--Foreign relations--Canada. I. Campbell, Bruce, 1948- II. Finn, Ed, 1926- III. Title.

FC249.L58 2006 327.7'1073 C2006-903634-9

James Lorimer & Company Ltd.,
Publishers
317 Adelaide Street West, Suite #1002
Toronto, Ontario
M5V 1P9
www.lorimer.ca

Printed and bound in Canada.

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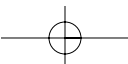
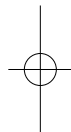
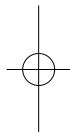
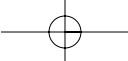
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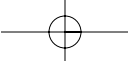
A C K N O W L E D G E M E N T S

This book grew out of a conference of the same name that was part of the Canadian Centre for Policy Alternatives' Twenty-fifth Anniversary in 2005. Some of the contributions to this book were adapted from conference presentations. Others were written following the conference. We are grateful for the authors' willingness to come together with us, and for their presentations, which were so integral to the success of our event.

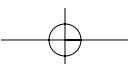
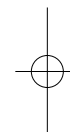
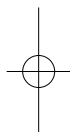
Our thanks to the CCPA National Office staff who organized this event, to the staff in Ottawa and across the country whose talent and dedication sustain the Centre's prolific body of work, to our volunteer board for their guidance and direction, to the research associates for the depth they add to the Centre's reputation. We also thank the hundreds of people who helped us celebrate our first quarter-century, the thousands of people who support the work of the CCPA through their membership contributions and donations, and to the scores of enlightened individuals and organizations who saw the need for a progressive counterweight to the business-sponsored think tanks and stuck with us through the hard times. Our thanks as well to the people who make up the labour, social, and environment organizations with whom we work day in and day out to advance the ideals of social and economic justice, democracy, and peace.

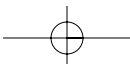
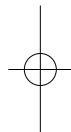
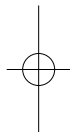
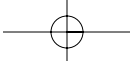
Finally, we thank James Lorimer for his support of and collaboration with the Centre over the years, and for encouraging us to complete this book.





P A R T I





I N T R O D U C T I O N

Perhaps it is best to begin this book by taking the long view of Canada's relationship with the United States. For the last two-and-a-half centuries, the relationship has been relatively civilized—with some notable rough patches—at least by international standards. Our view of the United States has fluctuated from good neighbour to neighbourhood bully, from bastion of democracy to be emulated to rogue state to be shunned. Our sense of the American view of Canada has also fluctuated with long periods of benign neglect punctuated by episodes of callous disregard. The huge power imbalance is the central defining reality of the relationship explaining the obvious fact that, while Canadians' self-image is deeply influenced by our relation to our American neighbours, Canada barely registers on the American consciousness.

Within Canada, there is the ancient and enduring tension between two political currents. One camp focused on the north-south axis, today referred to as continentalist/globalist/neoliberal. The other camp, oriented east-west, is variously described as nationalist/internationalist/progressive.

For Canadian policy makers of either camp, though they may define it differently, the challenge is to preserve sufficient policy space to maintain a requisite level of independence on the American periphery. Developments of the last two decades have made this challenge especially difficult: the "free trade" agreement, neoliberal globalization, the end of the cold war, September 11, and the war on terror. The term *crisis* is frequently used to describe the current state of relations. On the other hand, considering this term has been used repeatedly in the past, perhaps crisis also describes an enduring characteristic of the bilateral relationship, at least from a Canadian perspective.

The contributors to this volume may differ somewhat in their assessment of the state of Canada-US relations and where that rela-

tionship is going. But they share a common vision of an independent Canada open to the world and able to chart its own course: a Canada that is on friendly terms with the United States, but at a distance; a Canada able and willing to resist the powerful forces that would draw it deeper into Fortress America. They share a vision of a Canada that is able to advance, democratically, an agenda that builds on a social democratic—just society vision that emerged after World War II from the struggles of the 1930s and 1940s, but with a much longer history rooted in the concept of sharing for survival.

They understand that a powerful competing political force in the world and within Canada—often referred to as neoliberal globalization—has made the ability to pursue just society goals more difficult. This force reflects a very different vision and one that also has a long history.

The north-south pull has been strong in the post-war era, driven by business interests and by the realities of the cold war. The Canadian economy has become vastly more integrated with the United States over the last six decades. Scores of policies, agreements, and protocols have managed, redirected, or slowed down this integration process: the Auto Pact, NORAD, “Third Option,” GATT, FIRA, the NEP—to name some of the most prominent. Their purpose was generally to manage or develop counterweights to integration forces in order to preserve our independence.

The great 1988 free trade debate and election—in which many of the contributors to this book were prominent players—resulted in the passage of the Canada-US Free Trade Agreement (FTA). It was a watershed event that set the country on a course more closely aligned with Fortress America. It enhanced the power of capital relative to workers and communities, and limited the power of government to regulate and shape the market. It thus ensured that integration would not only accelerate, but do so within a neoliberal policy mold. This has made it more difficult for progressive-minded governments to advance their policy agendas, and more difficult to advance just soci-

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ety goals, let alone hold onto existing social achievements. Five years later, the FTA—deepened and extended to Mexico—was converted and expanded to the North American Free Trade Agreement (NAFTA).

September 11, 2001, jolted the Canada-US integration process again. Security trumped trade, security and trade became indivisible, and Canada—more dependent than ever on the US market—had even less bargaining room to resist or moderate US demands. Security became the new engine of integration. Amid the threat of border disruptions the Smart Border Declaration and Action Plan was signed in December 2001. The flow of goods, services, and people normalized, although with the border considerably thicker than it used to be. And Canada paid the price in major security concessions with significant harmonization of intelligence policies and procedures affecting everything from refugee, immigration, visa, and transportation policies to the criminal justice system, civil liberties, and privacy protections.

The big business push for deeper integration policies has been driven by fear, in the 1980s by the fear of increased US protectionism, and since 9/11 by the fear of security-related border disruptions. But it has also been driven by the goal of harmonizing Canadian policies, regulations, and institutions with those of a more “business friendly” America, reducing the significance of the border, and foreclosing the ability of any future Canadian government to return to the interventionist policies of the 1960s and 1970s. It is a way to smuggle a corporate agenda, unpopular with most Canadians, through the back door.

NAFTA was an important step—but only a step—toward the goal of economic union with the United States. September 11 was a threat, but also an opportunity to inject new life into a flagging deep integration initiative. Business think tanks cranked up their policy mills producing, notably, the “Big Idea,” which proposed a deep integration mega-deal with everything on the table. The big business

lobby, the Canadian Council of Chief Executives, still headed by Tom d'Aquino, launched its Security and Prosperity Initiative, which contained a host of ambitious deep integration measures: a continental security perimeter, an energy and resources (likely including water) security pact, a regulatory harmonization action plan, a customs union, and the introduction of common institutions. D'Aquino parlayed this project into a tri-national business task force on North American integration, co-chaired by John Manley and with members including himself and Michael Wilson.

While business is driving the agenda, at the political level the executive branch and elements of bureaucracy are moving deep integration forward by stealth. There is little public debate or consultation. Information is scarce. Parliamentary oversight is minimal. There is the sense that the less Canadians know about what is going on, the better. Although elite attitudes and values have converged with their US counterparts—on Iraq and other foreign policy matters, on lower taxes and minimalist government, for example—they have diverged greatly from those of the Canadian public. This divergence also extends to attitudes about deeper integration and whether Canada should be more like the United States. Most Canadians don't want to be more like Americans. They are confused about the term *integration*, but wary of such initiatives, particularly when they are thought to affect Canadian policy autonomy. Thus, it is not surprising that the issue, a hard sell at the best of times, is being kept low-key.

The Chrétien and Martin governments, convinced of its desirability (or at least inevitability), advanced elements of the deep integration project, but were not enthusiastic about the Big Idea approach. The Canadian public's hostility to the Bush administration, US indifference, and division within their own parliamentary ranks made them incrementalists. They moved more visibly on the security front, where the pressure from the United States was greatest, and less so on the economic front.

The Martin government played a lead role in creating the North

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American Security and Prosperity Partnership agreement signed by the three NAFTA leaders in March 2005. The SPP became the umbrella—absorbing NAFTA and the Smart Border Action Plan—under which deep integration is moving forward. The handprints of Tom d’Aquino and his big business colleagues are all over the SPP (the name is almost identical), which is in sync with the business blueprint for North American integration. At the second Leaders’ meeting in March 2006, to which business representatives were invited, a new body, the North American Competitiveness Council of CEOs, was announced, to give direction and guidance to the political leaders on the SPP.

Though it is early days in the life of the Harper Conservative government, there is every indication that not only will it continue the deep integration initiatives started by the Liberals, but will push them more aggressively and more openly. Its ideology is more overtly integrationist. It identifies more closely with American military and intelligence priorities. The Conservatives might even risk going for another ambitious deal with the United States if it gets a majority in the next election.

Several Mulroney-era free trade warriors have prominent positions in the new government, including Michael Wilson, recently appointed ambassador to the United States. It has acted quickly on the security front by bolstering the intelligence budget, expanding the scope of NORAD to include maritime approaches to North America, and announcing a huge spending spree on military hardware to facilitate the integration of Canadian forces with US global military actions. It renounced Canada’s Kyoto treaty commitment to reduce greenhouse gas emissions, and aligned itself with George Bush’s made-in-North America approach as urged by d’Aquino and company. It buckled under US intransigence on softwood lumber and, in a singular act of appeasement, negotiated a controversial settlement to the dispute—this despite the fact that Canada had won all the NAFTA dispute panel decisions.

How has Canada fared in the free trade era? The promised closing of the long-standing productivity gap between the two countries and diversification of the economy beyond our traditional resource base has been disappointing, to say the least. We are more than ever a “hewer of wood and drawer of water” in the international division of labour—albeit (so far) a wealthy one. The unparalleled domination of our economy by foreign-owned (mainly US) transnational corporations, for a time reversed, is on the rise again. The political centre of the country has weakened as powers have been handed over to the market and devolved to provincial governments. As north-south economic flows have grown relative to east-west flows, provincial governments have come to exercise more power in the federation. At the same time, lowest common denominator tax competition within Canada, and from south of the border, has weakened fiscal capacity at all levels of government. Thus, as North American integration has deepened, so too have the pressures of national dis-integration intensified.

Economic and media elites paint a glowing picture of a strong Canadian economy with a bright outlook. Scratch the surface, however, and all is not well. Canada is a more unequal society—more so than at any time since the 1920s. Profits now take a record share of the income pie from labour. Gross domestic product (GDP) growth is strong, but average wages and personal incomes are stagnant. Some groups, some sectors, and some regions have done well. Those in the top 10 percent of the income scale have prospered—those in the top 1 percent have gained spectacularly. Those at the bottom have lost ground, and those in the vast middle are just treading water trying to hang onto a standard of living under threat of erosion. Our system of social programs, safety nets, and public services has shrunk. Canadians have less protection against the vagaries of the market. The market has made big inroads into the public space. Unemployment at the moment is relatively low, but “good jobs” have declined, and employment is more precarious.

The contributors to this book generally agree that the impact of

NAFTA—interacting with other neoliberal policies—on the lives of most Canadians has been negative, that the loss of policy space has been serious, and that the further deep integration initiatives underway or contemplated would make what has already been given up seem modest by comparison. While they would welcome Canada withdrawing from NAFTA, most would also question its political feasibility at this time. Most would also caution that the loss of policy space should not be overstated, that considerable room to manoeuvre remains for a government willing to exercise it aggressively and creatively. They hold our political leaders—not outside forces—primarily responsible for the direction the country has taken. They believe that the political destiny of the country is still largely in the hands of Canadians and the politicians they elect.

While there has been considerable social and fiscal harmonization downward (to US levels), notably in the areas of taxation, income inequality, and social spending, Canada-US social and fiscal differences remain substantial—and they can be reversed, given the political will. While north-south flows have grown proportionately to east-west flows, the border still remains a powerful insulation against continental integration. We urge caution, however, against nostalgia for a time that is passed, pragmatism about what can be reclaimed and what cannot, and optimism about a future in which the vision of Canada outlined at the beginning of this introduction remains as valid as ever.

Deep integration is a slippery slope. As we move further down it, how much more difficult is it becoming to restore the pre-existing balance? Is there a tipping point beyond which it is irreversible? At what point does deepening economic integration spill over into the political realm? Is it already happening? How can we contain, reshape, or reverse the deep integration juggernaut? How can we chart a sensible alternative course? These are some of the key questions and challenges of living with Uncle in this age of empire.