

CANADA-US INTEGRATION IN THE 21ST CENTURY: A
CANADIAN PERSPECTIVE

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INTRODUCTION: GLOBALIZATION, REGIONALIZATION, AND INTEGRATION

Over the past sixty years Europeans have experienced a dramatic transformation in the way their economic, political, and social systems function. The region has evolved from an area historically ridden with war into a peaceful community with common political institutions and a common currency. Other parts of the world have also seemingly begun to follow this pattern as the forces of globalization exert pressure on countries to open their borders and liberalize trade. North America is no exception. Since the 1980s “Patterns of regionalization [in North America] have intensified dramatically – in terms of trade, investment, energy, environment, migration, and security.”¹ However, “There seems to be a persistent discomfort with the very idea of North America as a region, a persistent refusal to accept the very high levels of regionalization that have developed over the past 20 years, and a persistent unwillingness to consider the implications of that regionalization...And there is a painful absence of serious debate on the forms of regional governance that will be required to meet the challenges of the future.”² A fundamental aspect of these patterns of regionalization has been the relationship between Canada and the United States. Accordingly, this paper will examine that relationship through the lens of Canadian-American integration and how it is conceived in Canadian society.

¹ Andrew Hurrell, “Hegemony in a Region That Dares Not Speak its Name,” *International Journal* 61 (3) 2006, 545.

² (Ibid, 545).

The concept of integration is commonly divided into three categories: economic, political, and cultural. Viewed in this way, integration can best be conceptualized as a distinct process in which each of these spheres moves “along a continuum from fundamentally distinct and unrelated at one end to fully integrated at the opposite end.”³ Using this framework, measuring integration (or divergence) becomes a much more feasible task, especially in the economic realm. For example, examining things like trade patterns between the two countries can provide objective data regarding the rate of integration over a certain period of time. Similarly, the political sphere can be examined objectively by studying actual public policy and legislative outputs in both countries, along with the institutionalization of convergent practices through bilateral agreements. Culturally, things like the American domination of Canadian media are certainly measurable, but it becomes problematic when attempting to identify the actual effects on ambiguous features of society like Canadian identity. Often the only tool available for this is public opinion polls, which are problematic for obvious reasons. Nonetheless, with these utensils we have a viable framework for interpreting patterns of integration in North America.

This paper will show that while integration may appear to be a naturally occurring process that will inevitably continue, there is significant reason to believe that this is not the case. On the surface the historical record seems to lend support to the notion that integration has proceeded along a continuum beginning with two separate nations and slowly moving towards a point in which the lines of distinction

³ George Hoberg, “Canada and North American Integration,” *Canadian Public Policy* 26 (2) 2000, 37.

become increasingly blurred. There is no question that the Canada-US relationship is far more interdependent and closely linked than ever before, and this is certainly the result of incremental steps that have brought the two countries closer and closer. However, the history of this relationship also demonstrates that integration between Canada and the United States has only been able to advance when there is significant political will, support from the citizenry, and it is deemed to be in each country's best interests to do so. Moving integration forward has been a profoundly difficult task for its proponents, and has been resisted at every step along the way.

Nonetheless, supporters of the integration process have seen substantial success in recent years. The signing of the Canada-United States Free Trade Agreement and the North American Free Trade Agreement formally institutionalized the economic links that bind these two countries together, and have provided substantial pressure for integration in areas outside the economic sphere. Since 9/11 a small but powerful segment of the population has made it their mission to convince the Canadian government that integration is inevitable and that its forces must be harnessed in order to take advantage of its potential benefits.

An alternative view of integration holds that integration is actually an elite-driven process that has moved forward primarily as a result of a powerful and wealthy corporate lobby led by the CCCE (formerly BCNI). Proponents of this view argue that the largest advancements in the process of integration thus far (CUFTA and NAFTA) were in fact the result of substantial pressure and political influence on the part of the business community. Furthermore, it is this same group of people

that are attempting to push integration even further because they stand to gain the most from increased access to the American market.

Today Canada is at a crossroads. Proponents of deeper integration (i.e. 'continentalists') are attempting to convince Canadian policy makers that Canada needs to integrate more fully with the United States in order to achieve economic security and maintain our standard of living. Significant evidence exists for the assertion that free trade has benefited the Canadian economy, but the circumstances that facilitated these achievements have drastically changed since September 11, 2001. Indeed, the closing of the border following 9/11 had devastating effects for cross-border trade, and the United States has become far more concerned with domestic security than trade liberalization. Accordingly, those in favour of deeper integration are primarily concerned not with whether integration is good, but how to achieve it in the post-9/11 paradigm.

What this paper will show is that in addition to the challenges associated with the border and America's preoccupation with security, continentalists face an even greater obstacle at home. Canadians all over the country are challenging the pro-integrationist claims and assumptions and resisting their efforts in the name of Canadian sovereignty, independence, and quality of life. For them, integration means the loss of Canadian identity, values, and democracy, and therefore must be prevented or even reversed. While the future remains uncertain, it seems clear that if deeper integration is going to occur it will have to address the concerns and fears of the public and proceed in a democratic and accountable fashion. This is especially true when it involves comprehensive agreements that extend beyond the narrow

scope of trade and produce effects outside the economic sphere. Accordingly, the future of Canada-US integration depends on Canada's ability to reconcile the interests of the business community with those of the Canadian public in a way that mitigates the negative consequences of integration and challenges the perception that integration only benefits the elites.

CANADA-US INTEGRATION IN HISTORICAL CONTEXT: 1850-2001

One of the most dominant and persisting issues in Canadian history has been and continues to be the nature of our relationship with the United States. One could interpret the history of Canada as an ongoing struggle between the seemingly unyielding forces of economic integration on the one hand and Canadian opposition to its political counterpart on the other.⁴ The issue first became apparent in the 1840s when the Peel government in Great Britain repealed the Corn Laws, leaving Canadian exports at the mercy of competition with the United States. Naturally, Canadian businessmen turned their attention to the United States in hopes of creating a new arrangement that would benefit both sides of the border, even if it meant annexation.⁵ By 1854 a reciprocity treaty was successfully negotiated between Washington and Ottawa, providing for the free trade of many natural products, including livestock, grain, and coal. However, despite the treaty's popular support within Canada, the United States Congress abrogated the agreement only twelve years later.⁶

The demise of the Reciprocity Agreement provided substantial force for the movement towards Confederation, culminating in the new Dominion of Canada in 1867. With only reluctance and hostility coming from the South, it became vital for

⁴ John N. McDougall, "The Long-Run Determinants of Deep/Political Canada-US Integration." In *The Art of the State, Vol. II, no. 7* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 3-32. Montreal, QC: The Institute for Research on Public Policy, 2005, 3.

⁵ Jack Granatstein, "Free Trade Between Canada and the United States: The Issue that Will Not Go Away," In *The Politics of Canada's Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 13.

⁶ (Ibid, 16).

British North American commercial interests to build a solid foundation on an East-West axis. By 1878, after a number of failed attempts at renegotiating a new arrangement, the Macdonald government introduced the National Policy, erecting protective tariffs to help support domestic manufacturing and agriculture.⁷ This Policy marked the “first and most explicit attempt in Canadian history to use policy to resist deliberately the powerful economic forces channeling trade into north-south flows.”⁸

It was at this time that two distinct ideas regarding Canada’s future emerged: on the one hand, economic and business interests pushed for either Unrestricted Reciprocity (UR) with the United States or a Commercial Union (CU), and on the other economic and political nationalists resisted these pressures in the name of Canadian independence and sovereignty.⁹ The issue became especially salient after the rise of Wilfrid Laurier to leader of the Liberal Party in 1887 and the subsequent election in 1891. In the first “free trade election”,¹⁰ Laurier’s Liberals ran on a platform advocating CU, which entailed “the disappearance of all customs houses along the border, and a common tariff wall erected by Canada and the United States against overseas countries. Duties received were to be divided between them according to an agreed formula.”¹¹ In opposition to this, nationalists protested that policies under such an arrangement would inevitably be set by the larger, stronger

⁷ (Ibid, 16-17).

⁸ George Hoberg, “Canada and North American Integration,” *Canadian Public Policy* 26 (2) 2000, 38.

⁹ Jack Granatstein, “Free Trade Between Canada and the United States: The Issue that Will Not Go Away,” In *The Politics of Canada’s Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 17.

¹⁰ George Hoberg, “Canada and North American Integration,” *Canadian Public Policy* 26 (2) 2000, 38.

¹¹ Jack Granatstein, “Free Trade Between Canada and the United States: The Issue that Will Not Go Away,” In *The Politics of Canada’s Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 17-18.

partner to the South, and taking it a step further declared that Canada as an independent nation would not survive at all. The Liberals ultimately drew back their platform to advocacy of UR, but Macdonald's Conservatives were quick to equate Reciprocity with "virtual treason", accusing the Liberals of attempting to sell Canada to the United States.¹² Macdonald's Tories ultimately won the election under the nationalist cry that "this election...will show to the Americans that we prize our country as much as they do...[and] that we would fight for our existence. A British subject I was born, and a British subject I will die."¹³ Canadians were not ready to accept the premise that the economic benefits of integration with the United States would outweigh the costs.

1911

These two opposing visions clashed once again in the 1911 National Election. Laurier, who had been in power since 1896, negotiated the first renewal of reciprocity with the United States since its demise in 1866. This brought substantial criticism from Liberals and Conservatives alike, who credited the prosperity of the previous ten years to the protectionist National Policy. Even businessmen, particularly in the manufacturing industry, feared that linking the Canadian economy so closely with that of the United States would present enormous risk if the United States decided to withdraw once again.¹⁴ With the assistance of a large anti-reciprocity propaganda campaign, the Conservatives appealed once again to

¹² (Ibid, 18).

¹³ P. B. Waite, *Canada 1874-96*, Toronto: McClelland & Stewart, 1978, 124-25.

¹⁴ Jack Granatstein, "Free Trade Between Canada and the United States: The Issue that Will Not Go Away," In *The Politics of Canada's Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 22.

Canada's allegiance to Britain and fears, whether justified or not, "of being swallowed up by American manifest destiny."¹⁵ All the Liberals could do was argue that their allegiance to Britain and Canada was strong, that they did not intend on selling Canada to the US, and that the economic benefits far outweighed the potential (and irrational) risks associated with reciprocity.

In a pamphlet distributed by Liberal Finance Minister W.S. Fielding this sentiment was clear: "Nothing more clearly shows the weakness of the case against reciprocity than the fact that our opponents have to resort to the device of waving the British flag and accusing the advocates of reciprocity of disloyalty."¹⁶ The supporters of reciprocity, largely made up of Western Canadian Prairie farmers who would benefit most from the agreement, found themselves at odds with a nascent Canadian nationalism that proved too powerful for the new agreement to succeed.¹⁷ For Michael Bliss, however, this was the "apogee of classic economic nationalism."¹⁸ The election in effect acted as a referendum – not just about reciprocity, but whether Canada should "attempt to preserve a distinctive identity in the northern half of the continent."¹⁹ Although the Conservatives emerged victorious in 1911, the outbreak of war three years later dramatically changed the relationship between

¹⁵ George Hoberg, "Canada and North American Integration," *Canadian Public Policy* 26 (2) 2000, 38.

¹⁶ Paul Stevens, *The 1911 General Election: A Study in Canadian Politics*, Toronto: Copp Clark, 1970, 174.

¹⁷ Jack Granatstein, "Free Trade Between Canada and the United States: The Issue that Will Not Go Away," In *The Politics of Canada's Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 24-25.

¹⁸ Michael Bliss, "Canadianizing American Business: The Roots of the Branch Plant," In *Close the 49th Parallel, etc.: The Americanization of Canada* rev. ed., edited by Ian Lumsden. Toronto: University of Toronto Press, 1970, 28.

¹⁹ (Ibid, 28).

Canada and the United States. It would soon become apparent that economic circumstances required a drastic adjustment in the way Canada looked at the US.

The World At War

The economic conditions of war created a new opportunity for Canadian and American leaders to increase the economic ties between their countries. With rapidly diminishing British resources available to help finance the Canadian war effort, the United States was quick to step forward by buying sixty five percent of Canadian bond issues by 1916. In addition, foreign direct investment (FDI) by American investors in Canadian industry increased from twenty three percent in 1914 to fifty percent by 1922.²⁰ With no other option, economic necessity trumped Canadian nationalism, and Canada became more economically dependent on the United States than ever before.²¹

By 1935 a new trade agreement – the first since 1854 – was signed by Liberal Prime Minister Mackenzie King and President Roosevelt. With the Great Depression collapsing both economies and the implementation of several protectionist policies raising tariffs in the preceding years, trade between Canada and the US had plummeted. The new economic situation forced Roosevelt to look at “low tariffs as a positive good and on increased trade as a way to world peace.”²² Meanwhile, the pro-integrationist Canadian Prime Minister was eager to take advantage of a desperate Canadian public concerned only with economic recovery. Three years

²⁰ Jack Granatstein, “Free Trade Between Canada and the United States: The Issue that Will Not Go Away,” In *The Politics of Canada’s Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 26.

²¹ (Ibid, 28).

²² (Ibid, 30).

later a second agreement was reached, lowering tariffs between the two countries even further. Resistance to these achievements was sparse within Canada. The nationalist arguments that helped thwart the 1911 agreement were made futile, as the new arrangement did not sell Canada to the Americans through free trade, but merely lowered tariffs to increase trade and create jobs. However, on both sides of the border the “Depression trade agreements” were viewed as merely the “first step toward the lowering of barriers impeding trade between the countries.”²³ More importantly, the agreements created a certain level of trust between politicians and officials in both countries, while enforcing the idea “that their ultimate trade goals were similar.”²⁴ This proved momentous in the upcoming years as the outbreak of the Second World War one year later brought Canada and the US even closer together.

Once again meeting the costs of war allowed Mackenzie King to push the envelope of economic integration to the next stage. With a new agreement in place in 1941, King declared to Parliament that the United States and Canada achieved “nothing less than a common plan for the economic defence of the western hemisphere.”²⁵ According to Granatstein, this maneuver “made an independent Canadian course ever more unlikely.”²⁶ Trade with the United States and FDI rose

²³ Jack Granatstein, *A Man of Influence: Norman A. Robertson and Canadian Statecraft, 1929-68*, Ottawa: Deneau, 1981, 59.

²⁴ Jack Granatstein, “Free Trade Between Canada and the United States: The Issue that Will Not Go Away,” In *The Politics of Canada’s Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 33-34.

²⁵ Jack Granatstein, *Canada’s War: The Politics of the Mackenzie King Government, 1939-1945*, Oxford: Oxford University Press, 1975, 137.

²⁶ Jack Granatstein, “Free Trade Between Canada and the United States: The Issue that Will Not Go Away,” In *The Politics of Canada’s Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 35.

sharply, and it became increasingly clear that America had replaced Britain as Canada's most important trading partner. With the war over, economic recovery dominated the Canadian agenda, and even greater trade liberalization seemed like the best solution to address Canada's economic woes. The year 1947 saw the ratification of the General Agreement on Tariffs and Trade (GATT), and several officials in Canada and the US briefly supported efforts to form a customs union. Backed by C.D. Howe, the minister of trade and commerce, Douglas Abbott, the minister of finance, and Prime Minister King, negotiations went forward to produce such a plan, resulting in a tentative agreement being reached in March 1948.²⁷ However, lessons from the 1911 debacle taught King that pursuing a customs union would be political suicide. Canadian fears of political absorption and American dominance of Canadian policy and independence still existed, and helped persuade King to abandon his efforts. With King out of power soon after, it would be another forty-six years before free trade made its way back on the bi-national agenda.²⁸ In the meantime, a series of nationalist and anti-integrationist Canadian leaders would work to build an independent, distinctive Canadian profile around the globe.

²⁷ Jack Granatstein, "Free Trade Between Canada and the United States: The Issue that Will Not Go Away," In *The Politics of Canada's Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 40-43.

²⁸ John Herd Thompson & Stephen J. Randall, *Canada and the United States: Ambivalent Allies, Fourth Edition*, Montreal & Kingston: McGill-Queen's University Press, 189.

The Cold War

In the interim years between efforts to achieve free trade, global, regional, and domestic circumstances continued to change the relationship between Canada and the United States. The beginning of the Cold War in 1948 made it clear that the two countries would need to coordinate their efforts in order to protect North America from the new security threat posed by the Soviet Union. The precedent for security coordination had already been set during World War II, when King and Roosevelt signed the Ogdensburg Agreement to create a Permanent Joint Board on Defence.²⁹ The new threat of a Soviet nuclear attack meant that the protection of Canadian airspace became a vital security interest for both countries. The notion that North America was a “security unit” became deeply enshrined into the minds of officials on both sides of the border, a mentality that “drove much Canadian-American collaboration during the Cold War.”³⁰ This was best exemplified by the creation of the North American Defence Command (NORAD, known today as the North American Aerospace Defence Command) in 1958. Nonetheless, the unprecedented level of cooperation invited substantial criticism from those who continued to fear American dominance.

Indeed, various disagreements between Canada and the US on exactly how to deal with the Soviet threat helped drive Canada to use multilateralism as a way to pursue an independent, distinctively Canadian foreign policy. According to Thompson & Randall, “the main motif in U.S.-Canadian cold war relations was U.S.

²⁹ John N. McDougall, *Drifting Together: The Political Economy of Canada-US Integration*, Peterborough: Broadview Press, 2006, 58

³⁰ (Ibid, 58).

pressure for cooperation and conformity and an understated Canadian counter-effort for an independent voice.”³¹ Canada thus spent a great deal of time and energy working through a multitude of United Nations agencies to, for example, prevent nuclear proliferation and aid Third World development. The issue of nuclear proliferation in particular provides a good example of Canada using intergovernmental organizations to attempt to influence American policy when bilateral efforts would have a much lesser effect.³²

By working through the UN Canada was able to pursue a number of foreign policy initiatives independent from the US, “a goal that was becoming more urgent in the light of the two countries’ growing economic interdependence.”³³ However, by the early 1960s it seemed apparent to many that the struggle between Canadian nationalist efforts and American pressure to cooperate had been lost to the far more powerful partner to the South. Speaking to the Prime Minister, Canadian Minister of Defense Brooke Claxton explained, “it may be very difficult indeed for the Canadian Government to reject any major defence proposal which the United States Government presents with conviction as essential to the defence of North America.”³⁴ Failure to do so would inevitably place Canadian and North American security in jeopardy. Economically, unilateralism made little sense, as Canada lacked the basic resources to independently protect itself from the Soviet threat, especially when that threat involved nuclear weapons. An example of this was the

³¹ John Herd Thompson & Stephen J. Randall, *Canada and the United States: Ambivalent Allies, Fourth Edition*, Montreal & Kingston: McGill-Queen’s University Press, 171-2.

³² John N. McDougall, *Drifting Together: The Political Economy of Canada-US Integration*, Peterborough: Broadview Press, 2006, 60.

³³ (Ibid, 61).

³⁴ John Herd Thompson & Stephen J. Randall, *Canada and the United States: Ambivalent Allies, Fourth Edition*, Montreal & Kingston: McGill-Queen’s University Press, 177.

implementation of a Distant Early Warning (DEW) Line in the Arctic upon the recommendation of the U.S. National Security Council, which proved to Canada that “the details of U.S. tactics were subject to change without consultation and with little advance notice.”³⁵ It was clear that if the Pentagon insisted that American troops, equipment, and bases were necessary on Canadian soil, Canada had no choice but to acquiesce.

Accordingly, Canadian leaders “rationalized the necessity of their satellite status in the new American empire into a virtue.”³⁶ Economic interdependence and geographic proximity gave Canadian leaders a sense that Canada had a “special relationship” with the United States through which they could act behind the scenes as a moral compass to shape and restrain American foreign policy. Many politicians within Canada gave credence to this approach by giving it credit for preventing America from engaging China and from using nuclear weapons. As these claims were impossible to prove, others, like Peyton Lyon, conceded, “Even when Washington persists in policies that many Canadians consider misguided, it remains entirely possible that the Americans would have pursued these policies with greater vigor, or launched other misguided policies, without Canadian representation.”³⁷ It was in this context that John Diefenbaker, the only Conservative Prime Minister elected between 1930 and 1979, was elected into office, ready to exploit a growing Canadian “sensitivity” to an increasingly aggressive United States.³⁸ Strictly

³⁵ (Ibid, 184).

³⁶ (Ibid, 182).

³⁷ Peyton Lyon, “Quiet Diplomacy Revisited,” in Steven Clarkson, *An Independent Foreign Policy for Canada?* (Toronto, 1968), 34.

³⁸ John Herd Thompson & Stephen J. Randall, *Canada and the United States: Ambivalent Allies, Fourth Edition*, Montreal & Kingston: McGill-Queen’s University Press, 202.

economic justifications for deeper integration were no match for a growing Canadian nationalistic pride.

John Diefenbaker and Nationalist Revival

The nationalism espoused by a growing number of Canadians and shared by the Prime Minister quickly became a barrier in Canada-U.S. relations. In 1961 Diefenbaker and newly elected President John F. Kennedy met in both Washington and Ottawa to discuss a number of foreign policy issues, revealing a deep divide in how the two leaders interpreted the Communist threat. For Kennedy, an increasingly expansionist Soviet empire under Nikita Khrushchev was quickly posing an even greater threat to the West, which needed to be met with an aggressive foreign policy. Alternatively, Diefenbaker and his Conservative Cabinet, most notably Minister of External Affairs Howard Green, “criticized the United States as excessively hostile to the USSR, blind to opportunities to negotiate with the Communist bloc, and too quick to label social and political unrest in the Third World as Communist inspired.”³⁹ This sentiment was expressed most clearly by Diefenbaker through his actions in the early 1960s, particularly his continued resistance to the allocation of nuclear weapons on Canadian soil and his hesitation to immediately assist the United States during the Cuban Missile Crisis.⁴⁰ It was clear that Canadians were ready and willing to exercise their independence by demonstrating their unwillingness to bow to American pressure.

Paradoxically, the 1960s was a period of drastic cultural convergence as well as domestic ideological divergence. No doubt the decade saw a steady influx of

³⁹ (Ibid, 202).

⁴⁰ (Ibid, 207-209).

American television and radio broadcasting across the border, along with an increase in FDI and cross-border trade. However, the 60s also saw the implementation of three important facets of Canadian identity that continue to distinguish Canada from the American Empire to this day: “the launching of the New Democratic Party, a social-democratic political party of the labor movement and the left...; the development of a more extensive Canadian welfare state, complete with a national medical insurance plan; and the official national legislative recognition of Canada’s bicultural English-French nature.”⁴¹ Furthermore, the Canadian government created the Foreign Investment Review Agency to assess FDI in Canada, and quotas on Canadian content were implemented to increase domestic content in Canadian media.⁴² With these distinctly Canadian institutions in place, nationalist resistance to Canada-US integration had a new cause to fight for: Canadians began to campaign for the protection and preservation of their distinctly Canadian values. The realization that Canadian values differed from those in the United States helped empower Canada’s growing “anti-imperialist youth” who made it their goal to protect Canada’s identity and independence as a sovereign nation.⁴³ Nationalism became a much more powerful rallying cry than ever before, as Canadians perceived their distinctness as a value in and of itself.

⁴¹ (Ibid, 224).

⁴² Perrin Beatty, “Canada in North America: Isolation or Integration?” In *The Future of North American Integration: Beyond NAFTA* rev. ed., edited by Peter Hakim and Robert E. Litan, 31-86. Washington, DC: The Brookings Institution, 2002, 33.

⁴³ John Herd Thompson & Stephen J. Randall, *Canada and the United States: Ambivalent Allies, Fourth Edition*, Montreal & Kingston: McGill-Queen’s University Press, 224.

Economic Integration and the North American Free Trade Agreement

When Diefenbaker came to power in 1957 one of his first promises was that his government would address Canada's increasing trade dependence on the US by diverting "15 percent of Canada's trade from the United States to Britain."⁴⁴ However, the Prime Minister quickly discovered that such a move would be impossible, as British suppliers were simply unsuitable to meet Canadian demands. With Britain seeking entry into the European Common Market, Canada had no choice but to seek greater accommodation from the United States. Europe and Japan were both on their way to becoming economic giants, causing significant pressure on officials in Canada and the US to move closer together if they wanted to compete. Global economic forces once again tipped the balance in favour of deepening integration. This was accomplished during GATT negotiations in 1964, through which Canada succeeded in securing a number of tariff reductions from the United States on important exports such as lumber, paper, and agricultural products. For Granatstein, the new situation did not quite mean free trade, but "to a substantial extent tariffs were now becoming almost inconsequential."⁴⁵ The following year, free trade was in fact achieved in one critical industry: the auto sector.

The 1965 Auto Pact provided free trade between Canada and the U.S. for both vehicles and parts, allowing Canadian cars, buses, trucks, and their pre-assembled parts to enter the US free from duties. Not only was this significant in

⁴⁴ Jack Granatstein, "Free Trade Between Canada and the United States: The Issue that Will Not Go Away," In *The Politics of Canada's Economic Relationship with the United States* rev., ed., edited by Denis Stairs & Gilbert Winham. Toronto: University of Toronto Press, 1985, 43.

⁴⁵ (Ibid, 46).

that it made the auto sector the single largest industry in Canadian-American trade, but it served as a model for both countries effectively displaying how free trade could be mutually beneficial. As a result of the Pact, “Canadian vehicle production was up 35 percent and employment in the auto industry up 27 percent.”⁴⁶ Not surprisingly, success in this area led many within Canada to seek expansion of free trade into different sectors.

It was not until 1985, at the request of Prime Minister Brian Mulroney, that the possibility of a comprehensive formal free trade agreement found its way back onto the national agenda. Mulroney was clear on his intentions: he was not seeking a customs union or common market similar to what was taking place in Europe, nor did he want to approach free trade sectorally.⁴⁷ The motivation for Canada to seek a new arrangement with the United States was largely based on the perceived economic performance within Canada during the preceding ten years. Leading up to the negotiations, Mulroney highlighted that unemployment within Canada was ten percent, the deficit totaled more than eight percent of Canada’s GNP, and the ratio of exports to imports was one of the lowest of all industrial countries.⁴⁸ Additionally, a growing lean toward protectionism in the United States threatened to make Canada’s economic problems even worse.⁴⁹

Mulroney and other officials in Ottawa were also greatly influenced by a number of reports, most prominently coming from the business community. In 1983

⁴⁶ (Ibid, 46).

⁴⁷ Sidney Weintraub, “Canada Acts on Free Trade,” *Journal of Interamerican Studies and World Affairs* 28 (2) 1986, 101.

⁴⁸ P. Morici, “The Global Competitive Struggle: Challenges to the United States and Canada,” Toronto: Canadian-American Committee, 1984, 46.

⁴⁹ Sidney Weintraub, “Canada Acts on Free Trade,” *Journal of Interamerican Studies and World Affairs* 28 (2) 1986, 101.

the Economic Council of Canada published 'The Bottom Line', a paper calling for trade liberalization through bilateral negotiations. This was followed by two additional reports in the early 1980s, the first by Harris and Cox and the second by Lipsey and Smith, both of which strongly advocated free trade and projected the potential gains as being higher than previously imagined. Lipsey notes that these publications were widely read in Ottawa,⁵⁰ a fact that has played into the perception that deepening integration is primarily driven by elites. Most importantly, support came from the government's own Royal Commission on the Economic Union and Development Prospects of Canada (the Macdonald Commission), confirming to Mulroney that the advancement of free trade could be met with success.⁵¹

Despite the efforts of a loose amalgamation of labour unions, environmentalists, feminists, and cultural leaders, the Canada-US Free Trade Agreement (CUSFTA) was signed into effect in 1989. Five years later, with Jean Chretien's Liberal government in power, the CUFTA was expanded and replaced by the North American Free Trade Agreement (NAFTA), effectively bringing Mexico into the picture and demonstrating that support for free trade was not limited to one political party. For many, this marked the end of the 'Great Free Trade Debate' that had been going on since the late nineteenth century. In the words of author and journalist Lawrence Martin,

"The Mulroney Tories diminished investment protection by eliminating the Foreign Investment Review Agency; continentalized energy resources through the abandonment of the National Energy Plan; pared down or eliminated national institutions; gave vent to market primacy with thick swaths of deregulation and privatization; and, more portentously, made the leap of faith that successive

⁵⁰ Richard G. Lipsey, "Unsettled Issues in the Great Free Trade Debate," *The Canadian Journal of Economics* 22 (1) 1989, 4.

⁵¹ (Ibid, 5-6).

governments, for reasons of survival, had resisted for 120 years. They chose free trade.”⁵²

Martin’s assessment of free trade reflects the view that the signing of CUSFTA and NAFTA represented the culmination of a long-resisted process of economic integration. Proponents of free trade had succeeded, and within ten years of its implementation the agreements achieved “astounding success”⁵³ when it came to achieving its primary goal of facilitating trade. With NAFTA in place, the pace of integration between Canada and the United States accelerated with unprecedented speed. In the period between 1989 and 2000, trade between the two countries more than doubled,⁵⁴ making Canada “one of the most trade-dependent nations in the world.”⁵⁵ A 2001 report by the Government of Canada explains the economic relationship between Canada and the United States immediately prior to the attacks of 9/11. The report outlines that around 86% of Canadian exports went to the United States, which “helps explain why, from the criteria of national interest the US is Canada’s first, second, and third priority.”⁵⁶ In addition, “at 23% of US exports, Canada is the United States’ largest foreign market, higher than the EU, which has almost ten times Canada’s population.”⁵⁷ The debate over whether or not Canada should sign a free trade agreement with the United States may have ended, but the issues and fears underlying those who opposed free trade had by no means

⁵² Lawrence Martin, “Continental Union,” *Annals of the American Academy of Political and Social Science* (538) 1995, 144.

⁵³ Thomas J. Courchene, “Thinking North America: Pathways and Prospects,” In *The Art of the State, Vol. II, no. 1* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 3-48. Montreal, QC: The Institute for Research on Public Policy, 2005, 3.

⁵⁴ (Ibid, 3).

⁵⁵ George Hoberg, “Canada and North American Integration,” *Canadian Public Policy* 26 (2) 2000, 40.

⁵⁶ Government of Canada. Economics Division. *Canada and the United States: Trade, Investment, Integration and the Future*, by Blayne Haggart. Ottawa: Depository Services Program, 2001, par. 23.

⁵⁷ (Ibid, par. 25).

disappeared. Canadians were still concerned about the same issues that dominated the free trade elections of the late nineteenth and early twentieth centuries: Canadian independence, sovereignty, and the wide asymmetry between Canada and the United States.

Indeed, the implementation of free trade only served to intensify the age-old debate, moving it beyond the economic realm and into the political. On one side, those who hailed the Agreements' success began contemplating how to take them a step further. On the other, those who resisted free trade because of the potential snowball effect that would lead to the loss of independence and sovereignty were beginning to see early signs of their fears becoming realized. The former, commonly known as 'continentalists', are made up largely of business leaders and right-wing think tanks who seek deeper levels of integration between Canada and the United States that go beyond the comparatively mild institutional framework laid out by NAFTA. Their motivations lie primarily in the perceived economic benefits that would arise from achieving greater access to the American market and regulatory harmonization. The latter, commonly known as 'nationalists', are made up of a wide variety of activists, politicians, and interest groups that seek to prevent deeper levels of integration. Their motivations for resistance range widely, but most are united in their fear of American dominance and loss of Canadian independence when it comes to domestic policy-making.

9/11 AND THE PUSH FOR DEEPER INTEGRATION

The tragic events of September 11, 2001 propelled this increasingly hostile debate to the forefront of current Canadian-American relations by linking formerly strict economic goals to those of national security. The terrorist attacks on the World Trade Center and the Pentagon were not the first to occur on American soil, but they were certainly the largest. More importantly, they were the product of the hijacking of American airplanes by individuals “legally admitted to the country by the Immigration and Naturalization Service (INS), having slipped through the fingers of the Central Intelligence Agency (CIA) and then trained at free-enterprise flying schools without the Federal Bureau of Investigation (FBI) managing to understand what they were perpetrating.”⁵⁸ This realization prompted the Bush administration to shift America’s priorities away from its pursuit of open borders associated with the free trade agreements and toward securing the homeland. A dramatic reorganization of border management and securitization took place during the weeks and months following September 11.

For some scholars the main issue here has been a paradigm shift in thinking towards the concept of borders. Prior to 9/11, “the conventional wisdom...[had] been that globalization is about breaking down borders,” and that the growing trend in North America was toward a borderless society.⁵⁹ This vision was effectively

⁵⁸ Stephen Clarkson & Maria Banda, “Paradigm Shift or Paradigm Twist? The Impact of the Bush Doctrine on Canada’s International Position,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 107-128. Montreal & Kingston: McGill-Queen’s University Press, 2007, 107.

⁵⁹ Peter Andreas & Thomas J. Biersteker, *The Rebordering of North America*, New York, NY: Routledge, 2003, 1.

undermined as a result of the terrorist attacks, however, as the United States responded with “a dramatic tightening of border inspections and a toughening of the policy discourse about borders and cross-border flows.”⁶⁰ Prior to 9/11, border policy in the US could be characterized by its focus on illegal immigration and drugs, but has been severely complicated since. The attacks led to a radical reorganization and consolidation “of various agencies under a new Department of Homeland Security.”⁶¹ Furthermore, the United States has (arguably) been forced to view Canada as a security risk itself, leading to harsh scrutiny and political pressure to tighten its security measures along the national boundary. As a result, “security...has become a new kind of trade barrier”⁶² – one that could not be resolved through the mechanisms provided by NAFTA. In Canada, this provided an opportunity for continentalists to begin contemplating new mechanisms that would facilitate cross-border trade.

The security measures imposed by the Bush administration resulted in an immediate interruption “on the free flow of goods, services and people” across the border.⁶³ This fact led many scholars to speculate that North American economic integration, which had “progressed substantially since the inception of the North American Free Trade Agreement,” could potentially be reversed as a consequence of the new security threat.⁶⁴ Indeed, a 2006 study by the Border Policy Research Institute found that statistically, the security measures put in place after 9/11

⁶⁰ (Ibid, 1).

⁶¹ (Ibid, 5).

⁶² (Ibid, 6).

⁶³ Jeffrey J. Schott, “An American Perspective,” In *The Art of the State, Vol. II, no. 1* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 69-76. Montreal, QC: The Institute for Research on Public Policy, 2005, 69.

⁶⁴ (Ibid, 69-70).

caused significantly lower levels of imports and exports in both Canada and the US in the post-9/11 period.⁶⁵ However, despite this apparent setback in the process of integration, advocates of deeper integration found themselves with an opportunity to bring their cause onto the national agenda.

The 'Deep Integration' Agenda

For the integration debate, the events of 9/11 and the securitization of the border had an even more profound effect. Both the success of NAFTA and its temporary derailment after 9/11 prompted a number of business leaders and economic intellectuals to begin contemplating the future of Canada-US integration. Some of those who fall in the continentalist camp have taken the debate a step further, proclaiming that the events of 9/11 have made deeper integration between Canada and the United States inevitable. Almost immediately after 9/11 Michael Bliss, a leading Canadian historian, declared in the *National Post*, "We are heading toward some kind of greater North American union."⁶⁶ This was followed shortly after by Richard Gwyn's *Toronto Star* byline: "We must accept the inevitable."⁶⁷ By November of 2001, Bliss was beginning to anticipate the nature of the upcoming debate:

"Perhaps the logic of free trade and 9/11 will lead to the explicit harmonization of continental tariff and immigration policies, security and defence. Gradually Canada's tax policies will have to be harmonized with those of the nearby US states. The debate on a common currency is not likely to recede. As American economic

⁶⁵ Steven Golberman & Paul Storer, "The Impacts of 9/11 on Canada-U.S. Trade," *Border Policy Research Institute* (1) 2006, 2.

⁶⁶ Michael Bliss, "The end of Canadian nationalism: Aftermath pushes North America to inevitable union," *National Post* 29 September 2001, A1.

⁶⁷ R. Gwyn, "We must accept the inevitable," *The Toronto Star* 30 September 2001, A13.

influence on Canada continues to evolve, the pressure for erasing the border in every non-political way will be irresistible.”⁶⁸

This sentiment was echoed a year later by Perrin Beatty, president and CEO of Canadian Manufacturers and Exporters and founder of the Coalition for Secure and Trade Efficient Borders when he stated,

“[a] new North American partnership is inevitable. It will come either by default, as the forces of technology, commerce and common security bind the three countries more closely together, or by design, if politicians, with advice and support from the business community among others, create a compelling vision of a true North American community.”⁶⁹

As Emily Gilbert notes in “The Inevitability of Integration? Neoliberal Discourse and the Proposals for a New North American Economic Space after September 11”, the sense of urgency emanating from continentalists across the country has brought the issue to the forefront of Canadian politics, to a point where “forging a ‘new economic space’ in North America is now being formally considered in government documents and policy-making initiatives.”⁷⁰ As an issue on the verge of implementation, it is becoming increasingly important to understand the basic elements of what these proposals would entail. The nature of this new community or economic space is the subject of the remainder of this chapter. A number of proposals have been put forward in the wake of September 11 concerning what this new community should look like and how it should be achieved. Most of the proposals are based on ideas that originated well before 9/11, but the viability of their application is something new.

⁶⁸ Michael Bliss, “Is Canada a country in decline? There was a time when the future of this blessed land looked hopeful. But when we write the history of the past 30 years, it will be a sad story of squandered opportunity,” *National Post* 30 November 2001, A18.

⁶⁹ P. Beatty, “North American partnership inevitable,” *National Post* 12 September 2002, FP15.

⁷⁰ Emily Gilbert, “The Inevitability of Integration? Neoliberal Discourse and the Proposals for a New North American Economic Space after September 11,” *Annals of the Association of American Geographers* 95 (1) 2005, 204.

North American Monetary Union (NAMU)

One of the most controversial and far-reaching proposals put forward by continentalists in Canada is NAMU, an idea that would involve the adoption of a common currency and the creation of a central bank. The idea first became popular in 1999 when the corporate-sponsored C.D. Howe and Fraser Institutes each published policy papers advocating such an arrangement. However, the central issue surrounding these proposals is the loss of autonomy over monetary policy that would inevitably result. Accordingly, finding support from even within the business community has been a daunting task. In “From Fixing to Monetary Union” Courchene and Harris of the C.D. Howe Institute advocate for NAMU based on their findings that “Canada’s experience with flexible exchange rates for its dollar has been disappointing.”⁷¹ Their fundamental argument is that floating exchange rates have been the primary cause of “prolonged currency misalignments,” which have in turn led to the severe decline of the Canadian dollar leading into 1999. They go on to attribute a number of other economic problems to Canada’s floating exchange rate, such as the decline in living standards (exemplified by the fall of personal income per capita), decreasing productivity rates, and the increase in firm downsizing and relocation.⁷² For Courchene and Harris, these problems could easily be resolved by “greater exchange rate fixity” via “a currency union.”⁷³ However, even Courchene and Harris concede that monetary union would mean the loss of at least some control over monetary policy.

⁷¹ Thomas J. Courchene & Richard G. Harris, “From Fixing to Monetary Union: Options for North American Currency Integration,” *C.D. Howe Institute Commentary* 1999, 2.

⁷² (Ibid, 6-9).

⁷³ (Ibid, 2).

To substantiate their case, the authors note how the introduction of the euro provided positive evidence that “in a progressively integrated global economy, currency arrangements are a supranational public good, one that is arguably consistent with a twenty-first-century vision of what constitutes national sovereignty.”⁷⁴ The authors concede that the political and economic circumstances that ushered in the euro are vastly different than those in North America, but the fundamental economic rationale for such a program remains the same.⁷⁵ Finally, for Courchene and Harris any negative effect on national sovereignty “would be more apparent than real”, citing the “comprehensive social policy infrastructure” Canada was able to develop during the 1960s under a fixed rate regime.⁷⁶

The Fraser Institute’s “The Case for the Amero” by Herbert Grubel lends further support for the claim that NAMU could alleviate the inherent instability and unpredictability of floating exchange rates. Grubel argues that “a common currency for trading areas brings its population important economic benefits in terms of micro-economic efficiency.”⁷⁷ The gains accrued by NAMU would, according to Grubel, save upwards of \$3 billion for Canada as foreign exchange costs would be eliminated from trade in goods with the United States and Mexico.⁷⁸ Additionally, interest rates would be lower, prices would become more stable, and there would be far less risk involved with the foreign exchange of goods. These positive outcomes would result in the immediate expansion of trade, greater stability in the

⁷⁴ (Ibid, 3).

⁷⁵ (Ibid, 3).

⁷⁶ (Ibid, 2).

⁷⁷ Herbert G. Grubel, “The Case for the Amero: The Economics and Politics of a North American Monetary Union,” *Fraser Institute: Critical Issues Bulletin* 1999, 6.

⁷⁸ (Ibid, 8).

price of goods across borders, and lead to greater efficiency in a number of domestic economic areas.⁷⁹ Grubel also maintains that for Canada (and Mexico), sharing a common currency would give them a greater voice in American policy formulation as it relates to interest and exchange rates.⁸⁰

Much like Courchene and Harris, Grubel addresses the vastly controversial issue of economic sovereignty and political independence that inevitably stems from such a Union. Taking a slightly different approach, Grubel proposes the idea that the merits of sovereignty should be balanced with the potential benefits associated with NAMU. He argues that the purpose of possessing sovereignty over fiscal and monetary policy is to maintain the ability to implement policies that “serve the national interest” by positively affecting “the performance of the Canadian economy for the benefit of all.”⁸¹ For Grubel, however, Canada has demonstrated a consistent inability to exert such sovereignty in a positive way. As it relates to political independence, Grubel maintains that since the implementation of the Free Trade Agreements, Canada has in no way lost its ability to exercise independent policies relating to culture, foreign affairs, or social services, and there is no indication that NAMU would cause that to change. In Grubel’s own words, “The basic fact is that the introduction of the amero does nothing to the existing national border and the ability of Canadian governments to pursue policies that get them re-elected.”⁸² Accordingly, the benefits of NAMU will far outweigh its perceived costs.

⁷⁹ (Ibid, 9-14).

⁸⁰ (Ibid, 16).

⁸¹ (Ibid, 17).

⁸² (Ibid, 19).

With the Canadian dollar reaching as low as 63.5 cents in 1998 (compared to roughly 104 US cents in 1973),⁸³ it is no surprise that popularity grew sharply for NAMU. However, this newfound popularity failed to reach beyond the neoliberal circle within which its ideological principles strongly coincide. More specifically, as Eric Helleiner explains in *Towards North American Monetary Union?*, these principles include “the acceleration of international integration, the imposition of greater market discipline within the domestic economy, and the introduction of “neo-constitutionalist” measures that lock in fiscal restraint and the promotion of price stability as the primary goal of monetary policy.”⁸⁴ Despite this apparent alignment of goals, even the increasingly influential neoliberal community found itself split when it came to its support of NAMU. Neoliberal critics were not adequately convinced by Grubel’s insistence that the benefits of NAMU would outweigh its costs, especially when it came to monetary autonomy. More significantly, those opposed to NAMU (including the Bank of Canada) took issue with the fact that “Canada and the US did not resemble an ‘optimum currency area’ (OCA)” similar to that of Europe.⁸⁵ In other words, without the free movement of labour between the two countries or a supranational authority to facilitate adjustment, monetary union would not be as successful in North America.⁸⁶ The two economies, they argued, were simply too different.

⁸³ Thomas J. Courchene & Richard G. Harris, “From Fixing to Monetary Union: Options for North American Currency Integration,” *C.D. Howe Institute Commentary* 1999, 6.

⁸⁴ Eric Helleiner, *Towards North American Monetary Union? The Politics and History of Canada’s Exchange Rate Regime*, Montreal & Kingston: McGill-Queen’s University Press, 2006, 164-5

⁸⁵ (Ibid, 169).

⁸⁶ (Ibid, 169).

By 2001 the prospect of NAMU was almost entirely off the table, that is, unless significant change were to happen first with respect to the creation of an OCA. In the words of Bank of Canada governor David Dodge, “[At] some future time, the structures of our two economies could converge to a point that the benefits of a common currency could outweigh the macroeconomic costs of abandoning our flexible exchange rate. But it is also possible that those structures could diverge further. We simply do not know.”⁸⁷ When terrorists attacked the United States on September 11, the possibility that the greater openness required in an OCA seemed less likely than ever. Nonetheless, immediately after 9/11 popularity for NAMU began to rise once again within Canada, this time finding much more support among the business community.

Within months of the attacks polls were beginning to show that business leaders would consider NAMU as a solution to bring the economy back on track following the losses associated with the closing of the border. For example, a November 2001 poll indicated that fifty four percent of Canadian business leaders would consider adopting the U.S. dollar.⁸⁸ Shortly after, Paul Tellier, CEO of CN Railways, became the first Chief Executive Officer of a major Canadian corporation to urge policy-makers to consider NAMU is a viable option. Most astonishingly, a 2002 survey conducted by the research group Environics showed that fifty three percent of the Canadian public was in favour of monetary union.⁸⁹ However, the

⁸⁷ David Dodge, “Dollarization and North American Integration,” *Bank of Canada Review* (Autumn) 2001, 42.

⁸⁸ J. Vardy & J. Thorpe, “Calls raised for common buck as loonie falls: Heated Debate: Timing is poor says economist MP John McCallum,” *Financial Post* 1 November 2001, FP2.

⁸⁹ L. I. MacDonald, “The loonies, greenbacks and NAMU square off,” *The Gazette* 2 November 2002, A21.

major business associations in Canada, namely the Canadian Chamber of Commerce, the Business Council on National Issues (now the Canadian Council of Chief Executives), and the Conference Board of Canada, “remained unwilling to endorse the idea [of monetary union].”⁹⁰ This was in part because the reduction in currency-related costs associated with Canada-US trade was simply not a major concern of most Canadian businesses since a significant amount of deals were done intra-firm. Additionally, the volatility associated with the appreciation and depreciation of the Canadian dollar affected different sectors in different ways, and most businesses had effective mechanisms in place to help offset the costs incurred by currency fluctuation.⁹¹

Perhaps the most important reason that NAMU failed to receive widespread support was the fact that the United States was entirely disinterested in pursuing such an option. The debate that occurred south of the border was brief, as the idea that monetary union would entail the adoption of a new currency was entirely off the table. The only way the US would support NAMU was if it meant Canada adopting the US dollar, and even then US policy-makers “dismissed outright” Courchene and Harris’ proposal that Canada could “become the thirteenth Federal Reserve district.”⁹² The American public at large shared the disapproval demonstrated by policy-makers. A 2002 poll that found “only 10.4 per cent of respondents agreed with the idea of creating a new North American currency with

⁹⁰ Eric Helleiner, *Towards North American Monetary Union? The Politics and History of Canada’s Exchange Rate Regime*, Montreal & Kingston: McGill-Queen’s University Press, 2006, 171.

⁹¹ (Ibid, 172-173).

⁹² (Ibid, 196).

Canada and Mexico, while 83.5 per cent disagreed.”⁹³ For most advocates of NAMU the final sticking point was the unwillingness of American policy-makers to give any concessions to Canada whatsoever, including giving Canada a voice in monetary policy-making. The revelation that NAMU would result in a complete lack of democratic accountability over monetary policy was enough to prompt even its most fervent supporters to abandon it as a policy option.⁹⁴⁹⁵

The lack of American interest in NAMU sent a clear message to Canadian continentalists: proposals that focused solely on improving economic efficiency would not be given priority on the public policy agenda. Concerns surrounding the securitization and protection of the homeland were paramount, and NAMU “offered little if anything in the way of mitigating these concerns.”⁹⁶ Furthermore, the viability of acquiring the necessary support from the Canadian government and public was especially low since the loss of autonomy would be particularly high. Clearly North America was not ready for monetary union, and those in favour of deeper integration turned their attention towards finding a solution that would incorporate the needs of both Canada and the United States.

Big Ideas

Following the attacks on 9/11 Canadian Secretary of Foreign Affairs Lloyd Axworthy stated, “security will be the watchword for defining [Canada’s]

⁹³ (Ibid, 196).

⁹⁴ (Ibid, 197).

⁹⁵ Note that Courchene and Harris still prefer unilateral dollarization (i.e. adoption of the US dollar) to the floating exchange rate,

⁹⁶ Emily Gilbert, “The Inevitability of Integration? Neoliberal Discourse and the Proposals for a New North American Economic Space after September 11,” *Annals of the Association of American Geographers* 95 (1) 2005, 205.

relationship with the United States' in the years to come."⁹⁷ Along with this reality, he warned, comes a responsibility for Canadians to prevent the United States from "being the only author of the definition of security."⁹⁸ Heeding this advice a number of prominent Canadian think tanks, business leaders, and advocacy groups have "promoted a 'new paradigm' for deepening cooperation the US."⁹⁹ In the words of Canadian Council of Chief Executives (CCCE) president Thomas d'Aquino, the new reality (or paradigm) of the post-9/11 era is that "North American economic and physical security are indivisible."¹⁰⁰ This idea has provided the foundation for most continentalist proposals since September 11. In their view, the free trade agreements that provided substantial success in the 1990s have become inadequate for dealing with the post-9/11 situation. For this reason, a number of proposals have been put forward in an attempt to bring Canadian-American relations into the twenty first century. Their primary purpose is to forge a new relationship with the United States that would package Canadian cooperation in continental security with the maintenance of an open border. Because of their broad mandate, such proposals have come to be known as Big Ideas.

The logic behind Big Idea proposals was outlined most succinctly by Wendy Dobson, Director of the Institute for International Business and Professor at the Joseph L. Rotman School of Management at the University of Toronto. Writing in 2002, Dobson explains that in the post-9/11 era Canada's interests no longer

⁹⁷ Lloyd Axworthy, *Navigating a New World: Canada's Global Future*, Toronto: Vintage, 2003, 106.

⁹⁸ Isidro Morales, *Post-NAFTA North America: Reshaping the Economic and Political Governance of a Changing Region*, New York: Palgrave MacMillan, 2008, 164.

⁹⁹ (Ibid, 164).

¹⁰⁰ T. D'Aquino, "Security and Prosperity: The Dynamics of a New Canada-United States Partnership in North America," *Presentation to the annual general meeting of the Canadian Council of Chief Executives* 14 January 2003, 3.

coincide with those of the United States. While Canada's priorities remain similar to those prior to September 11 (i.e. securing access to the American market), the interests of the United States have shifted drastically toward protecting the homeland. Dobson argues that in order for Canada to successfully garner American interest in negotiating a new arrangement, Canadian initiatives will have to go far beyond the narrow economic sphere addressed by free trade and NAMU.¹⁰¹ In Dobson's words, "Canada risks a dialogue of the deaf if it pursues an economic goal of deeper bilateral integration without taking account of US security preoccupations."¹⁰² Accordingly, Big Idea proposals for deeper integration necessarily involve a much broader set of goals than those covered under CUSFTA, NAFTA, and even NAMU.

Most of these Big Ideas contain elements of either a customs union or common market, or both. On their own, both of these proposals have received some attention from policy analysts and the media, but since they primarily focus on economic integration their popularity has achieved a similar fate to that of NAMU. In *Should NAFTA Become a Customs Union?* authors Rolf Mirus and Nataliya Rylska describe a customs union as an arrangement wherein "two or more countries agree to remove (essentially) all restrictions on mutual trade and set up a common system of tariffs and import quotas vis-à-vis nonmembers."¹⁰³ This would involve the establishment of a Common External Tariff (CET) as well as the harmonization of

¹⁰¹ Wendy Dobson, "Shaping the Future of the North American Economic Space," *C.D. Howe Institute: Commentary* April 2002, 1-5.

¹⁰² (Ibid, 5).

¹⁰³ Rolf Mirus & Nataliya Rylska, "Should NAFTA Become a Customs Union?" In *NAFTA in the New Millennium* rev. ed., edited by Edward J. Chambers & Peter H. Smith, 359-376. Edmonton: The University of Alberta Press, 2002, 362.

competition policies and a common institution to “regulate pricing practices and commercial policies.”¹⁰⁴ A common market is the next logical step following the creation of a customs union, allowing the free movement of people and capital across borders without hindrance similar to moving across provincial boundaries within Canada. Accordingly, even greater coordination and harmonization would be required, including “uniform regulations” and “agreement on qualifications and certifications of workers from different member countries.”¹⁰⁵ In order for a common market to be successful, Mirus and Rylska argue,

“Nontariff barriers have to be dismantled, structural adjustment policies have to be jointly reassessed, distribution policies will face harmonization pressures, and fiscal and monetary policies, as a dynamic consequence or by design, will show greater convergence. This convergence results from the increased economic interdependence among the members, and it necessitates that greater consideration be given to the effects of national policies on the welfare of [common market] partners.”¹⁰⁶

Whether intentionally or not, both of these ideas tie the hands of the countries involved. By entering into an agreement with the United States to create a customs union or common market, Canada’s ability to make domestic and foreign policy decisions would become limited. For example, a CET would require that Canada renegotiate its trade agreements with other countries, especially those receiving favourable rates that differ from the United States. Canada’s relationship with Cuba would also become an issue and would likely be forced to change due to American foreign policy concerns. Ultimately both of these policy options inevitably lead to a loss of independence, especially when balanced against the asymmetrical nature of the two economies involved.

¹⁰⁴ (Ibid, 362).

¹⁰⁵ (Ibid, 363).

¹⁰⁶ (Ibid, 363).

For these reasons, Dobson's Big Idea comes in the form of a "strategic bargain" with the United States, which she describes as

"a pragmatic mix of custom's-union-like and common-market like proposals plus Canadian initiatives in areas of strength that are of particular interest to Americans. The key to the idea is to achieve deeper integration without undermining political autonomy. In addition, this idea recognizes the North American *realpolitik* of asymmetry in economic size and political clout between Canada and the United States and a very small number of potential negotiating partners."¹⁰⁷

Dobson thus presents a "package of initiatives" consisting of trade-offs between Canadian and American interests. According to Dobson, Canada's primary interest is to gain "greater assurance of access to US markets."¹⁰⁸ To accomplish this Canada should seek greater labour mobility between the two countries in order to facilitate trade and FDI; coordination of corporate tax policy and the elimination of withholding taxes "on dividends, interest, and other payments of income to nonresidents"¹⁰⁹; harmonization of competition policy; and reform in the management of trade dispute resolution and adjustments in American trade remedy law. Most significantly, Dobson urges Canadian officials to consider the idea of an "evolutionary customs union", whereby common external tariffs are applied to specific sectors one at a time rather than the entire market at once.¹¹⁰ This would promote gradual convergence in more and more industries while protecting Canadian independence.

Together with these initiatives, Dobson recommends that Canada offer its cooperation in a number of areas that are of particular interest to the United States.

¹⁰⁷ Wendy Dobson, "Shaping the Future of the North American Economic Space," *C.D. Howe Institute: Commentary* April 2002, 20.

¹⁰⁸ (*Ibid*, 7).

¹⁰⁹ (*Ibid*, 8-9).

¹¹⁰ (*Ibid*, 22).

Namely, the production, distribution and management of energy resources; increased coordination of border security; greater cooperation (but not harmonization) with anti-terrorism efforts, immigration and refugee policy and intelligence sharing; and finally, a commitment to increased participation in defense policies, such as NORAD, military cooperation, and maritime security.¹¹¹

To ensure long-term support and commitment to implementing these measures, Dobson argues that common institutions should be put in place “to support and manage deeper integration....[such as] a joint commission to spearhead the evolutionary customs union idea.”¹¹² Dobson also lends her support to the pre-9/11 proposal put forward by Robert Pastor in *Toward a North American Community*, in which he advocates the establishment of four “consultative” (non-authoritative) North American institutions: a North American Commission designed to plan and develop a strategy for North American integration; a North American Parliamentary Group; a permanent North American Court on Trade and Investment; and finally an organization to facilitate and encourage meetings between cabinet ministers.¹¹³¹¹⁴ Ultimately, Dobson concludes, this grand bargain would promote important national interests of both Canada and the United States, eradicate the “costly or redundant rules and regulations” left over from NAFTA, and provide both physical and economic security to North America in both the short and long-term.¹¹⁵

Most importantly, the trade-offs Canada would give to the United States would

¹¹¹ (Ibid, 13-18).

¹¹² (Ibid, 28).

¹¹³ Robert Pastor, *Toward a North American Community: Lessons from the Old World for the New*, Washington, DC: Institute for International Economics, 2001, 99-103.

¹¹⁴ Wendy Dobson, “Shaping the Future of the North American Economic Space,” *C.D. Howe Institute: Commentary* April 2002, 28-29.

¹¹⁵ (Ibid, 29).

attract enough attention from US policy makers to have a legitimate chance of succeeding.

The publication of Dobson's Big Idea sparked an eruption of similar proposals containing elements of a customs union and common market. With varying emphasis on specific initiatives, all of these proposals urged the government of Canada to seek a new, comprehensive arrangement with the United States that would strengthen and manage the process of integration. Like Dobson's strategic bargain, most Big Ideas address topics concerning the border, immigration, external tariffs, the harmonization of standards, competition policy and dispute resolution, the creation of new institutions, defense and security coordination, and what the final stage of integration should look like. For example, in *Canada, the United States and Deepening Economic Integration: Next Steps*, former Canadian trade official Michael Hart agrees with Dobson that "The events of September 11 dramatically altered the perspective of most Canadians" and that "the need for a bold initiative became both urgent and compelling."¹¹⁶ For Hart, the reasoning behind this is simple: policy initiatives prior to 9/11 "address conditions that no longer exist" and "do not enjoy sufficient political support."¹¹⁷ Accordingly, Hart suggests undertaking a "comprehensive approach" that is "sufficiently broad and creative to capture the imagination of leading U.S. political figures."¹¹⁸ Hart's proposal rests on the logic that (1) the Canadian people would benefit greatly from a more competitive and

¹¹⁶ Michael Hart, "Canada, The United States, and Deepening Economic Integration: Next Steps," In *North American Linkages: Opportunities and Challenges for Canada* rev. ed., edited by Richard G. Harris, 419-448. Calgary: University of Calgary Press, 2003, 422.

¹¹⁷ (Ibid, 426).

¹¹⁸ (Ibid, 431).

productive economy; (2) the best way to achieve this is to make Canada a more attractive place for business and foreign investment by gaining full access to the American market; and (3) the only realistic way to ensure greater access to the American market is through deeper Canadian-American integration.¹¹⁹ Like the proponents of NAMU before, the benefits would supposedly outweigh the costs.

Like Dobson, Hart is primarily concerned with eliminating the remaining trade barriers that continue to exist despite NAFTA, while focusing on the positive effects it would have on standards of living such as higher incomes and better jobs. Specifically, Hart recommends a policy of formal commitments to creating common standards and regulations, harmonization of tariff policy (and eventually a CET), common rules for competition policy along with “cooperative enforcement procedures”, and finally, “the two governments need to move beyond the ad hoc intergovernmental arrangements of the FTA and the NAFTA toward more permanent supranational institutions.”¹²⁰ In return, Canada would likely “come under intense pressure to accommodate U.S. interests, [and] there is no guarantee that the United States will accommodate enough Canadian interests to justify opening negotiations at the bilateral level.”¹²¹ Nonetheless, Hart argues that a commitment to greater cooperation with respect to border administration and enforcement, immigration policy, and information sharing would likely yield the economic results that Canada seeks.¹²²

¹¹⁹ (Ibid, 426-429).

¹²⁰ (Ibid, 427-428).

¹²¹ (Ibid, 432).

¹²² (Ibid, 434).

Other variations of this approach have been published by interested parties such as former Canadian ambassador to the United States Allan Gotlieb. In “A North American Community of Law” Gotlieb explains, “The idea is that Canada should negotiate with the United States in such a way as to connect two (or more) different disputes. The theory is, if the Americans want something from us badly enough in the one area of dispute, they might accede to our position in the other.”¹²³ Evidence for this can be found by a brief examination of how the FTA was negotiated in the first place. According to Gotlieb, “Prime Minister Brian Mulroney’s broad gauged proposal triggered a course of action which dramatically changed the rules of trade in goods, services and investment. Over powerful Congressional opposition, ground breaking new bi-national trade procedures were agreed upon. Changes of this magnitude can never be achieved incrementally in the U.S.”¹²⁴ Gotlieb thus proposes a “grand bargain” to create “a community of law” that is distinctly different than a typical common market or customs union “or any other straight jacket.”¹²⁵ Rather, this community would be designed to implement a “common set of binding rules favouring the movement of people, services and goods within a joint Canada-U.S. space” wherein there could exist common external tariffs, common standards and regulations, common laws regarding competition and anti-trust, and a common security perimeter with “tight cohesion” in areas such as immigration, refugees, and defence.¹²⁶ Although similar in nature to the European Union, Gotlieb insists that

¹²³ Allan Gotlieb, “A North American Community of Law,” *Borderlines: Canada in North America* 2 (4) 2002, 27.

¹²⁴ (Ibid, 28).

¹²⁵ (Ibid, 29).

¹²⁶ (Ibid, 29).

such a community would not require the creation of common political institutions such as a joint legislature or judicial body, but that joint institutions would likely assist “in the smooth functioning of the common space.”¹²⁷

Perhaps the most significant contribution to this field of work has come from the CCCE, an organization comprising of CEOs from across the country who actively engage in the policy making process through policy research, advocacy, and consultation. In January 2003 the group launched the North American Security and Prosperity Initiative urging both countries to take a “comprehensive approach” to managing the Canada-US relationship. Their proposal “calls to action on five fronts”, namely,

“(1) **Reinventing borders** by eliminating as many as possible of the barriers to the movement of people and goods across the internal border and by shifting the emphasis to protection of the approaches to North America; (2) **Maximizing economic efficiencies**, primarily through harmonization or mutual recognition across a wide range of regulatory regimes; (3) **Negotiation of a comprehensive resource security pact**, covering agriculture and forest products as well as energy, metals and minerals, based on the two principles of open markets and regulatory compatibility; (4) **Rebuilding Canada’s military capability** both to defend our own territory and to do our share in ensuring continental and global security; and (5) **Creating a new institutional framework** based not on the European model but on cooperation with mutual respect for sovereignty, perhaps using joint commission models to foster coordination and to prevent and resolve conflicts.”¹²⁸

Building on these five areas, the CCCE followed up on their call to action a year later by releasing “New Frontiers: Building a 21st Century Canada-United States Partnership in North America”, a discussion paper containing fifteen specific recommendations to be included in a new partnership.¹²⁹ As “the most articulated and ambitious strategy for linking Canadian economic interests in the US with US

¹²⁷ (Ibid, 30).

¹²⁸ Canadian Council of Chief Executives, “Security and Prosperity: Toward a New Canada-United States Partnership in North America,” *Profile of the North American Security and Prosperity Initiative (NASPI)* 2003, 1.

¹²⁹ Canadian Council of Chief Executives, “New Frontiers: Building a 21st Century Canada-United States Partnership in North America,” *Discussion Paper* 2004.

defense interests involving Canada,” the initiatives and strategy proposed by the CCCE soon developed into the formalized¹³⁰ Security and Prosperity Partnership (SPP) agreed to by the United States, Canada, and Mexico.¹³¹ On March 23, 2005, almost exactly three years after Dobson’s call for a Strategic Bargain, the leaders of the three countries announced their intention to cooperate on a two-part agenda of national security and economic prosperity.¹³²

The leaders established twenty working groups to deal with specific issues related to border efficiency and security, trade facilitation, and the harmonization of regulatory and standards regimes.¹³³ In 2006 business associations from all three countries (represented by the CCCE in Canada) were invited to join together and form the North American Competitive Council (NACC) “to advise the SPP on what priorities it should pursue at the ministerial level.”¹³⁴ According to Alexander Moens, “There was no call for labor or environmental groups or any other NGOs to play an equally prominent advisory role.”¹³⁵ Within a year the NACC submitted a report to the leaders outlining specific policy initiatives for the governments to pursue both immediately and in the future, including the coordination of financial regulations and the development of common laws related to intellectual property, piracy, and several others. In August 2007 SPP participants met in Montebello and

¹³⁰ By ‘formalized’ I do not mean a formal treaty or agreement but rather the formal adoption of a cooperative strategy for deeper integration.

¹³¹ Isidro Morales, *Post-NAFTA North America: Reshaping the Economic and Political Governance of a Changing Region*, New York: Palgrave MacMillan, 2008, 164.

¹³² Jason Ackleson & Justin Kastner, 207.

¹³³ Ackleson & Kastner, “The Security and Prosperity Partnership of North America,” *American Review of Canadian Studies* 36 (2) 2007, 207.

¹³⁴ Alexander Moens, “Lessons Learned from the Security and Prosperity Partnership for Canadian-American Relations,” *American Review of Canadian Studies* 41 (1) 2011, 56.

¹³⁵ (*Ibid*, 56).

agreed to adopt a number of the NACC's recommendations, a clear example of just how significant a role the business community played in setting the agenda for the SPP. For groups not invited to participate, this "opened up an avenue of criticism" that, along with several other issues, contributed to its eventual demise.¹³⁶

It is important to note that the governments involved in the SPP, although greatly influenced by the CCCE and other business groups, did not explicitly endorse or adopt the far-reaching institutional framework that existed in most Big Ideas. Nor did they lend their support to the longer-term goals suggested by many advocates of deeper integration. For example, the Council on Foreign Relations (an American think tank) "called for a new North American Community by 2010, including a common external tariff and a common external security perimeter."¹³⁷ However, as Moens explains, "The actual SPP agenda does not set these goals and it carefully avoided the words 'community' and 'integration.'"¹³⁸

Nonetheless critics of deeper integration, along with numerous advocacy groups not invited to provide input in the SPP, did not hesitate to vocalize their belief that the participating governments implicitly adopted these goals. It also did not help that the vast majority of SPP negotiations took place behind closed doors, thereby avoiding the opportunity for media and parliamentary oversight. Most importantly, the Canadian government failed to adequately respond to these concerns, or provide a satisfactory explanation regarding the benefits the SPP would bring to the Canadian public. Evidence for this is the fact that "Several hundred

¹³⁶ (Ibid, 56).

¹³⁷ (Ibid, 58). See Council on Foreign Relations 2005.

¹³⁸ (Ibid, 58).

protestors have attended each [North American Leaders] summit and have made up for their modest numbers by staging violent clashes with the police.”¹³⁹ By 2008, public opinion polls were beginning to show that opponents of the SPP and the deep integration agenda had “succeeded in gaining the public’s ear.”¹⁴⁰ As McDougall explains, the deep integration agenda receives greater and greater opposition “the more that international trade agreements and associations are perceived to impinge on domestic...policies, and the more that intergovernmental decisions...are perceived to favour the interests of corporations.”¹⁴¹ By April 2008 critics of the SPP succeeded in preventing the North American leaders from implementing deeper integration through mechanisms they perceived to lack democracy and accountability. With dwindling Congressional and Parliamentary support, the Leaders announced the demise of the SPP after only four summits.¹⁴²

Incrementalism

The demise of the SPP and its basis on ‘Big Idea’-type proposals has caused some integrationists to suggest an alternative, incremental process for ensuring deeper integration. In 2003, the Conference Board of Canada released their version of what the Canada-US relationship should strive for in the 21st Century. Like Dobson, they are well aware of the post-9/11 paradigm shift: “With a wounded United States focusing on its own physical security, Canadian concerns about economic security tend to be dismissed in senior Washington policy circles as a

¹³⁹ (Ibid, 59).

¹⁴⁰ (Ibid, 59). **See also Council of Canadians 2008.**

¹⁴¹ John N. McDougall, “The Long-Run Determinants of Deep/Political Canada-US Integration,” In *The Art of the State, Vol. II, no. 7* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 3-32. Montreal, QC: The Institute for Research on Public Policy, 2005, 25.

¹⁴² Alexander Moens, “Lessons Learned from the Security and Prosperity Partnership for Canadian-American Relations,” *American Review of Canadian Studies* 41 (1) 2011, 56-59.

minor distracting issue, as special pleading not worth prolonged consideration.”¹⁴³ However, they draw a vastly different conclusion out of the present reality. The Conference Board suggests that striking a comprehensive deal is not only unlikely, but is disadvantageous for pursuing Canadian interests. For example, in the 1988 negotiations of the CUSFTA, a key issue for Canada was to limit or dismantle American trade remedy laws such as anti-dumping and countervail. By the time it became clear that American negotiators would not budge on the issue it was too late for the Canadian government to walk away from the table. The end result (according to the Conference Board) was “an economy more closely integrated to the American economy and vulnerable to the unilateral American imposition of trade remedy laws.”¹⁴⁴ For this reason, the Conference Board argues that linking trade-offs is unlikely to yield the results that Big Idea proponents expect.

Conference Board argues instead that bilateral issues should be negotiated informally on an incremental, issue-by-issue basis, avoiding the high-level senior negotiations that characterized the Free Trade Agreements. This should be accompanied by a clear set of objectives that reflect the direction Canada would like to go: namely, greater access to the American market by facilitating the free flow of goods, services, and investment. In other words, “The strategic objective...is to remove the trade irritants wherever possible.”¹⁴⁵ This would involve pursuing the harmonization of “rules, standards, and regulations”; greater labour mobility; greater “cooperation between the police and security forces...to jointly identify,

¹⁴³ Charles A. Barrett & Hugh Williams, “Renewing the Relationship: Canada and the United States in the 21st Century,” *Conference Board of Canada: Briefing* 2003, 1.

¹⁴⁴ (*Ibid*, 2).

¹⁴⁵ (*Ibid*, 3).

track, and contain security risks”; the implementation of a common external tariff; and reducing the importance of trade remedy laws in order to make them obsolete.¹⁴⁶

The think tank Canadian Foundation for the Americas (FOCAL) similarly advocates the incremental approach to deepening North American integration. In “North American Integration: Back to the Basics” policy analyst Stacey Wilson-Forsberg concludes,

“No clear and well-articulated vision or plan has emerged in which all three countries would reap significant political, economic or social benefits and, therefore it is premature to expect Canada, the United States and Mexico to work toward some collective ‘North American good’. Consequently, the only direction to pursue remains an incremental one by deepening relations, cooperation, and coordination in those areas where there are clear benefits for each individual country.”

Despite the notable influence of the CCCE and other proponents of a comprehensive strategy, the actual implementation of policy initiatives under the SPP seems to support the incremental approach. As Stephen Clarkson and Maria Banda argue, the SPP was in fact “a trilaterally incrementalist approach to managing the forces of integration.”¹⁴⁷ The inability (or unwillingness) of the leaders to strike some kind of grand bargain through the SPP meant that items on the agenda would be carried out incrementally by bureaucratic agencies in each country.

The procedural nature of the SPP and proposals of deeper integration aside, it is quite clear that continentalist proposals all agree on two things: first, “the status quo were not tolerable. The Canadian-US relationship, NAFTA, and broader

¹⁴⁶ (Ibid, 3-4).

¹⁴⁷ Stephen Clarkson & Maria Banda, “Community of Law: Proposals for a Strategic Deal with the United States,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 129-153. Montreal & Kingston: McGill-Queen’s University Press, 2007, 149.

continental relations were in need of mending, revising, and redefining.”¹⁴⁸ Second, deeper integration will occur one way or another. In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* editors Ricardo Grinspun and Yasmine Shamsie of the Canadian Centre for Policy Alternatives (CCPA) argue that continentalists have framed the debate in a way that incorrectly presents “three possible scenarios for the future of North America.”¹⁴⁹ In the first scenario, integration will continue to occur on an incremental basis founded on “realizing the full potential of NAFTA”¹⁵⁰ and will eventually lead to deeper integration despite a lack of committed effort by national governments. In the second (and least likely) scenario, North America will become a European Union-like community with supranational continental institutions (such as a North American parliament, court, and bank) and a common currency. The third scenario encompasses the Big Idea proposals put forward by Wendy Dobson and the CCCE. In this scenario (which Grinspun and Shamsie claim is presented as the ‘moderate option’), political leaders actively participate in developing a framework or strategy for managing integration while continuing to act in a way that promotes their national interests and achieves “net benefits for the citizens in their respective countries.”¹⁵¹ Despite some significant differences, these three scenarios all share the aforementioned assumptions that deeper integration is both inevitable and in Canada’s best interest. Accordingly, Grinspun and Shamsie provide a collection of

¹⁴⁸ (Ibid, 150).

¹⁴⁹ Ricardo Grinspun & Yasmine Shamsie, “Canada, Free Trade, and ‘Deep Integration’ in North America: Context, Problems, and Challenges,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 3-53. Montreal & Kingston: McGill-Queen’s University Press, 2007, 30.

¹⁵⁰ (Ibid, 30).

¹⁵¹ (Ibid, 30).

twenty-one essays that challenge both assumptions and promote instead what they call a “fourth scenario” for the future of North America.¹⁵² This alternative scenario is a topic that will be revisited in the conclusion of this paper. In the meantime, the final section of this essay will deal with the arguments put forward by the CCPA and other organizations that do not accept the continentalist assumptions and resist their agenda.

¹⁵² (Ibid, 30).

CANADIAN NATIONAL RESISTANCE

When American political activist and former U.S. Presidential candidate Ralph Nader spoke at the University of Western Ontario in March 2011 he summed up the stance taken by most Canadian nationalists in the post-NAFTA/post-September 11 era:

“It is clear that corporate interests and their indentured political allies are pressing in all directions all the time for what is called “deep integration” between our two countries. The very asymmetry between this drive to integrate and its sporadic, underfunded, scattered opposition calls for an immediate, broad, national discussion in venues throughout Canada.”¹⁵³

The remainder of Nader’s speech was dedicated to arguing that

“American-Canadian integration comes with a false premise – that of equality, as in the integration of schools with different races. That is not what is envisioned here. The proper words would be ‘assimilation’ and ‘harmonization’ in favor of the overwhelmingly dominant partner, which is, of course, the United States.”¹⁵⁴

As we have seen the vast majority of continentalists believe North American integration to be beneficial, irreversible, and inevitable. Accordingly, their primary purpose has been to present strategies to effectively manage, control, and facilitate the process while maximizing its economic benefits for Canada and ensuring sufficient attention is received from the United States. In contrast, a growing number of people continue to reassert the position that the only thing inevitable about deeper integration is the eventual erosion of Canadian independence, sovereignty, culture, and values. In addition to this, more concentrated groups have vehemently argued that deeper integration will have unanticipated negative impacts on things like the environment, energy and natural resources, and even the

¹⁵³ Ralph Nader, *Canadian Independence: Salvation or Sacrifice to Canada-U.S. Relations*, London, ON: The Canada-U.S. Institute, University of Western Ontario, 2011, 4.

¹⁵⁴ (Ibid, 4).

Canadian economy and labour market. Most importantly, these critics argue that the vast asymmetry between Canada and the United States will contribute to an unacceptable loss of autonomy over domestic policy making.

The first thing most critics of deeper integration assert is that integration under the Free Trade Agreements has not been as beneficial as its proponents commonly claim. A major proponent of this line of thought has been the Canadian Centre for Policy Alternatives (CCPA), a research institute “concerned with issues of social and economic justice.”¹⁵⁵ In 2003 the CCPA published two reports dealing with this issue. Bruce Campbell’s *From Deep Integration to Reclaiming Sovereignty: Managing Canada-U.S. economic Relations Under NAFTA* lists ten negative impacts that have affected Canadians under NAFTA. Most notably, Campbell argues that there has been “a negative social adjustment” characterized by cuts to unemployment insurance and major tax cuts for top earners and corporations. Additionally, labour and environmental standards have been lowered in the name of competitiveness, while protections for things like natural resources, health care, and education have been inadequate. Furthermore, promises of greater productivity, higher employment, higher wages, and greater industrial diversification have not been met, and high-paying Canadian jobs have been lost as a result of foreign takeovers and relocation. Finally, under the NAFTA regime income and wealth inequality has increased steadily in Canada, resulting in higher rates of homelessness and poverty.¹⁵⁶

¹⁵⁵ Policyalternatives.ca

¹⁵⁶ Bruce Campbell, “From Deep Integration to Reclaiming Sovereignty: Managing Canada-U.S. Economic Relations Under NAFTA,” *Canadian Centre for Policy Alternatives* 2003, 4-6.

Most of these claims are corroborated by Andrew Jackson (of the Canadian Labour Congress) in *Why the 'Big Idea' is a Bad Idea*. Jackson points out that “The basic case for free trade was that it would boost weak manufacturing productivity and close the long-standing Canada-U.S. productivity gap.”¹⁵⁷ While he admits that some productivity gains were made in certain industries, these are overshadowed by the lost jobs that have accompanied them. Furthermore, increased productivity in Canada has continued to fall behind the United States: between 1992 and 2000, “Output per hour rose by just 16.1%...compared to 41.5% in the U.S.”¹⁵⁸ These findings are consistent with those of the World Trade Organization and the International Labor Organization, which show “a troubling lag in the rise of per capita incomes” along with five other “competitive indicators” such as productivity and research and development as percent of GDP.¹⁵⁹ Jackson thus argues that increasing economic ties with the United States is unlikely to yield the results anticipated by its promoters, especially those who advocate a ‘Big Idea’. Most importantly, Jackson points out that “advocates of the Big Idea forget that Canada is operating at a serious competitive disadvantage to the U.S. in many industries, and has very different interests in setting the rules for government intervention in the economy.”¹⁶⁰ Accordingly, the Canadian government needs to maintain its ability to

¹⁵⁷ Andrew Jackson, “Why the ‘Big Idea’ is a Bad Idea: A Critical Perspective on Deeper Economic Integration With the United States,” *Canadian Centre for Policy Alternatives* 2003, 14.

¹⁵⁸ (Ibid, 15).

¹⁵⁹ Carol Wise, “Unfulfilled Promise: Economic Convergence under NAFTA,” In *Requiem or Revival? The Promise of North American Integration* rev. ed., edited by Isabel Studer and Carol Wise, 27-52. Washington, DC: The Brookings Institution, 2007, 36.

¹⁶⁰ Andrew Jackson, “Why the ‘Big Idea’ is a Bad Idea: A Critical Perspective on Deeper Economic Integration With the United States,” *Canadian Centre for Policy Alternatives* 2003, 20.

subsidize certain industries through tax credits and other mechanisms, especially when it comes to supporting research and development.¹⁶¹

The point Jackson makes about subsidies highlights a fundamental criticism that is absolutely vital to most arguments against deeper integration: deeper integration will necessarily result in a loss of policy autonomy for Canadian decision-makers. Taking this a step further, many critics argue that losing the ability to make choices regarding domestic policies amounts to an unacceptable loss of sovereignty and independence.

Canadian Sovereignty and Independence

Historically, attempts to facilitate the process of integration have not been an easy task for Canadian policy makers. Gaining popular support for measures that bring the two countries closer together has been met with varying degrees of resistance and often depends on the economic circumstances of the time. In the post-NAFTA and 9/11 era, resistance to deeper integration has also been greatly influenced by the degree to which deeper integration is being proposed and the very real possibility that such proposals could be realized in the near future. Nonetheless, the primary argument against deeper integration has largely remained the same, albeit with new and changing views regarding its implications.

Proponents of deeper integration typically address this issue by defining sovereignty as a political instrument rather than a goal in and of itself. Indeed, an important way to exercise this instrument is to enter into agreements with other sovereign nations that “democratically elected Canadian governments deem to be in

¹⁶¹ (Ibid, 19-20).

our national interest.”¹⁶² Wendy Dobson provides a similar view of sovereignty in her call for a Big Idea: “sovereignty is not just about what a country gives up but also about what it gains...States are the architects of their own constraints through the decisions they make...and through the decisions they avoid by failing to exercise their sovereignty.”¹⁶³ Michael Hart expands on Dobson’s point, conceding that while international agreements may involve a certain concession of policy autonomy, they are the result of a State’s “reasonable calculation” that its national interests are better served in doing so.¹⁶⁴ Said differently, the loss of autonomy is a necessary and ultimately beneficial trade-off that ensures cooperative and predictable behaviour from the other partner. Hart thus concludes, “Trade agreements are neither an exception to nor fundamentally different from the many other agreements, conventions and declarations to which Canada is a party.”¹⁶⁵

Critics of integration typically do not question the fact that international agreements between democratically elected governments entail a proper exercise of sovereignty. An exception to this has manifested from the secretive nature of the SPP and its lack of Congressional/Parliamentary oversight.¹⁶⁶ Nonetheless, critics of deeper integration continue to assert that the policies supported by continentalists, whether part of a Big Idea or an incremental process, entail an unacceptable degree

¹⁶² H. Segal “New North American Institutions: The Need for Creative Statecraft.” *Address to the Fifth Annual JLT/CTOPL Trade Law Conference*, 18 April 2003.

¹⁶³ Wendy Dobson, “Shaping the Future of the North American Economic Space,” *C.D. Howe Institute: Commentary* April 2002, 3.

¹⁶⁴ Michael Hart, “A New Accommodation with the United States: The Trade and Economic Dimension,” In *The Art of the State, Vol. II, no. 2* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 3-70. Montreal, QC: The Institute for Research on Public Policy, 2005, 19.

¹⁶⁵ (*Ibid*, 19).

¹⁶⁶ This point will be revisited in the conclusion

of foreign control over domestic policies. This is because even though formal treaties are not always suggested for immediate or high-level negotiation, it is quite clear that the ultimate goal of most continentalists is to facilitate a process whereby Canada and the United States can and do make commitments that tie the hands of domestic policy makers. The end result will inevitably entail the loss of independence that Canadians have been fighting for decades.

An offshoot of this idea also implicates continentalist proposals that do not explicitly call for the eventual formalization of deeper integration such as a customs union or common market: facilitating deeper integration is a “slippery slope” that will lead to the same result whether intentional or not. Evidence for this, as argued by Grinspun and Shamsie (along with the twenty-four other contributors of their volume), is the very fact that both the successes and limitations of the Free Trade Agreements have been significant factors in the demand to take integration to the next level. In their words, “the notion of a ‘slippery slope’ (as raised by CUFTA and NAFTA opponents) was accurate – especially their belief that one step towards integration would generate pressure for further steps.”¹⁶⁷ One needs only to look at the case of the European Union to see how this can work.

The central aspect of the sovereignty argument is the assertion that the very nature of deep integration along with the rules and policies that come with it will be dictated, as Nader expressed, “by the overwhelmingly dominant partner”.¹⁶⁸ As

¹⁶⁷ Ricardo Grinspun & Yasmine Shamsie, “Canada, Free Trade, and ‘Deep Integration’ in North America: Context, Problems, and Challenges,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 3-53. Montreal & Kingston: McGill-Queen’s University Press, 2007, 3.

¹⁶⁸ Ralph Nader, *Canadian Independence: Salvation or Sacrifice to Canada-U.S. Relations*. London, ON: The Canada-U.S. Institute, University of Western Ontario, 2011.

Andrew Hurrell notes, "US hegemony is central to the story".¹⁶⁹ Since deeper integration primarily involves policy harmonization and convergence in a number of areas, the common fear is that the adjustments required to bring about convergence will have to be made by Canada. Indeed, the very foundation of the Big Idea is the recognition that for several reasons the US has far less interest in negotiating purely economic agreements than Canada. Historically, it has almost always been the case that Canada has been forced to persuade the Americans to come to the bargaining table, and the United States has been extremely reluctant to make concessions in Canada's favour. Support for this claim can be found by looking at Canada's failure to achieve adjustments in American trade remedy laws during negotiations for NAFTA. As a result, "the U.S. still actively uses its countervail and anti-dumping trade laws to selectively harass and penalize Canadian exporters", especially in the case of softwood lumber.¹⁷⁰ The brief (Canadian) attempt to create a common currency also demonstrates this reality, as American policy makers refused to even consider proposals that went beyond a unilateral adoption of the US dollar.

The implications of this reality are what drive the majority of resistance efforts against deeper integration. Nationalists across the board agree that the history of Canada-US integration thus far has been characterized by a continuous shift of Canadian policies "to become increasingly aligned with those of our

¹⁶⁹ Andrew Hurrell, "Hegemony in a Region That Dares Not Speak its Name," *International Journal* 61 (3) 2006, 546.

¹⁷⁰ Andrew Jackson, "Why the 'Big Idea' is a Bad Idea: A Critical Perspective on Deeper Economic Integration With the United States," *Canadian Centre for Policy Alternatives* 2003, 23.

southern neighbour”.¹⁷¹ If Canada continues on this path, they argue, the impacts will be profound and widespread.

Impacts of Deeper Integration

The task of showing that deeper levels of integration will have consequences that pervade well beyond even the narrow scope of a simple trade agreement necessarily involves a certain amount of speculation. This is especially true when it comes to the more abstract implications such as Canadian culture and identity, which are understandably difficult to quantify. The much larger scope of Big Idea proposals and their grandiose descriptions of eventual goals (such as a common market or customs union), however, give this task slightly more credence. Despite these limitations critics have been remarkably successful in describing the social, political, and economic effects that integration has already produced, and often provide reasonable predictions regarding the future. At the very least, the idea that deeper integration could have unforeseen costs is an important consideration that Canadian leaders and decision makers should be aware of.

As alluded to earlier, opponents of the continentalist agenda commonly assert that deeper integration will involve the “downward harmonization” of Canadian regulations, standards, and policies. Said differently, critics believe that the continentalist push to develop a common set of standards on things like health or environmental regulations will have a “pull-down” effect on their quality. The most popular facet of this argument stems from the aforementioned belief that

¹⁷¹ Duncan Cameron, “Free Trade Allies: The Making of a New Continentalism,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 54-73. Montreal & Kingston: McGill-Queen’s University Press, 2007, 66.

because of the vast asymmetry between Canada and the United States, harmonization will inevitably mean the unilateral adoption of US standards that are typically lower than those in Canada. In the words of Bruce Campbell, “the term ‘harmonization,’ as applied to regulations or policies, almost always means Canada bending to, or adopting, US regulations and policies rather than vice versa.”¹⁷² Ralph Nader echoed this sentiment by pointing to the numerous recent public health and safety disasters in the US (such as the inflow of dangerous consumer products from China ranging from lead-based toys to toxic drywall) or the relaxing of bank and investment regulations that lead to the recent economic crisis.¹⁷³ Again, this results in a loss of policy autonomy as Canadian policy makers become unable to implement laws or finance programs that may restrict the “rights” of foreign businesses.

Grieshaber-Otto, Sinclair, and Grinspun present another facet of this argument in their essay on how economic integration is impacting Canadian health care. The authors argue that deepening integration is threatening the very existence of Canada’s health care system “through steady, incremental commercialization.” More specifically, they make the case that free trade has already contributed to the decentralization and privatization of health care delivery as more and more services are being outsourced to for-profit corporations.¹⁷⁴ Greater continental integration,

¹⁷² Bruce Campbell, “Managing Canada-US Relations: An Alternative to Deep Integration,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 529-546. Montreal & Kingston: McGill-Queen’s University Press, 2007, 530.

¹⁷³ Ralph Nader, *Canadian Independence: Salvation or Sacrifice to Canada-U.S. Relations*, London, ON: The Canada-U.S. Institute, University of Western Ontario, 2011, 6.

¹⁷⁴ Jim Grieshaber-Otto, Scott Sinclair & Ricardo Grinspun, “Trade Treaties, Privatization, and Health Care Reform in Canada,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 343-371. Montreal & Kingston: McGill-Queen’s University Press, 344.

they argue, will only speed up this process and usher it into an era of privatization that will be near impossible to reverse. Their claim is primarily based on Prime Minister Harper's recent commitment to achieve smoother cross-border trade "by constraining and redirecting the regulatory ability of governments."¹⁷⁵ However, the very nature of Canadian health care involves the curtailing of market forces so that ability to pay does not affect one's ability to receive treatment. This issue becomes especially problematic with proposals for a common market. Since a common market seeks to eliminate regulatory differences, Canada's "public health insurance system would, by definition, be "discriminatory" and "anti-competitive" since it prohibits participation by foreign insurance firms.¹⁷⁶

Similar arguments are readily applied to various other social programs and other fundamental aspects of Canadian life. For example, in "Breaking the Free Trade Addiction: An Intervention on Environmental Grounds" Green Party leader Elizabeth May and Sarah Dover argue against continentalist proposals on the grounds that integration has produced and entrenched "economic patterns that are environmentally unsustainable" and that closer ties will further inhibit the ability of policy makers to respond to environmental threats.¹⁷⁷ Others, like chairperson of the Council of Canadians¹⁷⁸ Maude Barlow, have focused on the impact deeper integration will have on Canada's natural resources. While Barlow has written

¹⁷⁵ (Ibid, 363-364).

¹⁷⁶ (Ibid, 364).

¹⁷⁷ Elizabeth May and Sarah Dover, "Breaking the Free Trade Addiction: An Intervention on Environmental Grounds," In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 409-438. Montreal & Kingston: McGill-Queen's University Press, 2007, 411.

¹⁷⁸ The Council of Canadians is Canada's largest citizens' organization. See Canadians.org

extensively about Canada's fresh water¹⁷⁹, activists like the University of Alberta's Larry Pratt concentrate on energy security and the threat deeper integration poses on Canada's energy supply.¹⁸⁰ The main contention here is that under NAFTA, Canadian politicians have allowed Canada's oil and gas industry to develop and grow in a way that is almost entirely dependent on the US market. In Pratt's words, "The idea of building east-west pipelines and of exploiting Canadian resources for the Canadian market has been dropped. Self-reliance, Canadianization, a national energy strategy – these policies have been abandoned in favour of a deregulated energy structure dependent for its growth on the US market."¹⁸¹ The biggest danger, however, is that as Canada's energy sector becomes more integrated with the US economy, valuable Canadian resources could become an issue of US national security. Prior to NAFTA and September 11 it was commonplace for the Canadian government to intervene when international oil crises threatened the Canadian public. Today, Canada faces the very real possibility that protectionist national energy policies will become virtually impossible to implement.¹⁸²

Ultimately proponents of this argument agree that while the Free Trade Agreements did not necessarily explicitly mandate harmonization in many of these areas, they "did create additional market pressures to align these policies more

¹⁷⁹ See Maude Barlow & Tony Clarke, *Blue Gold: The Battle Against Corporate Theft of the World's Water*, London: Earthscan Publications, 2002.

¹⁸⁰ Larry Pratt, "Pipelines and Pipe Dreams: Energy and Continental Security," In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 459-480. Montreal & Kingston: McGill-Queen's University Press, 2007, 459.

¹⁸¹ (Ibid, 460-461).

¹⁸² (Ibid, 462).

closely.”¹⁸³ Downward harmonization and restrictions on policy autonomy can be easily demonstrated in most cases and are directly related to the forces of integration. In the worst-case scenario, these impacts will become formally institutionalized and largely irreversible as integration takes its next leap forward. At best, deep integration will ‘merely’ increase the economic and political pressures that have been shown to produce these results. In the words of Grinspun and Shamsie, “The restrictions that these trade and investment agreements place on domestic policy making would be less worrisome if they resulted in favourable social and economic trends, but the opposite is the case.”¹⁸⁴

Canadian Values and the Corporate Divide

Perhaps the most damaging argument to the continentalist agenda is the assertion that North American integration has thus far been an elite-driven endeavor founded on advancing the goals and interests of the business community. Furthermore, proponents of this line of thinking argue that the interests of the business community differ drastically from those of the Canadian public. This idea has been a popular avenue of criticism since the negotiation of the Free Trade Agreements¹⁸⁵ and has only gained momentum since the beginning of the SPP. One of the most prominent supporters of this idea has been Mel Hurtig, founder of

¹⁸³ Bruce Campbell, “Managing Canada-US Relations: An Alternative to Deep Integration,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 529-546. Montreal & Kingston: McGill-Queen’s University Press, 2007, 531.

¹⁸⁴ Ricardo Grinspun & Yasmine Shamsie, “Canada, Free Trade, and ‘Deep Integration’ in North America: Context, Problems, and Challenges,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 3-53. Montreal & Kingston: McGill-Queen’s University Press, 2007, 6.

¹⁸⁵ See Stephen McBride & John Shields, *Dismantling a Nation: The Transition to Corporate Rule in Canada*, Second Edition, 1997 (first edition in 1993). See also Peter C. Newman, *Titans: How the New Canadian Establishment Seized Power*, Toronto: Penguin Canada, 1998.

Canada's largest citizens' organization the Council of Canadians.¹⁸⁶ Between 1991 and 2008 Hurtig has written extensively on this topic, arguing primarily that the benefits of free trade and deeper integration are only seen by big business (particularly multinational and foreign-owned firms), while the costs are disproportionately borne by non-elites. For example, in his 2002 book *The Vanishing Country*, Hurtig shows that since the Free Trade Agreements there has been a drastic increase in the number of Canadian businesses being taken over by American firms: between 1985 and 2002, he writes, "there have been a total of 10,052 foreign takeovers...Not one single takeover application has ever been rejected. Of the 10,052 takeovers, 6,437 were from the United States."¹⁸⁷ Even more striking is the fact that while more than \$487 billion was spent by foreign investment in Canada during this period, over ninety-six per cent of that came in the form of takeovers, while less than four per cent went toward "new business investment."¹⁸⁸ The year 2000 saw record-breaking numbers in FDI, shattering the previous record (set in 1999) by over \$60 billion.¹⁸⁹ By 2002, more than three-dozen industries in Canada were "majority-foreign-owned and -controlled".¹⁹⁰ For Hurtig, what these figures translate to is that "profits will hemorrhage out of the country, tax revenue as a percentage of sales will be sharply reduced, good jobs will be fewer, and key decisions about your country will be made outside of Canada by

¹⁸⁶ See Canadians.org

¹⁸⁷ Mel Hurtig, *The Vanishing Country*. Toronto: McClelland & Stewart, 2002, 13.

¹⁸⁸ (*Ibid*, 13).

¹⁸⁹ Official Industry Canada numbers: \$18.1 billion in 1999, \$81.8 billion in 2000.

¹⁹⁰ Mel Hurtig, *The Vanishing Country*. Toronto: McClelland & Stewart, 2002, 18.

people who don't give a damn about your country."¹⁹¹ Yet, ironically, continentalists continue to assert that Canada must do more to attract foreign investment.

Central to this issue, as argued by just about every opponent of deeper integration, is that the Canadian business community has demonstrated powerful influence over Canada's political agenda. For Hurtig, this is especially troubling considering the above information regarding foreign ownership. Prominent business leaders like Thomas d'Aquino continually reference the support given by think tanks like the C.D. Howe and Fraser Institutes as proof that big business is not alone in the campaign for deeper integration. However, Hurtig responds by pointing out,

"These are all the same guys. The Fraser and C.D. Howe institutes and the Institute for Research and Public Policy are joined at the spine with big business, which finances them. It goes like this. Big business puts up the money, the institutes churn out the 'studies' that reflect the policies big business supports, then the newspapers and magazines that also finance the institutes dutifully report the 'studies' as newsworthy and reliable wisdom."¹⁹²

Since the publication of Hurtig's book these very same think tanks have by far been the most ardent supporters and publishers of pro-integrationist material. Indeed, Hurtig goes on to show just how much big business stands to gain from deeper integration (i.e. soaring profits via greater access to the much larger American market) and, more importantly, what Canadians have to lose. Ultimately, after a lengthy discussion on how Canada overwhelmingly surpasses the United States in areas like poverty, inequality, social programs and education, Hurtig concludes that the Americanization that comes with deeper integration will have

¹⁹¹ (Ibid, 25).

¹⁹² (Ibid, 131).

severe implications for “our sovereignty, our standard of living, and our quality of life.”¹⁹³

In a recent study released by the Canada U.S. Institute at the University of Western Ontario, a mere eighteen per cent of Canadian respondents evaluated Canada-US integration positively, while only twenty one per cent said they would “prefer more integration.”¹⁹⁴ These findings are consistent with numerous other polls that suggest most Canadians generally support close economic ties with the United States and free trade so long as it applies exclusively to the reduction or elimination of tariffs. However, “When large numbers of Canadians associate free trade agreements closely with such outcomes as the possible erosion of Canadian social policies or increased foreign ownership of Canadian business, the proportion who endorse such agreements is noticeably weaker.”¹⁹⁵ Support becomes even weaker when respondents associate economic integration with an increasingly blurred identity between Canadian and American. Ultimately, Canadians have a positive disposition towards their southern neighbors and generally approve of the intergovernmental cooperation needed to sustain a productive and healthy relationship. At the same time “most Canadians would also prefer to see Canada-US

¹⁹³ (Ibid, xi).

¹⁹⁴ Cameron D. Anderson & Laura B. Stephenson, *Moving Closer or Drifting Apart? Assessing the State of Public Opinion on the U.S.-Canada Relationship*, London, ON: The Canada-U.S. Institute, University of Western Ontario, 2010, 6.

¹⁹⁵ John N. McDougall, “The Long-Run Determinants of Deep/Political Canada-US Integration,” In *The Art of the State, Vol. II, no. 7* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 3-32. Montreal, QC: The Institute for Research on Public Policy, 2005, 25.

differences maintained or widened” and strongly feel that the Canada-US relationship “should not compromise Canadian uniqueness or sovereignty.”¹⁹⁶

Several studies also show a drastic contrast between the attitudes, values, and priorities of business leaders and those of the general population. For example, while most business leaders are increasingly malevolent toward government intervention, Canadians as a whole strongly support the “uses of government that have helped them to create among themselves a social and economic order that distinguishes them from the United States.”¹⁹⁷ This also contrasts with the increasingly outward-looking perspective indicated by most business leaders, who continually show greater priority for the American market over increasing business at home. In 2001 the president of Ekos Research Associates presented the findings of several recent polls that suggested an enormous clash in values and attitudes between business elites and the general population:

“private sector elites and the general public expressed substantially different levels of interest in becoming more like the United States. Only 14 percent of the general public wished this to happen, as opposed to 37 percent of private sector elites. Even wider differences were revealed by polls concerning attitudes toward the role of the state. Respondents were asked whether they supported or opposed three different ‘political visions’ for the country: ‘new right’ (meaning a minimal government, broad-based tax cuts and greater emphasis on self-reliance); ‘progressive’ (meaning strengthened commitment to public institutions, social equality and the social safety net); or ‘status quo’ (meaning a middle-of-the-road approach that seeks continuity, balance and compromise). More than five times as many members of the general public than of the private sector elite endorsed the ‘progressive’ vision: 81 percent to 15 percent.”¹⁹⁸

¹⁹⁶ SCFAIT, “Partners in North America: Advancing Canada’s Relations with the United States and Mexico,” Ottawa: Standing Committee on Foreign Affairs and International Trade, House of Commons, Canada: 2002.

¹⁹⁷ John N. McDougall, “The Long-Run Determinants of Deep/Political Canada-US Integration,” In *The Art of the State, Vol. II, no. 7* rev. ed., edited by Thomas J. Courchene, Donald J. Savoie and Daniel Schwanen, 3-32. Montreal, QC: The Institute for Research on Public Policy, 2005, 22.

¹⁹⁸ (Ibid, 22).

What should be most concerning for advocates of deeper integration is the fact that this data indicates a complete absence of popular support for continentalist proposals. Furthermore, as Clarkson and Banda argue, this is unlikely to change unless a concerted effort is made to address NAFTA's shortcomings and deal with concerns about its negative effects. Specifically, "its focus on corporate rights, its democratic deficit, and...[its] effects on environmental degradation, social inequalities, and restricted employment opportunities."¹⁹⁹ Even then selling deep integration to the public will always be impeded by concerns over sovereignty, asymmetry, and increasing dependence that, for opponents of integration, are simply not resolvable through deepening economic or political ties.²⁰⁰

¹⁹⁹ Stephen Clarkson & Maria Banda, "Community of Law: Proposals for a Strategic Deal with the United States," In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 129-153. Montreal & Kingston: McGill-Queen's University Press, 2007, 145.

²⁰⁰ (Ibid, 145).

CONCLUSION

If integration is going to move forward, especially in a way that entails a comprehensive agreement that extends beyond simple trade negotiations, it will have to address the concerns of the public and proceed in a democratic and accountable fashion. Integration between Canada and the United States has been occurring, albeit with varying degrees, since the beginning of their economic and political relationship. However, efforts to advance the process have historically been met with substantial resistance and have only succeeded when domestic, regional, and global circumstances have allowed them. Today Canada and the US are closer together than any other time in their history, and Canada relies enormously on cross-border trade with the United States for its prosperity and growth.

Accordingly, continentalists have sought a new arrangement that would eliminate the shortcomings of NAFTA and ensure an open border in the post-9/11 era. There is no question that the events of September 11 posed a major threat not only to the physical security of the continent, but also to Canada's economic security. New arrangements must therefore strive to meet these new challenges while promoting Canada's interests.

Conversely, opponents of integration have also demonstrated their ability to make an impact on the national agenda and provide an alternative view of integration that demands consideration. Recently activist groups like the Council of Canadians and influential think tanks like the CCPA have provided a different vision for the future of Canada-US relations that does not accept the inevitability of deeper

integration. For example, the authors of *Whose Canada?* advocate what they call a “fourth option” for Canada that aims to lessen the negative impacts associated with deeper integration.²⁰¹ Their approach primarily entails a strategy to diversify trading partners, strengthen national institutions and policies, and make greater use of multilateral associations.²⁰² In the wake of the failed SPP negotiations and more importantly, the recent economic crisis in the United States, efforts to reduce Canada’s dependence on the US are certainly gaining popularity.

Ultimately, while the future remains uncertain, further integration will depend on Canada’s ability to reconcile its goals of maintaining economic security and protecting important Canadian values.

²⁰¹ Bruce Campbell, “Managing Canada-US Relations: An Alternative to Deep Integration,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 529-546. Montreal & Kingston: McGill-Queen’s University Press, 2007, 530.

²⁰² Ricardo Grinspun & Yasmine Shamsie, “Canada, Free Trade, and ‘Deep Integration’ in North America: Context, Problems, and Challenges,” In *Whose Canada? Continental Integration, Fortress North America and the Corporate Agenda* rev. ed., edited by Ricardo Grinspun and Yasmine Shamsie, 3-53. Montreal & Kingston: McGill-Queen’s University Press, 2007, 33.

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