

PREFACE

The Reddin Symposium is a forum for intellectual exchange about Canada that crosses disciplines and involves members of the community. The Canadian Studies Center promotes teaching and learning about Canada and sponsors a variety of lectures, readings, and films that help us better understand Canadian culture and society and its relations with the United States. The Canadian Studies Center is also a resource to Ohio and Canadian companies providing information and insights needed to do cross-border business. The relationship between Canada and the U.S. is extremely important, not just from an economic standpoint, but from a cultural and political perspective.

This year's symposium looks at the debate between altruistic values and self-interest as guiding principles of Canadian foreign policy. Canada's role on the world stage has evolved with corresponding changes in international geopolitics as noted on the timeline presented in Appendix B. Three speakers consider current aspects of Canadian foreign policy and options for the nation to retain its position as a leader in the international community.

Professor Maureen Appel Molot opens the symposium with an exploration of Canadian economic security, both how the concept has unfolded over the past several decades and what it means in the post-September 11 era. She notes that the next steps in the Canada-U.S. trade and foreign direct investment relationship such as streamlining border clearance and regulatory convergence are relatively more important to Canada.

Dr. Molot received her Ph.D. from the University of California at Berkeley. She is professor of International Affairs and Political Science at Carleton University's Norman Paterson School of International Affairs. Her research has examined the processes and challenges of the continuing implementation of the North American Free Trade Agreement, Canadian foreign economic policy, and international political economy.

The Right Honourable Herb Gray shifts the focus from economic to environmental imperatives. He assesses the concept of a grand bargain or big idea, as some have termed it, in Canada's approach to U.S. relations. Gray contends that such an approach poses problems for Canadian sovereignty and would not be

particularly workable in light of competing special interests on each side of the border. He instead pointed to proposals for a series of smaller agreements that would advance U.S.-Canadian economic, environmental, and security relations.

Herb Gray is Chair of the Canadian Section of the International Joint Commission (IJC). The IJC is an autonomous international organization based on the Boundary Waters Treaty between Canada and the United States. It advises both governments regarding their transboundary issues concerning water and air. Mr. Gray represented the federal riding of Windsor West in the House of Commons from June 1962 to January of 2002. He was elected thirteen consecutive times and was a member of the House of Commons for over thirty-nine years. In 1997, he was appointed Deputy Prime Minister, the first to occupy that position as a full time cabinet post. Mr. Gray ceased to be Deputy Prime Minister and resigned from the House of Commons on January 14, 2002, to become the full-time Chair of the Canadian Section of the International Joint Commission. On January 15, 2002, the Governor General bestowed on Mr. Gray the title “Right Honourable.” He is now one of only six Canadians currently to hold the title, in addition to the eleven present and former Prime Ministers, Governors General, and Chief Justices of the Supreme Court of Canada—sixteen in total.

The final session features Major General (ret’d) Lewis MacKenzie, OStJ, OOnt, MSC, CD. He outlines the declining capability of the Canadian military and asserts that a lack of military hard power constrains Canadian foreign policy. General MacKenzie recommends that Canada increase its military and that it be guided by its national self-interests in military deployments. He asserts that enhancing Canadian military after decades of cuts is the only way to return the nation to a more effective partner in global security.

General MacKenzie completed thirty-six years of military service in the infantry during which he served nine years in Germany with NATO forces and managed to fit in nine peacekeeping tours of duty in six different mission areas—the Gaza Strip, Cyprus, Vietnam, Cairo, Central America, and Sarajevo. In 1990, General MacKenzie was appointed commander of the United Nation’s Observer mission in Central America. Two years later he was assigned to the United Nation’s Protection Force in Yugoslavia. In May of that year he created and assumed command of Sector Sarajevo and, with a contingent of soldiers from thirty-one countries, opened the Sarajevo

airport for the delivery of humanitarian aid during the height of the Bosnian civil war. As a result he became the only Canadian to be awarded a second Meritorious Service Cross.

Two generations of the Reddin family have generously sponsored this event. Judge Mark Reddin carries on the rich tradition established by his parents, Daniel and Evelyn Reddin. As this event has grown, so has the need for support. The many Friends of the Reddin (see Appendix C) have, through their generous contributions, helped to build the Reddin Endowment Fund. This event is also made possible with the support of the Government of Canada.

Mark Kasoff
Director
Canadian Studies Center

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**DOES TRADE REFLECT VALUES OR INTERESTS?
THOUGHTS ON THE RELATIONSHIP BETWEEN TRADE
AND CANADIAN FOREIGN POLICY**
*by Maureen Appel Molot**

This symposium on Canadian foreign policy and the values that shape it is timely. Prime Minister Martin won re-election in June 2004 and his administration is articulating new policy priorities. An important component of the Martin government's formulation of its foreign policy options will be the anticipated International Policy Statement—the now *de rigueur* assessment of Canadian foreign policy undertaken by new governments.¹ Moreover, the North American Free Trade Agreement (NAFTA) has begun its second decade amidst a range of calls for the consideration of possible next steps involving two or all three of its members. Among the critical influences on both the policy review and assessments of possible next steps in North America is the post-September 11 security environment.

Introduction

Whatever policy directions the Martin government defines will generate debate over the appropriateness of the choices and the role of values in determining them. Although Canadians like to fault Americans for exporting their values—witness criticisms of the Bush administration's push for democracy around the world—Canadians are not really very different. We, too, have a penchant for exporting our values. To quote Allan Gotlieb, a former Canadian Ambassador to Washington:

in recent years Canadian foreign policy seems to [have been]...responding to a missionary impulse which drives us to...export our values to the less fortunate...Canada's role, our leaders have been telling us, is to convince other countries to emulate our values of multiculturalism, compassion, democracy and tolerance...what the world needs is more Canada (2004:2).

**I am grateful to Ilka Guttler for preparing the figures and tables that support the arguments in section two of the paper. A conversation with Jean Daudelin clarified some of my thinking about values in Canadian trade policy.*

In a candid review of Canadian foreign policy over the last fifty years Gotlieb juxtaposes two contending policy directions. One is what he sees as “realism” or *realpolitik*—the expectation that the government will “protect the national interest when it deals with other states” and is most evident, though not always, in addressing issues of sovereignty, security, territory, and trade and economic prosperity. The other is what he calls “romanticism” (2004:2), exemplified by the above quote.

There are many important foreign policy issues with which Canadians must deal, some of which will be addressed by my colleagues at this symposium. The most important, without question, is our relationship with the United States. We negotiate agreements when international security circumstances warrant them—the Permanent Joint Board on Defense and NORAD—or when economic interests require protection—the Auto Pact and the Canada-U.S. Free Trade Agreement (CUSFTA). However, perhaps because of the centrality and complexity of the relationship, and the increasing difficulty in separating “foreign” as opposed to “domestic” policy in our relationship with the U.S., as well as a historic ambivalence about the bilateral linkage, Canadian governments have often been reluctant to confront this question. Perhaps, as will be argued later, the uncertainty about how we relate to the U.S. exemplifies the Canadian approach to foreign policy and the values that underlie it—realism when necessary, but romanticism when possible.

The purpose of this paper is to examine Canadian trade policy and to use trade as a means to address the subject of the symposium, the way values shape foreign policy. Examining trade policy allows the analyst the luxury of immersion in data. Even adding investment to the discussion—essential because it is increasingly difficult to separate trade and investment and because over the last two decades flows of foreign direct investment (FDI) have been growing more quickly than world trade and world gross domestic product (GDP), demonstrating the role of investment in driving economic interdependence—still permits comment based on figures. It is when the analysis turns to interpretation and consideration of the relationship between trade and foreign policy that judgments have to be made and values begin to insert themselves.

Do we truly value what is of value to us? Phrased slightly differently, and in language used by colleagues, can we distinguish

between interests and values?² The paper argues that Canadian trade policy is similar to Canadian foreign policy: pragmatic when necessary, but not necessarily pragmatic (to paraphrase a MacKenzie King statement on conscription). Trade policy vacillates between the hard-nosed assessments of opportunities and tough policy choices, and musings about what would be nice, with only limited attention to the feasibility of what is being proposed. If we can, we avoid sustained attention to the difficult subjects and the tough choices, most notably in our relations with the U.S. Canada supports multilateralism, but we resort to bilateralism or trilateralism when it suits our purposes. We express concern about the less developed countries, but are reluctant to support trade policy initiatives that would help them.

The paper begins with a review of Canadian trade and investment patterns over recent decades to demonstrate the growing intensity of the Canada-U.S. economic relationship and Canada's more limited ties with the rest of the world. It continues with an analysis of Canadian trade policy pronouncements and actions, focusing on efforts to diversify Canadian trade and the role of domestic interests in formulating trade policy. This section includes some attention to how successive governments have managed the Canada-U.S. relationship and touches very briefly on Canada's multilateral trade commitments. The third section examines possible next steps in North America in the context of the new trade environment. Trade and security are linked once again. However, unlike the Cold War era when the link expressed itself largely in terms of extra-territoriality and the obstruction of Canadian exports to Cuba or China, the current linkage cuts to the core of Canada's economic health—exports to the United States. The conclusion returns briefly to the link between trade and values in Canadian foreign policy.

Canada's Economic Connections with the World

Canada is the most trade dependent member of the G8, with, as figure 1 demonstrates, exports accounting for about 40 percent of our GDP in 2003. This export dependence translates very starkly into Canada's dense relationship with the United States. Exports of goods and services to the U.S. comprise approximately 30 percent of Canada's GDP.

Figure 1: Canadian Exports of Goods and Services as a Percent of GDP

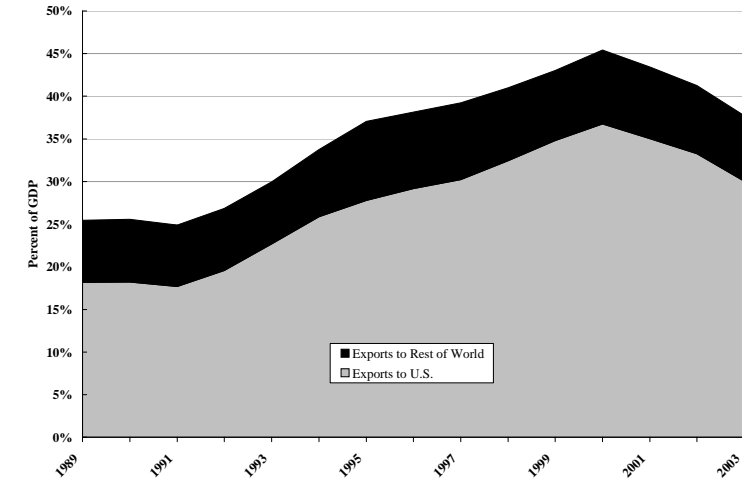


Table 1: Two Way Trade between Canada and the United States 1990-2003

	<u>Value (Millions C\$)</u>			<u>Annual Growth Rate (%)</u>		
	<u>Goods</u>	<u>Services</u>	<u>Total</u>	<u>Goods</u>	<u>Services</u>	<u>Total</u>
1990	\$199,431	\$33,487	\$232,918	4.88%	10.77%	5.73%
1995	358,434	48,446	406,880	10.54	5.61	9.95
2000	588,949	78,287	667,236	11.09	9.04	10.85
2001	570,047	77,692	647,739	-3.32	-0.77	-3.01
2002	563,698	80,670	644,368	-1.13	3.69	-0.52
2003	530,321	77,870	608,191	-6.29	-3.60	-5.95

Data source: Canada's State of Trade 2004. www.dfait-maeci.gc.ca/eet/excel/State_of_Trade_2004rev-en.xls.

Table 1 tells the most important story about the Canadian economy over recent decades—the enormous growth in Canadian trade with the U.S. Note the dramatic increase from 1990 to 2000. (The decline after 2000 is a function of a slowdown in the U.S. economy and a small increase in Canadian trade with other markets.) Table 2 highlights the rise in the share of Canadian exports to the U.S. as a percentage of total Canadian exports. Both are a function of the implementation in 1989 of CUSFTA and, to a lesser degree, NAFTA in 1994. Merchandise exports to the U.S. have grown by 250 percent since 1989 (DFAIT 2003: 2). Canada remains the single most important exporter to the U.S., though with the growth in U.S. imports from Mexico and China, Canada may not hold this status for

much longer. Canada's imports from the U.S. have grown in value (150 percent since 1989) (DFAIT 2003:2), but not dramatically as a percentage of total Canadian imports.

Table 2: Canadian and U.S. Trade Dependence on Each Other

	Share (%) of				Share (%) of	
	U.S. Share of Canadian Exports ¹	Canadian Share of U.S. Exports ²	U.S. Share of Canadian Imports	Canadian Share of U.S. Imports ²	Cdn Exports to U.S. as a Share of Cdn GDP ³	U.S. Exports to Cda as a Share of U.S. GDP ⁴
1950	49*	20	69	22	10	.80
1960	57	18	67	21	9	.70
1970	62	21	69	28	12	.90
1980	61	16	68	16	16	1.30
1990	73	21	63	18	17	1.50
1995	80	22	67	19	17	1.80
2000	88	22	64	19	33	1.80
2001	88	22	64	19	32	1.60
2002	88	23	63	18	30	1.50

Data sources:

¹International Monetary Fund. *Direction of Trade Statistics*. Various Years. (1950 value taken from United Nations. *Yearbook of International Trade Statistics: 1957*.)

²International Monetary Fund. *Direction of Trade Statistics*. Various Years. (1950 value taken from U.S. Bureau of the Census. *Statistical Abstract of the United States*.)

³Canadian Merchandise Exports to the U.S. taken from International Monetary Fund. *Direction of Trade Statistics*. Various Years. (1950 value taken from: United Nations. *Yearbook of International Trade Statistics: 1957*.) Canadian GDP figures are from United Nations.

Statistical Yearbook. Various Years. (Except 2000, 2001, and 2002 figures taken from Statistics Canada. *Economic Indicators*. Available at www.statcan.ca/english/Pgdb/econ03.htm.) Annual Exchange rates provided by Statistics Canada www.statcan.ca/english/Pgdb/econ07.htm.

⁴U.S. Merchandise Exports to Canada and the world taken from International Monetary Fund. *Direction of Trade Statistics*. Various Years. (1950 value taken from U.S. Bureau of the Census. *Statistical Abstract of the United States*.) U.S. GDP figures are from United Nations.

Statistical Yearbook. Various Years. (Except 1999 and 2000 figures which are taken from United States Bureau of the Census. *Statistical Abstract of the United States*.)

* 1948.

The development of a more intense trading relationship is what economists predict should happen following the implementation of a free trade agreement.³ The Canada-U.S. trading relationship is the largest in the world. Close to C\$1.9 billion (approximately U.S.\$1.8 billion) in goods and services crosses the Canada-U.S. border daily, or more than a million dollars per minute. Canada has had, and continues to have, a considerable merchandise trade surplus with the U.S. (DFAIT 2003:8). The importance of trade with the U.S. has increased for every Canadian province⁴ and almost every industry in Canada exports more of its manufactured output to the U.S. than is sold domestically (DFAIT 2003:3).

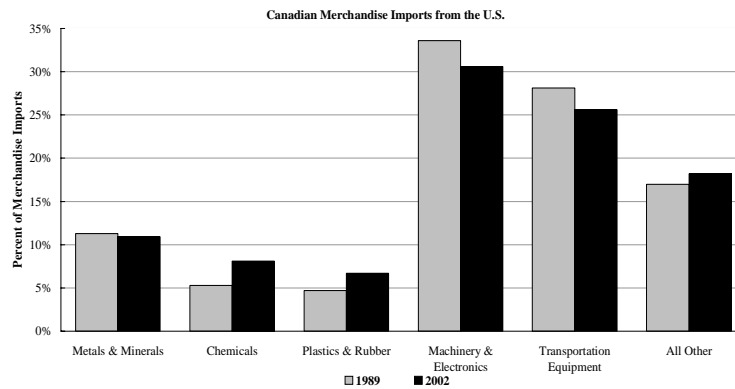
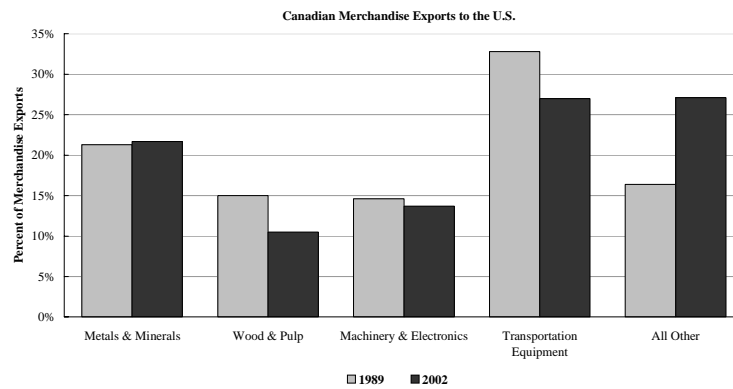
Canada is the largest market for U.S. goods, consuming about the same value of U.S. exports as the European Union (despite the dramatic difference in size between the two). Canada is the most important export destination for merchandise exports from thirty-nine of the fifty states. Of these thirty-nine states, twenty-nine send more than 30 percent of their exports of goods to Canada (DFAIT 2003:10-11).

Despite the growth in dollar value of bilateral trade and Canada's rank as the most important purchaser of U.S. exports, it is only the proportion of Canadian exports to the U.S. that has increased substantially in percentage terms. The very considerable rise in Canadian exports to the U.S. has not translated into an increase in the Canadian share of total U.S. goods imports, something that Foreign Minister Pettigrew, when he was trade minister, noted Canada must work to change. Table 2 also demonstrates that the U.S. share of Canadian imports has not altered markedly in more than fifty years. The Canadian share of U.S. exports as a percentage of all U.S. exports as well as a proportion of U.S. GDP has not changed significantly since the implementation of CUSFTA, although overall the U.S. is much more export-dependent now than it was two or more decades ago. Table 2 shows clearly the highly asymmetrical nature of the bilateral trade relationship.

Figure 2 (next page) depicts the industrial distribution of the most important merchandise commodities in bilateral trade. Canada is the most important U.S. supplier of oil,⁵ gas, electricity, uranium, and motor vehicles. In addition, Canada is also the most important provider to the U.S. in other commodity categories—food and beverages, forest products, agriculture, minerals and metals, plastics and rubber, and telecommunications equipment. Canada, in turn, is

the most important destination of U.S. exports in eight of the eleven major commodity groups; ⁶ in apparel and minerals it ranks second and in agriculture, third (DFAIT 2003:12).

Figure 2: Industrial Distribution of Canadian Merchandise Exports and Imports with the U.S., 1989 and 2002



Source: Nafta@10 A Preliminary Report. Department of Foreign Affairs and International Trade, Canada.

Another way of understanding the depth of economic linkages between Canada and the U.S. is to examine intra-industry and intra-firm trade. Economists predict that both should increase following the implementation of a FTA and both are evidence of the increasing specialization and integration that result from tariff reductions. Perhaps the most notable instance of intra-industry trade, and certainly that of longest standing, is in the transportation sector; the result of the Auto Pact between Canada and the U.S., a sectoral free trade arrangement that was signed in 1965. In fifteen product categories (in addition to transportation equipment), ranging from metals and minerals to computers and electronics to chemicals, iron and steel, electrical equipment and appliances, intra-industry trade in 2001 was over 50 percent of total trade in these industries; in seven sectors it was over 90 percent (SCFAIT 2002: 70-1).

Intra-firm trade data is difficult to find and varies among sectors. In a 2002 study, Dobson stated that intra-firm trade accounted “for more than 50 percent of total bilateral trade” (2002:9). In one of their articles on the Canada-U.S. relationship, Hart and Dymond (2001) suggested the intra-firm trade figure could be as high as two-thirds of total trade. Whatever the precise figure,⁷ the data overall demonstrate the increasing specialization in, and rationalization of, production between Canada and the U.S. since the implementation of the bilateral FTA in 1989. In sum, the Canada-U.S. trade relationship is intense and important to both. However, the degree of trade dependence is very asymmetric.

If more than 85 percent of what Canada sells goes to the United States, what happens to the remainder of the country’s exports? Table 3 shows the destination of goods that are not sold in the U.S. Let’s start with the rest of the western hemisphere, because of NAFTA as well as the importance Canada has recently placed on the hemisphere and the negotiation of the Free Trade Area of the Americas (FTAA). Canada’s exports to Mexico have more than doubled since the implementation of NAFTA, but still remain relatively insignificant. In 2002, Canada’s exports to Mexico of goods and services comprised C\$3.2 billion, or just over .6 percent of Canada’s total exports (DFAIT 2003: 48).⁸ Exports to Brazil were more important as a percent of Canada’s total exports in 1980 than they have been since. Overall, Canada’s exports to Mexico and Brazil account for less than 1 percent of total Canadian exports. Exports to the rest of the hemisphere are miniscule. Imports from the hemisphere are slightly more important, particularly those from

Mexico. The increase in Canada's imports from Mexico follows the implementation of NAFTA.

Tables 3 and 4 show levels of Canadian trade with the European Union (E.U.), China, and India. Canada's imports are more diversified than its exports. Noteworthy is the quite considerable decline in the importance of the E.U. overall, and the United Kingdom in particular as markets for Canadian exports. Canada continues to import a good deal from Europe, however. Note the growing role of China as a Canadian trading partner. By 2002, China had become Canada's second largest single trading partner after the U.S. China retained that position in 2003, with two-way merchandise trade of C\$23.3 billion, up 16 percent from the previous year (Brethour and Chase 2005: B1, B2).

Foreign direct investment has long been an important factor in Canada's external economic linkages. FDI in Canada began in the 19th century and has played a critical role in the development of the Canadian economy. Table 5 shows bilateral capital flows in percentage terms over the last fifty plus years. The data demonstrate both the declining percentage of U.S. FDI in Canada as a proportion of total FDI f, as well as the declining proportion of U.S. direct investment coming to Canada relative to other foreign destinations. Canada-U.S. FDI flows between 1989 and 2002, which increased at an annual average rate of 13.4 percent, illustrate what was mentioned above—the more rapid increase in global FDI than world trade (DFAIT 2003: 32). In 2000 and 2001, Canada ranked second (behind Britain) as a destination for U.S. FDI (DFAIT 2003: 13). On a global basis, Canada has been a net exporter of FDI, with its outward stock surpassing its inward stock since 1997 (DFAIT 2003: 33). Canada declined slightly in importance between 2000 and 2001 in terms of its standing as a source of FDI going into the U.S.; in 2000 Canada stood fifth; in 2001 seventh, accounting, in 2001 for 8.2 percent of FDI in the U.S. (DFAIT 2003: 13-4). Canada's FDI in the U.S. is highly concentrated in finance and insurance and services and retailing, while U.S. FDI in Canada is more evenly distributed across sectors (DFAIT 2003: 34).

Table 3: Proportion of Total Canadian Merchandise Exports to the U.S. and Other Trading Partners

	U.S.	E.U.	Germany	U.K.	France	Italy	China	India	Brazil	Mexico
1980	60.6%	12.4%	2.1%	4.0%	1.3%	1.3%	1.1%	.4%	1.1%	.6%
1985	75.2	5.6	1.0	1.9	.6	.4	1.0	.4	.5	.3
1990	74.7	8.2	1.5	2.3	.9	.8	1.0	.2	.3	.4
1995	79.6	5.9	1.2	1.4	.7	.7	1.2	.2	.5	.4
2000	87.0	4.4	.7	1.4	.5	.4	.9	.1	.3	.5
2001	88.1	4.4	.7	1.2	.5	.4	1.0	.1	.2	.6
2002	87.7	4.2	.7	1.1	.5	.4	1.0	.1	.2	.6

Source: International Monetary Fund. *Direction of Trade Statistics*. Various Years.

Table 4: Proportion of Total Canadian Merchandise Imports from the U.S. and Other Trading Partners

	U.S.	E.U.	Germany	U.K.	France	Italy	China	India	Brazil	Mexico
1980	67.5%	8.1%	2.0%	2.8%	1.1%	.9%	.2%	.1%	.5	.5%
1985	69.0	10.0	2.5	3.1	1.3	1.2	.4	.2	.7	1.2
1990	62.8	13.5	2.7	3.4	1.7	1.4	1.0	.2	.6	1.4
1995	66.5	11.0	2.1	2.4	1.4	1.5	2.1	.3	.5	2.5
2000	64.4	10.4	2.1	3.7	1.2	1.0	3.2	.4	.4	3.2
2001	63.6	11.2	2.3	3.3	1.6	1.2	3.7	.3	.4	3.5
2002	62.6	11.1	2.4	2.8	1.7	1.2	4.6	.4	.5	3.6

Source: International Monetary Fund. *Direction of Trade Statistics*. Various Years.

Table 5: U.S. and Canadian Foreign Direct Investment

	<u>Inward FDI</u>		<u>Outward FDI</u>	
	Canadian Share in U.S. ¹	U.S. Share in Canada ²	U.S. Share of all Canadian FDI Abroad ²	Canadian Share of all U.S. FDI Abroad ¹
1950	30%	87%	78%	30%
1960	28	83	66	35
1970	23	81	53	28
1980	15	78	62	21
1990	7	64	60	16
1995	9	67	52	12
2000	9	61	50	10
2001	7	65	48	10
2002	7	64	46	11

Data sources:

¹ United States Bureau of the Census. *Statistical Abstract of the United States*. Various Years.

² Statistics Canada. *Canada's International Investment Position*. Various Years.

If investment is now at least as important, if not more so than trade in linking economies, how is Canada doing relative to others, and particularly relative to its NAFTA partners, in attracting FDI? The picture is interesting. Canadian FDI abroad is diversifying and Canada's relative capacity to attract investment is declining. Canada's share of global FDI has been decreasing for the past thirty years, while it has maintained its proportion of quickly increasing outward FDI. Hejazi and Pauly note that "in 1970 for every four dollars of FDI in Canada, Canada had one dollar of FDI abroad"; in 2004, the comparable figures are \$1.00 and \$1.20. In 1980, Canada received 7.7 percent of world FDI; in 2002, the comparable figure was 3.1 percent (Brethour and Chase 2005: B2).

Between 1990 and 2002 Canada's proportion of FDI among the three NAFTA members fell from 21 to 13 percent (Harris 2004:1). This reflects the attractiveness of the U.S. as an investment site. Firms concerned about meeting NAFTA rules of origin, about "Buy American" provisions, or about the complexities of timely access to the U.S. market will opt to locate in the U.S. and export to the smaller markets rather than the reverse. This is the bias of the investor toward the largest market. The importance of market access to Canada's attractiveness for FDI will be considered again in section three of the paper.

Table 6: Shares of Total Canadian Foreign Direct Investment Abroad

	United States	E.U. 15	Asia / Oceania	South and Central America
1990	61.0%	21.0%	7.8%	2.4%
1995	52.4	21.4	10.4	4.9
2000	49.9	21.1	6.7	6.0
2001	47.8	20.5	6.9	5.6
2002	45.9	20.8	8.2	5.3
2003	41.3	24.8	8.8	5.6

Source: CANSIM table 376-0051. See also www.dfait-maeci.gc.ca/eet/cimt/2003/CIIP03-en.asp.

As table 6 demonstrates, Canadians are increasingly investing in economies other than that of the U.S. Canadian FDI in Mexico has grown since the implementation of NAFTA, largely as a result of Canadian investment in Mexican banks and insurance, but still remains low in global terms at 0.8 percent (DFAIT 2003: 64).⁹ Europe continues to be an attractive location for Canadian firms as is Asia, and in recent years, China.

Domestic Interests, Canadian Trade Policy, and Export Promotion

This section of the paper reviews Canadian trade policy over recent decades, with some effort to distinguish forum preferences: did the policy require Canada to act in concert with others multilaterally at the General Agreement on Tariffs and Trade (GATT), hemispherically (the FTAA), or more narrowly, bilaterally or trilaterally as happened in the 1980s and early 1990s? Trade policies and interests can be pursued in more than one forum. Canada's choices demonstrate that despite a strong value on multilateralism—in other words, for a strong global trade regime—Canada has been prepared to act bilaterally and pro-actively so when it is deemed to be in the national interest. Canadian rhetoric on development and human rights notwithstanding, Canada has rarely exhibited leadership on GATT/WTO issues of concern to the less developed members of the global trading system, most notably agriculture and—prior to the January 2005 expiration of the Multi-Fiber Agreement—textiles. Nor has Canada engaged in issue linkage with China over that state's human rights record. The analysis in this section highlights one of the important constants in Canadian trade, a desire to reduce export dependence on the U.S. by diversifying Canada's export markets.

It would be folly to examine trade policy choices without acknowledging that policy decisions are the result of a lengthy and complex process of intra- and interdepartmental consultations, discussions with relevant stakeholders, and careful consideration of the costs and benefits of various options. Non-decisions, a choice either not to address an issue or to stick with the status quo are also decisions. Political considerations are a very significant factor in policy choices. Whatever my criticisms of Canada's trade policies, the comments should not be interpreted as inferring that the process was or is simplistic. The policy process has become increasingly complicated with the passage of time, the commitment of successive governments to consult broadly with Canadians, stakeholder expectations about consultation,¹⁰ and the use by domestic and international interests of technology to generate opposition (or support) for possible new initiatives. Domestic interests will be noted in what follows when they are critical to explaining policy choices.

Canada has always been a strong supporter of the multilateral trade regime, first the GATT and now the WTO. In addition to its general support for institutions and the development of a rules-based international trade regime, Canada has seen and used international trade organizations as a means to restrain U.S. protectionist tendencies and in efforts to resolve some bilateral trade disputes. Canadian diplomats were active in negotiations that established the GATT in 1948 and Canadian officials have continued to play a role both in Geneva and in the various trade rounds over the years.¹¹

Its support for multilateralism notwithstanding, Canada has also recognized the limitations of the global trading regime for managing the increasingly deep bilateral relationship. It was the concern for secure access to its most important market plus an interest in "an improved and more modern basis for managing Canada-U.S. relations" (Hart 2002: 386) that, in 1985, led Prime Minister Mulroney to recognize that Canada had to face "the issue that will not go away" (Granatstein 1985) and initiate free trade negotiations with the United States.

One of the most interesting aspects of Canadian government trade and investment policies over the years has been the very mixed message with respect to the value of our economic ties to the United States. Public pronouncements and policy choices sometimes reveal a lack of appreciation of the real world of economic activity and the operations and interests of significant economic players,

both firm and state. At the same time, the nature of the bilateral economic relationship, which is investment rather than policy led,¹² provides a degree of insulation for policy-makers and allows them some degrees of freedom in rhetoric, if not in decisions. This may explain in part at least some of the Chrétien government's actions and pronouncements on U.S. policy.

Concern about Canada's growing economic dependence on and integration with the U.S. has a long pedigree. John Diefenbaker, Prime Minister of Canada from 1957 to 1963, and a strong anglophile, expressed dismay at the growing levels of Canadian exports to the U.S., and stated his intention to divert at least 15 percent of the country's exports from the U.S. to Britain. His exhortations notwithstanding, on his watch Canadian exports to the U.S. increased and those to Britain fell. The government of Lester Pearson (1963-1967) was more attentive to U.S. FDI in Canada, U.S. ownership of Canadian industry and U.S. extra-territoriality, than to trade. Influenced by Walter Gordon and others, the Pearson Liberals introduced short-lived budget measures to make takeovers of Canadian companies and FDI in Canada more costly for investors and set up two inquiries into the operations of foreign firms in Canada. However, the serious impact of successive U.S. balance of payments measures on the Canadian stock market demonstrated to Pearson the importance of the U.S. connection to Canadian economic health.

Although the Trudeau government's Foreign Investment Review Act and the National Energy Policy both had an important impact on Canada-U.S. relations, from the perspective of this paper, the most important Trudeau government statement on trade policy and on Canada-U.S. relations was what became known as the "Options Paper," a statement released under the name of then Secretary of State for External Affairs, Mitchell Sharp. The Trudeau government's foreign policy review, *Foreign Policy for Canadians* (1970), which was organized around themes and regions, did not discuss trade policy. Moreover, it touched only very briefly on Canada's relations with the United States.¹³

The Sharp statement addressed trade questions in terms of Canada's ties to the U.S. Acknowledging the growing weight of the bilateral relationship, but in the context of continuing concern about U.S. ownership of Canadian industry and its implications, the statement argued that Canada had three options in its relationship with the United States:

- the country could do nothing and continue the policy of allowing the relationship to unfold as it might;
- Canada could negotiate a free trade agreement with the U.S.; or
- Canada could pursue diversification of its economic relationships, increasing trade with Europe and Japan and thereby lessening dependence on the U.S. (Sharp 1972).

The last option was the clear choice of the government. Little trade diversification occurred, however. As analysts observed, the Trudeau government did not coordinate its trade and foreign and defense policies. At the same time as Canada was trying to increase its economic connections with Europe, Canadian defense policy demonstrated the opposite intent, a declining interest in Europe. Under Trudeau, Canada reduced its contribution to NATO and withdrew half of its forces from Germany. Despite government preferences, export diversification was not a priority for Canadian firms, which saw the U.S. as their most attractive export market. Imports from Europe remained constant but exports to the continent continued to fall.

As noted above, it was the Conservative government of Brian Mulroney that made Canada's relations with the U.S. a priority and initiated free trade talks with Washington.¹⁴ There were many reasons for Mulroney's decision, but the main ones were:

- a concern about secure access for Canadian firms to their largest market;
- the change in the position of small and medium-sized Canadian firms on free trade;¹⁵ and
- the pro-free trade stance of the provinces of Québec and Alberta.

The choice was "a major breach in Canada's traditional preference for multilateral solutions" (Gotlieb 2004: 19). The complexity of the GATT and the character of the issues on the Uruguay Round agenda made concluding multilateral negotiations difficult. Moreover the talks were not "deep" enough to address Canada's concerns with U.S. trade policy. The U.S., similarly frustrated with the GATT, was receptive to Canada's free trade overtures. A concern about the possible dilution of Canada's gains from the CUSFTA convinced Canada to join the talks between the U.S. and Mexico for a North American Free Trade Agreement.

There are two other features of the Mulroney government's foreign policies that warrant mention in an analysis of the

relationship between trade and values. The first is the attention Prime Minister Mulroney himself and therefore the offices that serve the prime minister, the Privy Council Office (PCO) and the Prime Minister's Office (PMO), gave to the bilateral relationship. The close relationship between Prime Minister Mulroney and Presidents Reagan and Bush is well known. The second was the inclusion of economic issues in the Tory government's green book on foreign policy, *Competitiveness and Security* (1985). Although the Trudeau foreign policy review acknowledged growing international economic interdependence, *Competitiveness and Security* was the first foreign policy review to address Canada as an economic actor and to link the country's economic capacity to the rest of its foreign policy (Molot and Tomlin 1986).

Jean Chrétien assumed office determined to distinguish his administration's approach to the U.S. from that of his predecessor. This translated into a schizophrenic attitude in the Chrétien government's attention to, and management of, Ottawa's relations with Washington. The Liberals' foreign policy statement, *Canada in the World* continued to see economic issues as a component of overall foreign policy. The review identified "three pillars" of Canadian foreign policy:

- the promotion of prosperity and employment;
- the protection of Canadian security within a stable global framework; and
- the projection [abroad] of Canadian values and culture (DFAIT 1995: 10).

The document devoted about a page to "managing our economic relationship with the United States," noting that "good management of that relationship is our overriding priority" and indicating the Liberal government's intention to "secure and enhance our economic partnership with the U.S. in various ways" (DFAIT 1995: 15). Most of the strategies involved trilateral, plurilateral (the FTAA), or multilateral institutions rather than anything strictly bilateral, however, save for an advocacy program in Washington to assist in the resolution of sectoral disputes.

The Chrétien government's *Dialogue on Foreign Policy* (DFAIT 2003), an initiative launched in January under the signature of then Foreign Minister Graham to consult Canadians about future foreign policy directions (possibly in anticipation of the Martin government's foreign policy review), similarly gave little attention to Canada-U.S. relations. While the text noted that "[e]ven in a

pervasively interdependent world, certain relationships have particular importance for Canada. None is more vital than the one we share with the United States...,” only one of the twelve questions posed to Canadians for consideration and discussion addressed the bilateral relationship.¹⁶ What does the decision to pose only one of a dozen questions on what is described as a relationship of “particular importance for Canada” reveal about the government’s assessment of that relationship?

Prime Minister Chrétien kept control over bilateral ties largely in his own hands, leaving his foreign ministers to handle the rest of Canadian foreign policy. Much of what Chrétien did in the realm of Canada-U.S. relations would be categorized as maintaining the status quo. He had no interest in deepening the bilateral relationship or NAFTA or in addressing issues that came to the fore as a result of growing trade connections or security concerns. Chrétien did join President Clinton in signing the Canada-U.S. Partnership (CUSP) agreement, which addressed border management issues in October 1999. More often, however, Chrétien made decisions on Canada-U.S. issues only when forced to do so and on occasion let slip comments that demonstrated his “calculated ambivalence” (Cooper 2000: 32) toward Washington.¹⁷ Some of his ministers successfully concluded important agreements with their U.S. counterparts. One of these was the Canada-U.S. Smart Border Declaration signed by then Foreign Minister Manley and U.S. Homeland Security Director, Ridge, in December 2001. Even after the attacks of September 11 Chrétien left management of the security side of the relationship to John Manley, then Minister of Foreign Affairs and later Deputy Prime Minister.

Chrétien distanced Canada from the U.S. over Iraq. This is not the place to debate Canada’s position on Iraq save for noting that the prime minister’s firm position that Canada would not participate in any offensive that was not authorized by the UN Security Council.¹⁸ Nor would the prime minister disassociate himself from some very critical remarks made about the U.S. by members of his caucus.

Although Prime Minister Chrétien was always ready to promote Canadian values abroad,¹⁹ the first of the three pillars (the promotion of prosperity and employment) attracted him most. Diversification of Canadian trade was a high priority for Chrétien. To this end, he initiated and led seven international Team Canada trade missions abroad and three to the United States. The Team Canada trips were

heavily weighted toward Asia with two to China, although the prime minister also traveled to Latin America and parts of Europe to promote Canadian exports and to secure contracts for Canadian companies.²⁰ Interestingly, as Cohen noted, at a time when “the government was slashing budgets [across departments and programs], no expense was spared on Team Canada as it became the face of Canada abroad” (2003:113).

Whether these Team Canada trips represented value for money is difficult to determine. Canadian firms considering doing business abroad usually make their own contacts either for exporting or investing. And foreign companies and countries could well determine on their own whether they were interested in what Canada had to sell. One cannot help but wonder about the impression made in the host countries of trade missions led by a prime minister fixed on trade promotion. In the pursuit of exports to China, Chrétien tread very softly on human rights issues, despite pressure from Canadian human rights groups who wanted Canada to take a tougher position.

A second component of the Chrétien Liberals’ diversification strategy was the negotiation of free trade agreements beyond NAFTA. Canada concluded FTAs with Israel, Chile, and Costa Rica and has been an active advocate of, and participant in, the FTAA talks. In addition, the country began to negotiate free trade with four small states in Central America (Nicaragua, Honduras, El Salvador, and Guatemala), with the European Free Trade Association, and with Singapore. Under the Chrétien Liberals, Canada began to pay more attention to the western hemisphere. However, whether there are likely to be serious gains from free trade arrangements in the hemisphere is an open question given the pattern of Canadian trade depicted in tables 2, 3, and 4. Canada’s pursuit of regional free trade agreements demonstrates its willingness to resort to bilateral and plurilateral negotiations when these appear opportune.

This brief overview of Canadian trade policy from the mid-1950s to the end of Chrétien government touched on a number of themes that link trade policy and values. One is Canadian support for multilateralism—clearly a value in Canadian foreign policy. The preference for multilateralism has been tempered, however, by a willingness to resort to regional trade agreements when the global trade regime is either stalled or unable to address issues of concern to Canada, particularly in its relationship with the United States. A second theme is the penchant for diversification of Canada’s export markets and, under Chrétien, the exploration of new investment

opportunities abroad for Canadian companies. This interest in diversification can be interpreted in two ways; on the one hand it can be seen positively in terms of promoting Canadian economic interests abroad in a way that might generate new opportunities and enhance national economic well-being; on the other it can be viewed more negatively—the diversion of attention away from the economic linkage that is most critical for Canada.

The third theme, which runs through Canadian foreign policy writ large and not simply trade policy, and which speaks most directly to the difference between values and interests, is the schizophrenic attitude to the management of Canada's most important relationship, political and defense as well as economic—that with the United States. The primacy of this relationship has a considerable history. On some occasions Canadian governments have taken decisions that underline the centrality of the economic relationship for Canada and establish regimes for its management, for example, the Auto Pact (a sectoral free trade agreement in vehicles and parts, which resulted in the North American rationalization of vehicle production) or the CUSFTA. At the same time, the Pearson government, which negotiated the Auto Pact, was concerned about the potentially negative consequences of U.S. ownership of Canadian industry and was prepared to introduce policies to contain, if not reduce, U.S. FDI in Canada.

Similarly, Chrétien, when he was prime minister, signed the CUSP, but made very clear his lack of interest in any initiatives that might deepen bilateral integration. Perhaps it is because the bilateral relationship is investment led—in other words it is the result of initiatives by private sector actors who undertake activities without government assistance and who need governments on occasion to negotiate regimes that will support growing integration, but whose dependence on government for the maintenance and growth of the relationship is limited—that Canadian governments can afford to be somewhat less attentive to Canada-U.S. relations. History demonstrates, however, that from time to time stakeholders may demand, and circumstances may require, more concentrated Canadian attention to the bilateral economic relationship. And this is often when values are deemed, by some at least, to clash with interests. We may well be at such a point now.

Trade and Values: Challenges for the Martin Government

Paul Martin, who spent nine years as finance minister before becoming prime minister in December 2003, was seen as someone who understood Canadian economic realities and the importance of the Canada-U.S. relationship. Martin was expected to take a different—read more positive, if not pro-active—attitude toward the U.S. than his predecessor.

Some of Martin's early decisions suggested he would live up to expectations. His actions also demonstrated his intention to follow what by now has become tradition, and to retain control of the overall Canada-U.S. file in the PCO.²¹ Martin created a Parliamentary Secretary for Canada-U.S. relations, whose responsibilities would be to "support the Prime Minister in developing an integrated approach to Canada's multi-dimensional relationship with the United States" and set up a cabinet committee on Canada-U.S. relations, the first committee of cabinet that would focus solely on the bilateral relationship.²² The prime minister would chair this new committee. Serving the committee and the prime minister would be a new Canada-U.S. Secretariat in the PCO²³ (PMO 2004:1). Martin named as his foreign policy advisor Jonathan Fried, a very senior bureaucrat with expertise on the trade side of Canada-U.S. relations. Martin's appointment of Frank McKenna, a former premier of New Brunswick with connections to New England governors, Washington, as well as close ties to the prime minister himself, as Canada's new ambassador to the United States was taken as another indication of importance Martin attaches to the bilateral relationship.

Less positive in terms of Canada-U.S. relations and more generally with respect to the intimate connections between foreign policy and trade was the prime minister's decision early in his tenure to break up the Department of Foreign Affairs and International Trade into two separate departments. The rationale for combining the trade and trade promotion responsibilities of the old Department of Industry, Trade and Commerce and with those of the Department of External Affairs in 1982 was the growing linkages between trade and foreign policy. The marriage of different bureaucratic cultures was difficult at the outset, but two decades later was working well. It is not clear how sundering it will serve Canadian foreign policy or trade interests.

Structural change and high level appointments are prime ministerial prerogatives and are unlikely to be challenged seriously by caucus or the public. Other indicators and constraints will provide more telling insights into the relationship between trade policy and values under the Martin administration. The International Policy Statement, due to be released sometime in early 2005, will reveal the government's values and priorities. Whether emphasis will be put on what is of value to Canada is one of the tests the review will face. A second indicator will be how the prime minister handles the diversity of views in his own caucus on issues related to trade policy and what is important to the Canadian economy. A minority government arguably gives a prime minister less flexibility to handle dissent within his party than does a majority.

The most significant trade decision the Martin government will face is that with respect to "next steps" in the bilateral relationship. Trade agreements are not static and generate their own pressures for deepening or widening.²⁴ Although there was a need prior to September 11 to consider how the closer economic connections between Canada and the U.S. might be managed, since that date—and the closure of the border that followed—the debate has intensified.²⁵ Though in some respects reminiscent of the 1980s debate on the merits of bilateral free trade, the current discussion is much broader, focusing on immigration, security and defense as well as trade and investment (Hart 2004: 15). In their bilateral meeting in Ottawa in November 2004, Prime Minister Martin and President Bush announced a "New Partnership for North America," which speaks to an as yet undefined deeper economic and security partnership.

Should deepening be bilateral or trilateral? The prevailing opinion in Canada is that deepening should be bilateral; the Canada-U.S. bilateral relationship is more extensive than that between the U.S. and Mexico and the two countries have a long history of working together on defense, environmental, and economic issues. Bilateral arrangements can either establish a template for similar bilateral U.S.-Mexico accords²⁶ or include a provision for subsequent Mexican participation. The choice will obviously not be a solely Canadian decision. Looming over a decision on next steps in Canada-U.S. relations will be thoughts about the feasibility of a North American trading bloc to counter the weight of Europe and Asia.²⁷

A number of contextual factors will constrain the Martin government's trade policy, if not larger foreign policy, choices. The first is a clearly defined link between security and trade. This is not new. Ottawa, with the assistance of auto industry and other corporate actors in Michigan and elsewhere made the case in the 1990s that the implementation of Section 110 of the U.S. Illegal Immigration Reform and Immigrant Responsibility Act of 1996 would have negative economic consequences for the economies of both countries. After September 11 however, urgent and profound U.S. concerns about security trumped those of trade. Although the Canadian and U.S. economies both depend on the efficient movement of goods back and forth across the border, the higher Canadian ratio of exports to GDP makes Canada more vulnerable to disruptions in the flow of goods. Canadian companies, dependent on their capacity to export and import goods in a timely fashion, have regularly pressured the Canadian government to be aggressive in addressing border management questions. Canada and the U.S. have moved quickly to implement the thirty components of the 2001 Smart Border Declaration, but outstanding issues remain. Border delays, whatever the reason, increase the cost of doing business and reinforce investor bias to locate in the largest market in a free trade area. The border is among the most significant problems with which Canada has to contend if the government wants to increase the level of FDI coming to Canada.

Decisions on joint data sharing, on the composition of border inspection teams, on pre-clearance arrangements for goods, on the myriad of details that comprise the Smart Border Declaration can be interpreted in different ways. Those with an economic stake in efficient border management or who appreciate that with more closely connected economies come demands to streamline border clearance, see nothing untoward in bilateral efforts to move toward regulatory convergence or mutual recognition of standards. For others, these choices constrain Canadian sovereignty and move Canada dangerously close to the United States.

Related to the trade-security nexus is the broader issue of North American security and the role that Canada might or should play in perimeter security or National Missile Defense. Others at this symposium will address this topic. Suffice it to note that whatever the Canadian view on the terrorist threat, we cannot "hide from the reality" (Gotlieb 2004: 39) that U.S. security concerns are going to be paramount for some time.

A second constraint on the Martin government will be differences among Canadians on the importance or the value of the bilateral relationship. It was argued above that the integration of the two economies is so extensive that commerce continues almost regardless of what governments do. But government policies, for example, on the border, do have an impact on the exchange of goods and services. Those with an economic interest in the relationship and many analysts of Canada-U.S. relations have been pressing successive Canadian governments to think seriously about deeper integration. On the other side there are Canadians who opposed the Canada-U.S. and North American Free Trade Agreements and who make very clear their opposition to any closer Canadian ties, economic or security, with the United States.

Part of the discussion on Canada-U.S. relations is often a comparison of values and an effort, depending on the perspective, to demonstrate either considerable similarity, or very real differences, between how Canadians and Americans see social and security issues. Prime Minister Chrétien put great store in differentiating Canada from the U.S. and doing so in terms of values. He would cite the critical views of Canadians on U.S. policy—usually foreign policy—as justification for his policy stances. Canadians who see value in the bilateral economic relationship and are comfortable with closer economic ties with the U.S. worry less about national differences on social issues or even on foreign policy.

The third factor is the evolving global trading system. The Doha Round, launched in 2001, is moving very slowly. States are responding to the challenges of “getting to yes” in a way similar to the Uruguay Round period, by hedging their bets. To quote Canadian Industry Minister James Peterson who announced in late 2004 that Canada would move “aggressively” to negotiate a number of bilateral trade deals, “We have absolutely no time to waste...With the world changing so quickly we have to create opportunities for Canadian businesses anywhere where those opportunities exist” (Chase 2004: B1, B11). Although the lagging WTO talks are one reason for the Canadian stance, the real explanation for the renewed Canadian interest in bilaterals is the concern about the potential erosion of preferential Canadian access to the U.S. market. As Minister Peterson noted, “We are now one of fifteen free-trade partners for the United States, with over half a dozen more U.S. bilaterals in prospect” (Chase 2004: B11). Recall the difficulty Canada has had increasing its share of U.S. imports and the dramatic growth in China’s exports

to the U.S. and the pursuit of national interests is clear. Canada hopes to revive its lagging trade talks with Central America and the European Free Trade Association, has begun trade enhancement discussions with South Korea and Japan, and is broaching free trade talks with MERCOSUR. Canada is also drawing up investor protection agreements with India and China.²⁸

The fourth factor is the growing economic importance of China globally and, as tables 3 and 4 demonstrated, to Canadian trade. To underline the importance of the Chinese market and of the potential for two-way investment, International Trade Minister Peterson led a very large Canadian trade mission to China in January 2005. Prime Minister Martin briefly joined him. Peterson's speeches in China stressed the many ties between Canada and China, including Canada's decision, before the U.S., to establish ties with Beijing (Peterson 2005).

Conclusion

This paper has argued that there is a link between trade and values, although, at times, Canadian trade policy has not demonstrated the connection. Canada is a small open economy, dependent for its economic vitality on its trading relationships. Canada is the most trade-dependent member of the G-8. Of the country's trade relationships, none is more important than that with the United States. All other trading relationships pale beside the Canada-U.S. trade linkage. Although the very close bilateral relationship is largely a function of private sector interests, government policy can facilitate or hinder the progress of economic ties. The test for the Martin government will be how it understands and manages the bilateral relationship. This will determine its capacity to distinguish interests from values and to demonstrate that Canada values what is of value to us.

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NOTES

- ¹ The Trudeau government was the first to undertake a wide-ranging review of Canadian foreign policy, *Foreign Policy for Canadians* (1970). The Conservatives, under Brian Mulroney, produced *Competitiveness and Security: New Directions for Canada's International Relations* (1985). The Chrétien Liberals' foreign policy statement, *Canada in the World*, appeared in 1995.
- ² Stairs (2003: 239-56) asserts that Canadian has difficulty distinguishing between interests and values.
- ³ A discussion of the changes in Canada's trade relationship with Mexico as a result of NAFTA will be considered below.
- ⁴ Ontario is the most dependent on the U.S. market, sending 93.5 percent of its merchandise exports to the U.S. The least dependent are Saskatchewan and British Columbia, which sell about two-thirds of what they produce to the U.S. (DFAIT 2003: 18. See also DFAIT 2004).
- ⁵ An article in the New York Times at the end of December 2004 discussed the likely competition between Canada and the U.S. for Canadian oil as China's energy demands grow (Romero 2004).
- ⁶ Food and beverages, chemicals, plastics and rubber, wood and paper, metals, machinery, vehicles, and other (DFAIT 2003: 12).
- ⁷ Another way of examining intra-industry trade is to measure the import content of exports. Cameron and Ross suggest this was 31.7 percent in 1999 (cited in Hart and Dymond 2001:31) and Cross at one-third all of exports (cited in Hart 2004: 27).

- ⁸ Mexico ranked 6th in importance as an export destination for Canada in 2002 (up from 16th in 1990). Imports from Mexico constituted 3.1 percent of Canada's imports in 2002 (DFAIT 2003: 48).
- ⁹ Canadian FDI stock in Mexico in 2002 was C\$3.34 billion (DFAIT 2003: 64). Canadian investments in Barbados, Bermuda and the Bahamas are considerably greater than those in Mexico (Daudelin and Molot 2000:49).
- ¹⁰ See Denis Stairs (2000) for a thoughtful commentary on the impact of consultations on the policy process.
- ¹¹ John Crosbie, Trade Minister under Mulroney, was a proponent of the initiative that resulted in the creation of the World Trade Organization.
- ¹² The distinction between policy and investment led integration, i.e., integration which is the result of negotiations from the outset, as in Europe, in contrast to the Canada-U.S. relationship, where the CUSFTA was negotiated in the context of deep interconnections between the economies, is made in the World Investment Report (1991).
- ¹³ In the process of establishing the context for the review the first booklet acknowledges the importance of the U.S. economy for Canada and the challenges of living next door to the United States (1970:21). The same booklet later notes "our policies toward the U.S. should be seen in the context of "the many issues raised throughout the papers" (1970: 41) and the references made to the U.S. in the five other booklets that constituted the review. Three of the booklets were regionally focused (Europe, the Pacific, Latin America, one addressed the UN, and one international development. The first was an introduction to the review.
- ¹⁴ The Trudeau government did attempt to negotiate a sectoral free trade agreement with the U.S. (similar to the Auto Pact but across more than one sector). For a range of reasons, this initiative did not move forward. See Doern and Tomlin (1991:15-22).
- ¹⁵ In particular the Canadian Manufacturers Association.
- ¹⁶ Question #7 was "How should Canada take advantage of its location in North America to increase prosperity while promoting our distinctive identity?"
- ¹⁷ In an "open mike" episode at the July 1997 Brussels NATO summit Chrétien a microphone caught the Canadian Prime Minister saying to his Belgian counterpart: "I like to stand up to the Americans.

It's popular. But you have to be careful because they're our friends" (cited in Cooper 2000:#32).

- ¹⁸ Despite the fact that Canada participated in a NATO led intervention in Kosovo that occurred without any authorization by the Security Council.
- ¹⁹ Much of this was left to his foreign ministers and particularly Lloyd Axworthy. (See Hampson, Hillmer, and Molot 2001).
- ²⁰ The destinations of Team Canada missions were: China 1994; India, Pakistan, Indonesia and Malaysia 1996; Korea, the Philippines, Thailand 1997; Mexico, Brazil, Argentina, Chile 1997; Japan 1999; China 2001; Russia and Germany 2002. The three Team Canada missions to the U.S. were: 2000 Team Canada Atlantic (Boston); 2001 Team Canada Atlantic (Atlanta); and 2001 Team Canada West (Dallas, Los Angeles).
- ²¹ For an interesting perspective on the augmentation of power in the Privy Council Office and the resultant diminution in responsibilities of line departments, see Savoie (1999: 1-30).
- ²² The announcement listing the membership of the Canada-U.S. Cabinet Committee noted that Canada's Ambassador to the U.S. and the PM's Parliamentary Secretary for Canada-U.S. issues would be invited to attend committee meetings at the call of the Chair.
- ²³ The Secretariat's role was described as helping "to promote an integrated approach across government to Canada-U.S. issues (PCO 2004:#1).
- ²⁴ Deepening refers to steps that will more closely link the members of a free trade arrangement and reduce national policy making space, as has occurred in Europe. Widening is the addition of new members to an existing FTA. See Weintraub (1994).
- ²⁵ See Hart (2004) for a quick summary of some of these.
- ²⁶ The Canada-U.S. Smart Border Accord provided something of a template for the U.S.-Mexico Border Partnership.
- ²⁷ In October 2004 the U.S. Council on Foreign Relations announced the establishment of a trinational task force to create a "road map toward a continent-wide customs free-trade zone with a common approach to trade, energy, immigration, law enforcement and security that would virtually eliminate existing national borders". The task force is co-chaired by John Manley, former deputy prime minister, William Weld, former Massachusetts governor, and Pedro Aspe, a former Mexican finance minister. Their report is due in the summer of 2005 (Fife 2004: A1, A6).

²⁸ Ministers in the Martin cabinet at times seem to be talking at cross purposes about best future options for Canada. At the same time as PM Martin and Trade Minister Peterson were in China wooing the Chinese, Foreign Affairs Minister Pettigrew was in Mexico praising the possibilities of closer North American ties.

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MOLOT QUESTION AND ANSWER

Dave Varig: Regarding free trade with countries other than the United States and Canada, paying somebody \$4 a day in China compared to \$12 dollars an hour elsewhere—I do not call that free trade.

Maureen Appel Molot: This was a big issue in your election and it continues to be an issue in Canada. What we see in our press in the last few days as January 1st has come and gone is that the agreement to limit textile exports has come to an end. We are seeing real concerns about the capacity of Peerless Clothing, for example, which exports a huge percentage of the men's suits it manufactures to the U.S. It can not compete. The reality is that an enormous amount of trade is managed. All we can do is be faster and more nimble and move into those areas which are less labor intensive. Not only are Canada and the U.S. worried about the end of the Multi-Fiber Agreement, so are a wide range of countries around the world. The ones we really have to worry about are the very small economies in Central America and Africa that had gone into textiles and particularly clothing production. Take a look at the jersey and it is it manufactured in Zimbabwe, Honduras, or wherever. What happens to these economies and how are they going to compete against China? I do worry about jobs in Canada and the U.S. no question, but I worry much more about jobs in the developing countries where they are going to have much more difficulty competing with China and have much less to fall back on. In general, we talk about free trade and what we are really talking about is freer, less managed trade than completely free trade.

Glen Biglaiser, BGSU: You talked about the need for export diversification for Canada, to not be focused just on the U.S. economy. You mentioned the FTAA, but sort of downplayed the idea saying it is not important because we already have agreements with Costa Rica, Chile, obviously Mexico and the U.S. You have Brazil, you have Argentina, a lot of other markets—not that the U.S. is not pushing for multilateralism—but why is Canada not pushing for the FTAA?

Maureen Appel Molot: I often make myself unpopular when talking about this question. Surely, if you are looking at what markets are of value to Canada, where can Canada sell, it is not Latin America. That is not to say some Canadian firms are not active in the hemisphere, they are. In Chile, Canada has lots of mining interests both in terms of extraction and also in mining equipment. But if we are talking about a region in the world where we are more likely to crack the market because we have some comparative or competitive advantage it is not in Latin America. There are other reasons for negotiating free trade agreements, however, and one is that the U.S. and Canada have been working on the FTAA to reduce regulation in these markets, to promote democracy, to promote the growth of civil society. These are all valuable objectives, they do speak to values. But if you are talking about the bureaucratic resources involved in negotiating a free trade agreement in terms of your anticipated outcome I do not think that the two match as far as Canada and Latin America are concerned. That is number one.

Number two, I am not sure that in negotiating this agreement we are actually thinking about what the small economies of the hemisphere need. If you look at the countries that comprise the hemisphere south of Mexico you see a predominance of small economies. Leave out Mexico, Brazil, Chile, and Argentina, the rest are really small economies. It is not clear, based on the experience with Mexico, that either Canada or the U.S. will be prepared to phase in agreements in a way that is going to make it easier for these countries to adapt to the challenges of free trade. If the experience of Mexico tells us anything, it is that countries need help in putting in place the right macroeconomic policies to insure that they are able to deal with the disruption and I put disruption in capital letters that freer trade generates. I have no problem with an FTAA for all kinds of good value reasons but if we are talking about what is going to pay off economically for Canada it is not an FTAA.

Ramona Cormier, BGSU: I am interested in how you distinguish an interest from a value.

Maureen Appel Molot: As I was preparing my remarks for today I certainly thought Mark [Kasoff] has set a task which was rather more difficult than I originally thought it might be. Interests are what makes you economically and militarily secure and values relate to what kinds of things you would like to see. One of my difficulties with Canadian foreign policy over the last decade and a half—if not longer—is that we talk a good game, but we do not have the wherewithal to back it up. Everybody deserves as good a standard of living as possible, potable water, good health care, primary education, and all that. If Canada is really serious it should, in promoting these values, be not only increasing its foreign aid, but untying it. I am fascinated by what has happened as a result of the tsunami catastrophe in Asia. We have probably never seen such an outpouring of concern which demonstrates all the right values. Let's see how long it continues and what is going to happen when some shrimp producers in Louisiana complain that shrimp from Thailand harvested by people for whom we have rebuilt boats can sell their shrimp more cheaply. We all have to distinguish between interests and values and when I started out saying Canadians criticize the Americans, we Canadians are pretty good at it too. I was being really very critical of Canada.

**A VISION FOR THE CANADA-UNITED STATES
RELATIONSHIP: CAN THE INTERNATIONAL JOINT
COMMISSION CONTRIBUTE TO ACHIEVING
THAT VISION?**

by the Rt. Hon. Herb Gray

Introduction

I have had, as personal priorities throughout my public life, Canada-U.S. relations, especially those involving our common border and related transboundary water and air pollution concerns. These priorities and related policy interests lasted throughout my almost forty years in the House of Commons representing a Windsor, Ontario, riding. These lasted as well in the years during that period, when I served as a member of the federal cabinet. My priorities and policy interests continue undiminished today in my work as Canadian Chair of the International Joint Commission (IJC) of Canada and the United States.

IJC Structure and Projects

The IJC is an international organization created by a treaty involving the U.S. and Canada—the Boundary Waters Treaty of 1909. The IJC has played, and is playing, a constructive role to prevent or resolve cross-boundary U.S.-Canada disputes mainly involving water and air. It has done so for almost 100 years.

The IJC is a single organization with international status, operating separately from the two national governments. It is not an agency or department of either government. However, it works closely with a number of ministers and departments in both countries. It operates all along the Canada-U.S. boundary—east to west. It is a boundary which is 8,000 kilometers long from one ocean to the other including the Canada-U.S. boundary in the North between the Yukon, Alaska, and British Columbia. It deals with waters forming or crossing that boundary and the air above them.

The IJC has six commissioners, an equal number from the United States and Canada, appointed by the highest executive levels in each government. One of the commissioners is the U.S. Chair, one is the Canadian Chair. One commission, two chairs: serving simultaneously. Some experts looking at this structure might argue

that it could not, and should not, be able to work. However, the IJC does work. It has been functioning successfully for almost 100 years since it started in 1911, on the basis of equality. The United States, in spite of its greater size in population and economy, does not have more commissioners than Canada. The U.S. commissioners do not have more weight nor do they have more votes on the IJC's work than those of the Canadian commissioners. Therefore, the commissioners, together, reach decisions by consensus. There have been only two formal votes in almost a hundred years of operations of the IJC.

I have been told that the IJC by its existence and in its work contributes to the maintaining of what are overall, generally good, ongoing relations between the Canadian and the U.S. governments over a whole range of levels and contacts. For example, an IJC task force is currently working to resolve a dispute between Montana and the Canadian provinces of Alberta and Saskatchewan concerning the apportionment of the waters of the St. Mary and Milk Rivers that crisscross the boundary in that area. These waters are used for hundreds of thousands of hectares of irrigated farmland and its associated processing industry on both sides of the border. We have just held hearings in December and are currently writing a report on an environmental water quality issue regarding Missisquoi Bay of Lake Champlain in Québec and the rest of the lake in the state of Vermont.

Another issue the IJC is currently examining is The Great Lakes Charter and the related Annex 2001 proposals. They come from the eight Great Lakes states, the U.S. federal government, Ontario, and Québec. They are about limiting water diversions and managing water use in the U.S. waters of the Great Lakes. In Canada, federal legislation in force since December 2002 bans bulk water removals from Canadian boundary waters and reflects the Commission's recommendations in its 2000 report *The Protection of the Waters of the Great Lakes*. We issued an update last fall of that report essentially reconfirming its recommendations that bulk water removals not be allowed. The government of Canada has recently formally commented on the Annex 2001 proposals saying "it is concerned that the proposed agreements do not afford a sufficient level of protection to the waters of the basin and therefore should be strengthened."

The statement went on to say:

Canada recognizes the critical and ongoing role of the IJC, established by the Boundary Waters Treaty (1909)...The Commission's February 2000 report, *Protection of the Waters of the Great Lakes* and the recent August 2004 review, provide comprehensive advice to governments on many of the(se) important issues, including water uses, cumulative effects, climate change, groundwater, conservation and legal and policy considerations.

A Mutually Beneficial Bilateral Relationship

The Canada-U.S. relationship is extremely important for Canada. It is a top priority for Prime Minister Paul Martin personally and for his government. This has also been the case for his predecessors. When he became prime minister on December 12, 2003, he appointed a parliamentary secretary to work with him on Canada-U.S. relations. He appointed a special advisor in his office on security. He also set up a new Cabinet Committee on Canada-U.S. relations—chaired by himself personally.

The Throne Speech is similar to the U.S. President's State of the Union address and it sets out the government's agenda for a new session of Parliament. During Paul Martin's first speech as prime minister on February 23, 2004, speaking of Canada's relations with the U.S., he said:

Our government is committed to a more sophisticated approach, not only to manage our shared objectives, but also to manage difficult issues, such as BSE [Bovine Spongiform Encephalopathy, or mad cow disease] and softwood lumber, which have exacted a troubling toll right across Canada.

After the June 2004 election there was a new Speech from the Throne. It said in part that Canada must:

manage wisely our relationship with the United States, to know our friend better, and to strengthen our economic and security relations. Our relationship must be built on shared values, on mutual respect, and on a strong and independent voice for Canada.

Further, it went on to state:

The government will work with the United States and agencies like the International Joint Commission on issues such as clean air, clean water and invasive species.

When President Bush and Prime Minister Martin met in Ottawa last November, their official communiqué said:

Our aim is to improve the quality of life of our citizens by among other things:...building on our joint efforts to achieve clean air and clean water, for example in the Great Lakes region...

So what does this approach mean? Surely, it must mean forging a more productive bilateral relationship for Canada. I presume that relationship should be one that improves the ability of Canada's business community to compete in the North American marketplace, while not diminishing Canada's voice in international affairs. And I believe that, at the same time, this relationship must recognize that most Canadians do not want to diminish their independence in being able to determine their own domestic policies. They want such policies to reflect what they see as their values and priority needs as well as having the legislative and administrative means to implement them. I recognize that this has to be carried out in the context of the ongoing economic integration of North America and its security needs. These are not easy tasks—they provide a real challenge in the face of the asymmetric relationship between our two countries.

The United States has a population and economy ten times the size of Canada's population and economy. But this is not a new challenge. It has been an ongoing one for the governments of what is now Canada, even before Confederation in 1867. After all, we know the metaphors. They have taken on the appearance of clichés about Canada-U.S. relations. But they are true all the same. For example, that the Canadian mouse sleeps with the American elephant—and what happens if the elephant, even inadvertently, rolls over? And there is the remark of the late Robert Thompson when he was an MP (Member of Parliament) from British Columbia and leader of the long defunct Western Social Credit Party. He said “the United States is our best friend—whether we like it or not.” Generally, most Canadians appear to like it much more than they do not.

Canadians recognize that the United States is Canada's best customer—it's biggest trading partner. After all, 85 percent of our exports go there. This makes sense in terms of our shared geography and the size and richness of the U.S. market for Canadian goods and resources.

At the same time, many Americans are not aware that having Canada as their closest neighbor on their northern 49th parallel border is highly important for their own economic well-being and not just for the economic well-being of Canadians. The U.S. is not as internationally trade dependent as Canada. However, Canada is the United States' biggest external customer, its biggest trading partner for its exports. It is not Japan as many Americans think. In fact, Canada is a bigger trading partner for the U.S. than all the European Union countries together. Also, Canada is the biggest trading partner for thirty-nine of the American states. Canada sells more to the U.S. than any other country and the U.S. buys more from Canada than any other country. However, this is not because the purchasers in the U.S. are doing this to do Canadians a favor. If we did not provide these goods and resources at world competitive prices and quality, they would not be sold by Canadian firms to U.S. firms—U.S. firms would not be purchasing them.

Canada is a more important source of energy—oil and natural gas—for the United States than Saudi Arabia or any other single country. New sources of oil and natural gas for the U.S. from Alaska, once developed and in production would have to cross Canadian sovereign territory by pipeline if it is to be transported overland. Also, Canada's own massive reserves of oil and gas in the western provinces and Northwest Territories are a major future energy source for the United States, as well as for Canada's own industries. Also, for energy, Canada provides a geographical security of supply that does not exist with Saudi Arabia and other countries of the Middle East or Central Asia, or any where else except the U.S. itself.

Therefore, I submit, there is not simply a one-sided Canadian interest in its relationship with the U.S.—there is a mutuality of interest in maintaining and strengthening our economic relationship. And of course there is also the security and defense relationship so important to both our countries—both in North America and elsewhere in the world.

Since September 11 the volume of trade and private sector contacts generally between our two countries have continued

unabated in spite of press stories about past tensions between the White House and the PMO over issues like Iraq and the U.S. anti ballistic missile program. Most Americans and Canadians are not fully aware of the vast range of contacts between the U.S. and Canadian federal governments, at many levels, on an almost daily basis. The White House and PMO being only one level—though an important one.

Professor Robert Wolfe wrote a paper for the Institute for Research on Public Policy of Canada. In it he said,

Hundreds of treaties, arrangements and understandings govern aspects of the Canada-U.S. relationship. Indeed, no one knows just how many there are. Although one source counted approximately 270 treaties and agreements (including ongoing bilateral institutions) in force between the two countries as of 2002.

Alan Gotlieb, former Canadian Ambassador to the United States, has written in this regard that, “There is a similar phenomenon occurring in various ways at the provincial level with officials of neighboring states.” And there is this kind of range of contact between the U.S. and Canadian private sectors as well.

This does not mean there are not problems and risks in the relationship we continuously must work at resolving. There are always new dimensions and new aspects of the fabric forming the Canada-U.S. relationship. Sometimes new strands are added. Sometimes there are stretches in that fabric—hopefully never leading to any serious or permanent tears or rips.

The Environmental Dimension

Air pollution can be, and is being carried thousands of miles. It is being deposited through the air above them, on the lands, waters, and people of the United States and Canada. This air pollution is not simply a one-way flow. The currents carrying the pollution through the air do not recognize man-made borders, nor does the pollution of water, or other environmental issues like alien invasive species—these are a worldwide, as well as a North American, concern.

Water basins, like the Great Lakes and that of the Red River, cross and straddle the man-made international Canada-U.S.

boundary. That boundary obviously did not exist when these basins were being created millions of years ago.

One can ask: are existing bilateral U.S.-Canadian government mechanisms like the North American International Air Quality Agreement and the Great Lakes Water Quality Agreement sufficient to deal with issues involving these ecosystems on which our existence on this continent and earth depend?

The current minister of the environment, the Hon. Stephane Dion, said in his speech in the debate on the new federal government's second Speech from the Throne on October 19, 2004, that:

The Government will work with the United States and agencies like the International Joint Commission on issues such as air, water and invasive species. The Government will bring forward the next generation of its Great Lakes and Saint-Lawrence programs. The U.S. government has launched a major initiative to protect and restore the Great Lakes. We will also be launching a comprehensive process to bring together all the relevant federal, provincial and municipal players to develop a long-term, sustainable and competitive vision for the entire basin.

Under the Great Lakes Water Quality Agreement, the U.S. and Canadian governments which are signatories, must carry out a full review approximately every six years that is, after every third IJC biennial report.

Our twelfth biennial report on the progress of the two national governments in carrying out their obligations under the agreement has triggered the next review by the governments. It has not yet begun. However, the two national governments have been working on its format, timing, and degree of the public involvement.

The current agreement was signed in 1978 and was amended in 1987. It has not been updated or changed in more than seventeen years. During this time, technology and our scientific knowledge and understanding has grown immensely. There are new threats to the well-being of the Great Lakes ecosystem which are becoming better defined.

Managing the Relationship in the Future

Scripture says “without vision, the people perish.” But how do we define vision? What should the definition be of a vision for Canada’s future in North America and its relations with the U.S.? Well, to start with, scripture also says “love thy neighbor, as thyself.” If this applies both to Canada and the United States as it surely must, then this must involve a two-way street between them.

For Canada, therefore, its people may well say there is a need for some questions about how far we apply that scriptural maxim. After all, the English poet and clergyman, George Herbert, wrote in the early 1600s “Love your neighbor, yet pull not down your hedge.”

Most Canadians want to respond constructively to the security and trade concerns of their American neighbor, which are largely Canada’s as well. However, they want to do so in a way that responds to their approach to public policy and their values related to that approach.

How can this best be done? There are those who have called for some kind of grand Canada-U.S. bargain, a new over-arching treaty and a new resulting bi-national institutional structure arising from it. Its purpose, supposedly, would be to head off or resolve all disputes that could impede the back and forth flow of goods and people between Canada and the U.S.

However, observers have questioned whether such an arrangement would be possible or even desirable. Would this not require a willingness to negotiate and reach such a deal, not only on the part of the U.S. president and his administration, but also the Congress (especially the Senate), and not just their Canadian counterparts? What would the American side want from Canada as the price for all this in terms of our sovereignty and our ability as Canadians to make decisions about our lives and territory?

Would the U.S. side be willing under any circumstances to give what Canadians would in effect be asking for? That is, to give what would amount to a real limitation on current U.S. sovereignty, as it pertains to U.S. relations with Canada, administrative, legal, and political. This would be, if it happened, not just on matters like softwood lumber, durum wheat, and BSE—the subject of long standing disputes—but on the whole range of our relationships.

I suspect the U.S. congress in particular, and various interest groups—industry or region-based—would not accept this. It is likely

they would also want the border to continue for their own domestic reasons. This would be true even though slow downs or blockages of movements of goods and people back and forth across the border would be highly damaging to large numbers of Americans, not just Canadians. Those blockages and slow downs would impact adversely on groups of U.S. consumers, industries, individual companies, and regions in the United States. Since so much of the Canadian economy is formed by subsidiaries of companies owned and based in the United States, the damage in the short and long run would be to the bottom line of their U.S.-based parents.

Now there could be, instead of a grand bargain, a number of more limited arrangements seen as sufficiently beneficial to both sides. Well, we already have one good precedent. The Smart Border Accord is an existing example of a constructive, specific U.S.-Canada initiative, in this case regarding the better management of the U.S.-Canada border.

Also, if the U.S. administration, likely requiring the concurrence of the Senate, and the Canadian government agree, an expanded role in dispute settlement or the avoidance of disputes could be created for the International Joint Commission—a broader role than at present. The Boundary Waters Treaty, in fact, would not have to be amended to do this.

The operative clause (clause 9) enabling the two governments to give the IJC references or formal requests to look into matters and make recommendations is not limited to matters of water and air. These references can be on any subject of concern to the people on both sides of the border, although this has happened only rarely in the past. The Canadian Association of Chief Executives (formerly the Business Council on National Issues) has proposed this kind of expanded role for the IJC. Such an expanded role would likely require a different kind of IJC than the present one. That is one with a larger number and perhaps a different kind of commissioners, more expert staff with a broader range of expertise than at present, and a larger budget. Another alternative for change in binational institutions suggested by the Association of Chief Executives is that there could be a number of commodity-specific, product-specific, or region-specific, smaller entities set up like the current IJC.

What should be the vision for these kinds of initiatives? There are the words oft quoted of the American poet, Robert Frost, in his poem *Mending Wall*. In it, Frost's farmer-neighbor tells him, "Good fences make good neighbors." But Frost, in his poem, replied

“Before I build a wall I’d ask to know what I was walling in or walling out, and to whom I was like to give offence. Something there is that doesn’t love a wall, that wants it down.” In spite of these concerns, Frost and the farmer-neighbor work together, “I let my neighbor know beyond the hill; and on a day we meet to walk the line and set the wall between us once again. We keep the wall between us as we go. To each the boulders that have fallen to each.”

In the poem, Frost and his neighbor work together. They walk side by side. But each on their own side of their common wall to repair and rebuild it. Because, the farmer insists, “good fences makes good neighbors.”

But centuries before Frost wrote this poem in fact, in the early 1600s, one E. Rogers wrote “a good fence helpeth keep peace between neighbors. But let us take heed, we make not a high stone wall to keep us from meeting.” So let us strive in developing the Canada-U.S. relationship to do nothing that will keep us, Canada and the U.S., “from meeting.”

Conclusion

So a new vision for Canada-U.S. relations, broadly defined, I think for Canadians, must include being effective stewards for ourselves and our grandchildren, of that great mass of lands and waters we call Canada. Also, this vision must include our joint responsibilities as Canadians with our great friend and neighbor, the United States. This means we must understand and respond to both its domestic or international concerns, as we ask it to understand and respond to ours. In addition, Canadians both must recognize how we share responsibility for North America’s lands and waters not just with the U.S., but also with Mexico.

As well, this vision must recognize that we share with the United States and other like-minded countries in helping other peoples of the world achieve peace, stability, and freedom as a foundation for their success in the fight against hunger and disease, and for decent standards of living. We want this for them and to help ensure the well-being of ourselves, our children, and our grandchildren. For us and for them, all this can and must be our vision for an ongoing mutually beneficial relationship between Canada and the United States, as two strong, but independent yet inter-related friends, neighbors, and allies.

**THE RT. HON. HERB GRAY IS THE CANADIAN
CHAIR OF THE INTERNATIONAL JOINT COMMISSION.**

GRAY QUESTION AND ANSWER

Robin Weirach, Center for Regional Development: You talked about the compact for Great Lakes states in reference to the comment that it is not strong enough. Do you think, given the length of time that it has taken to get this far and the concerns from your side of the border about the strength of the agreement and the Annex 2001, that it will be delayed too long? Are we better off trying to get something in place even if it is not strong enough?

Herb Gray: It should be noted that the new Liberal government in Ontario of Premier McGuinty has issued a statement saying that they will not sign any agreement even though it is only a good faith agreement in the form of the present Annex 2001 proposal. Ontario thinks that the proposals are weaker than their own domestic water-taking legislation and this is not a one sided concern. I understand that the attorney general of Michigan issued an opinion letter last fall that the Annex 2001 proposals are weaker than the existing Michigan water-taking law. The working group set up under the Council of Great Lakes Governors and Ministers, now that the comment period has been completed, is, in effect, going back to the drawing board and will hopefully take into account the formal views of the Canadian government, the government of Ontario, and officials like the attorney general of Michigan. I also have to note that the U.S. government filed an intervention in which it said that the draft from the perspective of the U.S. government did not take into account sufficiently the need to recognize the role of the Boundary Water Treaty and the jurisdiction and responsibility of the IJC. The Canadian government intervention points to some good things in the proposals but, as I pointed out, said that in its present form, the proposals need a lot more work.

Arnold G. Oliver, Heidelberg College: There really do seem to be some very serious environmental issues on both sides of the border. The people in North Dakota are apparently intending to trash Lake Winnipeg with not so much as a by-your-leave. Some years ago Dow Canada cost Ohio a whole lot of money, time, and public health by dumping mercury into the Detroit River and Lake St. Clair. We have

Ohio Electric Power promulgating acid rain all over the eastern Canada as we speak. Are the current institutions up to the task? Do we not need some greatly strengthened protection for the people in both countries?

Herb Gray: The institutions are there. What is needed is the political will and funding to back them up. We need people to do the research, people to do the oversight; we need the laboratories for the research and the monitoring so we have to combine staff and funding. A Canadian example is the Walkerton disaster. When water was not treated properly and e-coli got into it, a number of people were killed and thousands were made ill. A number are permanently ill. There was a Royal Commission and the judge in charge found that what was missing was adequate oversight by government. The government of the day had drastically cut back on staff to monitor what the municipal waterworks were doing, drastically cut back the laboratory facility to test the water, and the price was paid in terms of human life. Without pointing the finger at anybody, it is really up to the people of the Great Lakes region and the people of North America. They should become aware of what needs to be done and who they want to do it. They need to decide to what extent this can be left up to individual initiative, or a combination of individuals linked with the community as a whole through government involving oversight, research, and enforcement.

Michael Unsworth, Michigan State University: I guess I am going to put you on the spot. How optimistic can you be that what you just described will happen? Especially since the U.S. government is composed of south westerners who have shown that they really do not care about the blue states. One grand way that has happened in the past, if you cannot get rid of a body like the IJC, well you just make sure it does not get funded, as happened with the Walkerton tragedy. So, personally, given your relations with the U.S., how optimistic are you of the U.S. doing what you just said?

Herb Gray: I have to point out that I am a public office holder, the Canadian chair of a non-partisan international commission. I have to answer your question in that context. I want to remind you of something I said in my remarks: overall, the relationship between the two governments at the federal level will go on day-to-day at many levels in a very constructive way. They go on at the state-provincial levels. There are different ways of reaching objectives. The American administration has not and says it does not intend to ratify the Kyoto

Protocol which has been formally ratified by Canada. The American administration says it is going to reach the same objectives in another way. Now Russia has come aboard. It is a binding international agreement. We have to work to make sure that things are not only taken at face value but are followed through.

I cannot comment on blue states or red states except that in Canada the colors are reversed. In Canada, blue represents the Canadian

counterpart to the Conservative party and red represents the Liberal party which many people think is like the Democrats. Our color perceptions are reversed but maybe that is a good sign, because in merging the colors all together in a spectrum we come out with a common color and we achieve common, good results.

**VALUES V. SELF-INTEREST: THE CASE OF THE
CANADIAN MILITARY**
by Major General (ret'd) Lewis MacKenzie

Introduction

I will show my bias by indicating that I am a graduate of the U.S. Army War College. I probably know more about the U.S. system than I do about my own. When I first began public speaking back in 1993 I had a presentation that was entitled “Canada: The World’s Reluctant Hero.” A few years ago I changed the title to “Canada: The World’s Reluctant Hero?” No country has fallen so rapidly over the last ten to twelve years from a position of influence to virtual spectator status than my country. It is entirely unfortunate because there is a role for Canada to play on the international stage. I am cautiously optimistic that the present prime minister sees a vision where Canada will regain that position yet again.

The United Nations and the Cold War

It was not always that way. My regiment, Princess Patricia’s Canadian Light Infantry (PPCLI) was in WWI in 1914 before any other commonwealth country had a contingent in the line. The PPCLI was the last privately raised regiment in the world, raised by a Montréal businessman. Canada was early into WWII moving towards Europe in a matter of hours after war was declared. At the end of the war Canada, like the U.S., was one of the founding members of the UN. I must admit having a great friendship with Harold Stassen. He came up to me after a presentation in a cathedral in Minneapolis where I had been pretty hard on the UN and said, “You are absolutely right in your criticism of the UN. However, you have to remember the UN was developed for one reason only—to make sure we did not have WWII.”

As he walked away I turned to someone and said, “Who the heck was that?”

They said, “That is Harold Stassen, the last living signatory of the UN Charter written at the first UN conference in San Francisco.” Rest his soul; he passed away two years ago. He was governor of Minnesota four times and ran unsuccessfully for president several times. It is important to remember that there were no third world countries in the founding of the UN, which is not certainly the case in the makeup of the UN general assembly today.

1956 comes along and the world is in the midst of the Cold War. It looks like after Nasser nationalizes the Suez Canal that gas was going to go to about five cents a litre or, to use American terminology, about 20 cents a gallon and destroy the international economy. So the British and the French parachute in and the Israelis arrive overland to take it back for the good guys—us. That caused a lot of tension between the U.S. and Russia. Canadians realized our high school teachers were lying when they said the shortest distance between two points on the face of the earth was a straight line. It is not, it is a curve. When the U.S. and the Russians get teed off at one another that curve tends to go over Canada. The missiles were going to meet over Winnipeg, Vancouver, and Halifax. It was in Canadian NATIONAL SELF INTEREST to temper down the tension between the U.S. and the Russians.

Lester Pearson, the Canadian foreign minister of the day, was a hockey fan. Watch a hockey game very closely and you will notice a lot of fighting breaks out. Funny how it breaks out close to the referee. It is the macho thing to do, but let’s make sure somebody is around to stop it as quickly as possible. When I was growing up in Truro, Nova Scotia, I would get into a fight with somebody my size in the parking lot. The five foot tall, blonde, blue-eyed, female school teacher would come and stop it. How? She had the authority of the institution behind her. We could beat the living daylights out of her but we would not, because she represented the institution. That was the brilliance of Pearson’s idea. There are thousands and thousands of people here with tanks, artillery, and aircraft wanting to kill thousands and thousands of people there with tanks, artillery, and aircraft so let’s put some Canadians with pistols on their hips in between them. Maybe they will stop. They did because they had an excuse. When most countries go to war the first thing they want to do is stop, but they need an excuse. Canadians were not sent to the Suez, by the way. The Queen’s Own Rifles of Canada were initially chosen to go to the Suez but Nasser perceived them to be a little

too British and he did not accept them. The contingent ended up being Scandinavian. Nevertheless, the concept worked and it worked right through the Cold War. Canada takes some considerable credit for that.

Peacekeeping to Peacemaking

Unfortunately, the Canadian public has been brainwashed that we are a peacekeeping nation. We are not. Canada has not done any peacekeeping for the last twelve years. The world does not need it. Peacekeeping, grammatically, means there has to be some peace to keep when you get there. There has only been one mission since 1992, Eritrea-Ethiopia, where the two countries decided to stop fighting. In this situation it is possible to interpose a lightly armed force, there by invitation, and authorized for use of deadly force in self defence only. In most places these days, you have to go there and say, keep the peace or I'll kill you. That is not peacekeeping, that is peacemaking.

To be correct, Canada had less than one percent of the world's population and was doing ten percent of the world's peace operations. They included:

- 500 in Cambodia;
- 1,800 in the former Yugoslavia;
- 1,400 in Somalia;
- 500 in Cyprus;
- 300 in the Golan Heights;
- 300 in Sinai as a result of the Camp David Accord; and
- 5-7,000 in Germany.

Not bad for a country with the population of California. In 1993, we were number one; today, Canada is number thirty-six.

Military Cutbacks and Deployments

Starting in 1993, the hard power capabilities that allowed Canada to do those missions were slashed and burned in the very honorable undertaking of eliminating the deficit in Canada. This decision is acknowledged today by the current prime minister as a mistake even though he was the finance minister at the time. On the backs of the three rungs of Canadian foreign reputation:

- diplomacy, slashed and burned by 24 percent;
- foreign aid, slashed and burned by 25 percent;
- defense, slashed and burned 27 percent.

When a defense department, no matter the country, is cut to that extent where do those savings come from? The government can only find them one way. It cannot cut back on equipment purchases or maintenance because it pays a big penalty for cancelling the contract. It takes ten years to get a tank from a piece of paper to actually having the soldiers drive it. Government cannot cut back on operations and maintenance because it has troops spread around the world. That leaves one choice, reduce the number of personnel. This is exactly what Canada did. This meant that the remainder were on a conveyor belt going to overseas missions. Canada started at 83,000 troops. The justification for cutting back in 1993 was to pay the peace dividend. Everyone was going to live happily ever after. The Cold War had ended, the wall had come down, and therefore Canada could afford to cut back. The problem was Canada had already given the peace dividend twenty years before anybody else.

Prime Minister Trudeau had no love for the military and considered anybody who joined it to be wasting their brain. He said so to one of his advisors who went and joined the military. He did not totally withdraw Canadian NATO forces from Germany in the mid 1970s, but he cut the force in half. Now there was military brilliance. All that was left behind was an air force and an army contribution that was not operationally capable. We would have kicked the living daylights out of the Russians when they came over the East German border for about fifteen minutes and then we would have been gone. We had no staying power. Nevertheless, from an economic viewpoint, it was necessary not to abandon Europe.

So Canada had already given at the office and when defense was asked to give again Canadian force capability came precariously close to imploding. That would have been okay if it was not for the government's unabated appetite for overseas adventures. Canada stayed in the former Yugoslavia, moving from under UN command where I served, to NATO command. Canada visited Haiti three times on missions. In the late 1990s, the forces continue to diminish and Canada now has what the soldiers affectionately refer to as "plug and play." Canada has to patch together units from all across the country to make a unit big enough to deploy. The only significant Canadian deployment right now is about 700 folks in Kabul.

When September 11 happened, Canada said it was shoulder to shoulder with the U.S. in the war against terror, but just never said it was only for six months. When the U.S. put a brigade from the 82nd airborne into Kandahar, Afghanistan, Canada provided one-third of

the combat power. At the end of six months Canada could not sustain that force with the U.S. and it needed to leave, because it was unable to find 700 troops. Then Iraq magically appeared on the horizon. It looked like there was going to be some controversy and somehow Canada found 2,000 to go back to Afghanistan in a constabulary mission in Kabul under NATO control. It is one thing to say “no” to the participation in the war in Iraq, for example, if you have the capability to say “yes.” It is another thing to say “no” because the cupboard is bare and you cannot go. “No” does not have a lot of credibility then.

I lecture two times a year, in Montgomery, Alabama, to the Joint Flag Officers Warfighter course which two- and three-star generals and admirals attend. If we had a “Warfighter” course in Canada it would be picketed, particularly by the NDP who would make sure that nobody could attend. I lecture not to share my brilliance on war fighting but to talk about the complexities of commanding a multinational force, from thirty-one different countries, for example. I give a warning before I recite these figures. Do not laugh at these figures because they are not funny. There is no punch line. Normally, when I throw these figures out to the American generals and admirals they are waiting for the punch line. I am an honorary chief of the Toronto police service. They used to call it police force before the word force became politically incorrect. We have 2,000 more police in Toronto than we have infantry in the Canadian army. I checked the size of the Chicago police force today, it is 14,000. This is just 1,000 smaller than the entire Canadian army; infantry, armoured, artillery, logistics, and all of the support. March Canada’s army into Maple Leaf Gardens, order them to sit down, there are 3,000 empty seats. Yet, Canada is still in thirteen missions around the world.

The UN slide, when it goes up on the screen in New York, shows the Canadian flag. But look closely at it and you see a bracket that shows a number. It says, Sarajevo {1}; one person. It shows, Cyprus {1}; Canada maintains a person there so we can have the Canadian flag on the slide at the UN. That is really deceiving and making no contribution whatsoever to international peace and security in those areas. In 1993, as I have pointed out, Canada was number one in the world, today we are number thirty-six. Fiji is eighteen. Many nations—including Pakistan, Bangladesh, and Nigeria who were one, two, and three respectively—are there because of the U.S.\$1,000 per month per soldier paid by the UN

(of which the U.S. pays about 40 percent) for their presence and rental fees for all their vehicles and equipment. But nevertheless, it is embarrassing to be thirty-sixth.

Was it the result or the cause of the elimination of Canadian hard power capability that caused Canada now to focus on values in foreign policy? I argue it is the result of giving up on hard power and sidling up to hard power's less expensive, cheaper sister—soft power. It costs less by gold and by blood. Niceness, good governance, compromise, tolerance, human rights, and all those other wonderful characteristics used to describe Canadians and by Canadians, much too often, are used to describe and justify ourselves. That really can be embarrassing. We talk about exporting the Canadian way. Bono, of the infamous band U2, made the comment, "The world needs more Canada." Canadians describe themselves from, as some have pointed out, a position of moral superiority. Canadians talk about exporting values.

Canada has had a couple of successes in soft power, overly hyped by us but not insignificant. For example, the ban on anti-personnel land mines which was started by the International Red Cross seven years before the Ottawa conference. Another success is the international criminal court. Those that say that Canadian soft power maintains our position of influence in the world probably protest too much and brag about these too much.

Here is a point about hard and soft power. Today, in western Sudan, there are DP camps (Displaced Person—they are called Refugee camps only if the people are beyond their home country border) mostly occupied by women and children. The women leave on a daily basis with their children, either on their backs or tied to their chests, looking for wood. While they are scavenging for wood there are thugs, goons, and militias supported by the government in Khartoum on camelback that are looking for them. When they find them they rape them. After that they kill them, slowly. In too many wars that I have been involved in trying to stop, rape is the number one insult that you can do to the other side. Frequently people are not killed afterwards because it is important to impregnate them so they must bear children from the other side. But in western Sudan they are killing them, and then they kill the kids. When those militias come over the hill these DPs could not care less about good

governance, human rights, ethnic tolerance, or niceness. They just want to live, to stay alive. They need someone to protect them, not someone to take any side in the conflict but someone to keep them safe while soft power advocates try to sort out the problem for the country. We have people, including Canadians, who believe that we are supposed to turn soldiers into social workers with guns. That is wrong in my estimation. First we have to stop the killing. The problem is too many people over the last ten years think we can solve the world's problems with insightful Canadian thoughts while we let somebody else do the heavy lifting.

Self-Interests or Values?

You want to get credit for your foreign policy? It is directly proportional to the risk you take. Canada is the only nation in the history of the world that has fought in three wars, Gulf War I, the ill-founded bombing of Kosovo, and Afghanistan, with zero casualties to enemy fire. In Gulf War I the case was that the Conservative government directed the navy not go to the northern part of the gulf but instead to park down on the bottom part. The air force would not fly over Iraq until all the air defense had been removed by the U.S., the Brits, and a few others. This is from a country that had a leading role, had hard power, in WWI, WWII, and Korea. Zero casualties—not even a sprained ankle. Zero! Something is wrong there.

If values are so important, and I agree they are but can only be exploited and delivered, what should drive Canadian foreign policy? I say, surprise, surprise, national self-interest. Like every other country in the world that has a foreign policy. Why should Canada be different? What are Canadian self-interests? It is not brain surgery.

While I was a security advisor for the previous government in Ontario I learned more about trade than I ever wanted. I am an infantry officer. I cannot even balance my bank account. I did not want to know about trade, but I learned a lot about it as a security advisor in the province of Ontario. I use the term a million dollars a minute. Three hundred and sixty five days a year a million dollars a minute crosses the border. The Windsor-Detroit crossing is the largest economic crossing point between two countries in the world. A million bucks a minute. Therefore, based on the charts we have seen, surely Canada's number one foreign policy is maintaining and

achieving good relations with the United States. Number two is making a meaningful contribution to international peace and security, particularly in North America. Without any doubt, without competition whatsoever the greatest threat to Canada and its economy is another attack on the U.S. Not on Canada, on America, because of perceptions.

On *Nightline* a short time after September 11, I debated Ambassador Holbrook and I can still remember him saying as if it was gospel that the terrorists came across on a ferry from Yarmouth, Nova Scotia, to Bar Harbor, Maine. I said, "Hold it just a second, my sources tell me they lived in your country, you subsidized some of them. They took flying courses but they told the instructor they did not want to know how to land they just wanted to be able to steer the plane." The perception had been made that Canada was this transit point for terrorists and Senator Clinton has repeated it. By the way, that does not mean Canada is not. Canada has fifty terrorist organizations that are known to intelligence and has not convicted one of them since the new legislation, relatively draconian by Canadian standards, came in after September 11.

If the U.S. is attacked again it will slam that border like a bank vault; both of them, north and south. As shown by Dr. Molot's economic charts, it is in Canadian interests to have security policies that are even better than the U.S.'s. It is in the Canadian interest to have security policies where the U.S. looks at Canada and says, "You know, that is a good idea. We should be doing that." Rather than the Canadians trying to catch up and keep up with the U.S., Canada should be ahead of the U.S. for its own national self interest. This is extremely important and it is not the case today.

Perimeter. You want to have a debate on whether or not there should be a perimeter of common procedures and capabilities around North America? You can have the debate today. After one more attack in the U.S. there will not be any debate, it will be there. It will happen. Therefore, it should happen before the next attack.

The Role of the United Nations

Historically, the majority of Canada's contributions to international peace and security since the beginning of the Cold War and also since the end of the Cold War have been through the UN. This has to stop. The UN has proven itself over and over and over again, during the last ten years to be totally incapable and

incompetent of taking on the challenges of international peace and security. I am a holder of the UN Medal of Honor, so it pains me to make this statement. It could not adjust at the end of the Cold War to security problems. When I say the UN, I am talking about the UN Security Council (UNSC). All those other bits and pieces that were added on after 1945 in the meeting in San Francisco—UNICEF, UNHCR, UNESCO, the World Health Organization—even with their problems, do really good work. UNHCR, regrettably, is a growth industry with refugees over the last five or six years. They do good work.

The UNSC itself represents the world of 1945. When Russia, China, America, France, and the U.K. gave the five of themselves the veto it did not just apply it to issues of security. The rest of it takes a nine out of fifteen majority. The veto also applies to procedure, so the makeup of the UNSC or the voting rules cannot be changed without all five permanent members agreeing. That will never happen in my lifetime. An eminent group of people recently spent a year studying the problem of which my commander, Lieutenant General (ret'd) Satish Nambiar from India was one of the members. They recommended expanding the size of the UNSC and bringing in Brazil, India, and so on but did not address the veto issue. So it makes no difference whatsoever, it will still come down to the five. France and Britain should not have a seat on the UNSC; there should instead be a seat from the E.U. Some counter that the E.U. is not a country. That should not matter because it represents a geographical area. Bring in Brazil, the greatest supporter for the UN in South America; or India, the world's largest democracy and big supporter of the UN. It will never happen because all it takes is one to raise an objection.

There would never have been a resolution condemning Iraq and authorizing deadly force because of national self-interest. France and Russia would have vetoed it. There are a lot of Canadians who said we just should have waited a little bit longer, we could have got a resolution in the UNSC. No, we would not have. I am one of the few people in Canada still willing to admit to supporting the invasion of Iraq. Even though 51 percent of Québec supported it at the time, most have conveniently forgotten because they do not like what is going on with the occupation. None of us do. But the fact is that the 1948 convention on genocide authorized that invasion. When Saddam Hussein killed 500-800,000 of his own people over a ten year period he should have been removed.

Secretary of State Colin Powell called what is going on in western Sudan “genocide.” We should be in there protecting the innocents. But the UN is still talking about it. They are trying to define genocide. They defined it in the 1948 convention—the elimination in whole or in part of a particular segment of society.

We had a serious problem in Croatia when I deployed there in 1992. There was nothing going on in Bosnia at the time but we told them there was going to be. The UN put the headquarters, over objections, in Sarajevo. They sent us there with 250 of the lowest form of humanity ever to put on a uniform—staff officers. With fifty Swedish conscript soldiers we were supposed to keep the lid on things. What happened? We created a situation where, for the first time in military history, the troops up front in Croatia were feeling sorry for their headquarters because we were the only ones under attack. The UN screwed up there.

They screwed up in Somalia. The Pakistani battalion that went to Somalia could not get out of its barracks until the U.S. hijacked the decision-making process in the UNSC and sent a U.S.-led coalition force, with Canada as participants, to Somalia to establish some semblance of law and order and permit the safe delivery of humanitarian aid. A lot of Americans think that the American-led coalition suffered the Black Hawk Down incident, but it did not. The U.S. had left. Out of the goodness of their hearts the Americans left 2,000 troops in Mogadishu to give the UN, which was now running the mission, some combat power. The U.S. told the Turkish three-star commander that only his deputy, an American two-star general named Tom Montgomery, could deploy them. If you put five people with a lot of military knowledge in a padded room and told them to come up with a situation to fail you cannot do better than telling the commander that he cannot use his reserve, only his deputy can. That is when Black Hawk Down happened, not during the American led coalition which was the most successful intervention in the history of UN peace operations. U.S. marines arrived on the beaches in Mogadishu and the media were there first. People laughed at that. Baloney. Going to a knife fight? Take a gun. Go with more than you need so the enemy buggers off, which is exactly what happened. The UN will always go with less than it needs; to a knife fight the UN takes a switch. It is never enough to just hope for a best-case scenario.

They screwed up in Rwanda. The UN totally ignored the word that was coming out of Rwanda and did absolutely nothing as anywhere between 500-800,000 people were hacked to death.

I appeared in front of the U.S. congressional committee chaired by Sam Nunn, about Srebrenica and the Balkans. I was asked how many troops it would take to guard the safe havens in the Balkans. I said 150,000. You have six safe havens to protect, but then the other guys will fire artillery so you have to go out to artillery range. Like a stone in a quiet lake, the ripple effect is you have to pacify the whole country. The commander on the ground back in Sarajevo, Lt. Gen Briquemont from Belgium, said he would try it with 100,000. UN Secretary General Boutros Boutros-Ghali went to the UNSC and asked for 35,000. The UNSC authorized 12,500 and five months later less than 2,000 had shown up. In a despicable act the UN rewrote the resolution; not that it would protect the safe havens but, that by its presence, it would deter attacks on the safe havens. That was when we had the slaughter. The Bosnian government officials said to themselves that if the UN is not going to protect our people, we better infiltrate Srebrenica to protect our people. They did, but they got brazen and started going out of Srebrenica burning, raping, and murdering Serbs in the villages around Srebrenica. The Serbs, who had the biggest army in the area, said the hell with that and went in and kicked the living daylights out of Srebrenica. It was not the Dutch army's fault because they had a couple of companies there trying to defend the city—it was the fault of the UNSC.

The UNSC has had enough opportunity to have a success. They say East Timor was a success, but it was not. A number of us predicted that as soon as the referendum was over in East Timor there would be a slaughter. Indeed, a whole bunch of UN personnel were killed but the UNSC did not take it too seriously because they were locally hired, as opposed to UN bureaucrats. The UNSC turned to Australia to lead a rescue mission. Canada had small participation in that. If that is the idea of a UNSC success story, I have serious problems.

This is not good news for the Americans. Whether the U.S. likes it or not the UNSC just pinned America with the sheriff's badge. Multinational organizations that will be the sheriff of the future include NATO, OSCE (Organization of Security Cooperation of Europe), OAS (Organization of the American States), and the G-8. An idea the current Canadian prime minister has but President

Bush has not yet bought into is the G-20, but not at finance minister level, rather at leader or president-prime minister level. Those are the organizations that are going to have the decision-making potential to come up with some hard-nosed decisions like western Sudan, Tibet, and elsewhere. This does not mean shut the UN down, it is a good organization to, for example, look after tsunami disaster and do the coordination. Fortunately, countries are rarely going to war with each other now. The problem with security is that it is factions within countries, they do not have delegations in New York, they do not have a flag flying in front of the UN building. They have to be dealt with in a different way which frequently is “keep the peace or I’ll kill you.” The world has to have the capability to stop these factions from raping and murdering their way through.

I am cautiously optimistic that Prime Minister Martin realizes the synergy between hard and soft power. There has to be a synergy but they must not be confused. Hard power resources must not try and turn themselves into soft power deliverers. Insightful thoughts will not solve the world’s problems. The Canadian forces can be reorganized into a meaningful, strategically mobile, capable force without a massive infusion of cash. The Canadian forces have a \$13 billion budget and less than 50 percent goes to the army, navy, and air force. Canada rips away so much of that for grants in lieu of taxes. All of these programs that come out of the defense budget: sensitivity training, gender sensitivity, and language training are all important but they are paid for from the defense budget. This is spending that does not enhance operational capabilities and leaves a very small budget.

Conclusion

I spent half of my life outside Canada in Her Majesty’s Service. I look back and I love my country. I literally kissed the ground a couple of times when I got home. Because I love it, is why I am so disappointed as to Canada’s current situation. It can change.

Canada is the most complacent nation in the world. When Canada was elected the number one country in which to live five years running, the first thing Canadians did was apologize. You don’t mean Canada? You have not been in Canada in January. You can’t mean Canada? Six years ago Japan was number one, Canada was number two, then Canada became number one and Japan became number two. A fellow Canadian said to me, “We have to watch those Japanese, they stole Canadian second place.”

A story I have told many times makes a point about why I never get complacent. I do not have post-traumatic stress or anything like that. I came out of Sarajevo in early August 1992 and I came back to Ottawa where I had left my family. I walked down Bank Street about 5 o'clock in the morning because my sleep patterns were disrupted by seven hours. I bought the *Ottawa Citizen* and on the way home I looked at it and started to tear up. This is not what some macho infantry general is supposed to do on one of the main streets in Ottawa. I could not figure out why I was crying. The headline was, "GST: Good Idea or Not?" Another headline read, "Rain Tomorrow for the Calgary Stampede-Ottawa Roughrider Football Game." Those are the two headlines that caught my eye.

About three weeks earlier I am on top of a bunker looking through the bullet-proof glass that every government building in Yugoslavia by law had to have. I am looking down in front of the building. We had brought a dozen teenagers over from one side of the conflict, call it what you want—a concentration camp, a holding camp, or whatever. They had been there for a month and a half. They were waiting to be picked up and taken back to what was left of their families in downtown Sarajevo, which was under fire. One girl in particular, tall, blonde, blue-eyed, looked very much from above like my daughter. The vehicles to transport them had not shown up. Jordanian, Canadian, British captains were handing chocolate bars from their rations through the machine guns ports to these teenagers as I looked on. The mortar bomb went by me and landed in the middle of these kids. It is a terrible term but three of them were vaporized, they disappeared. The girl I was looking at was decapitated, her body blown into the middle of the street. Every other one of these kids had one or two limbs hanging by shreds. The three officers ran to the survivors, a really stupid thing to do because the habit over there was to wait about forty seconds and fire the second bomb to kill the rescuers. The second bomb was not fired and the kids were brought into the three level underground parking lot. I had been pleading with the UN to give me a surgical team so I could handle mass casualties. They believed I would never have mass casualties, so now that I did I lacked a surgical team. We set up stretchers and IV bags over the drains in the underground parking lot and that is where my cleaning lady did the amputations. The cleaning lady was a Bosnian Serb surgeon from the downtown Sarajevo hospital making \$40 per month at the beginning of the war. We paid her \$60 to do laundry once a week

and scrub the floors. She scrubbed up; did the amputations. This is what happens when a country tears itself apart. Canada has to remember that.

I share this story with you not to try to impress or make it sound more gruesome than it was, but to tell you that a week after I was home, the GST was more important. Canadians have the unbelievable luxury to sweat the small stuff. We are able to complain about things, problems that other countries around the world would kill to have. Canada is the only country in the world that can turn living next door to a trading partner and a superpower like the U.S. into a problem. Lots of countries would love to have Canada's problem. Canada's current appointment for ambassador to the U.S., Frank McKenna, is deemed by some as unqualified because he is too close to the Bush family. I cannot think of a better choice. I thought access was the idea. It is nice to complain about the small stuff. I cherish the Canada-U.S. relationship. I know Canada will be back. Canada does have much to offer the world but should not let everybody else, including the U.S., do the heavy lifting. Hopefully, in five years we will be back with a reorganized military will be there shoulder to shoulder with the U.S. and not just for six months.

**MAJOR GENERAL (RET'D.) LEWIS MACKENZIE
SERVED IN THE CANADIAN MILITARY FOR
THIRTY-SIX YEARS, INCLUDING NINE PEACEKEEPING
TOURS OF DUTY.**

MACKENZIE QUESTION AND ANSWER SESSION

Mike Unsworth, Michigan State University: General, what steps would you do to re-educate the Canadian public on this? When I hear about increased defense spending a lot of critics say well that is just money for the military-industrial complex.

Lewis MacKenzie: After I took my release in 1993, I went to the general officers gathering in Ottawa and recommended that we go to Parliament Hill and network with the ministers of parliament, particularly cabinet ministers, and establish a relationship. A year later I concluded it was a waste of time. In the year I was out I learned that you have to convince the public. The good news now is that for the first time in my life op-ed pieces and talk show commentators are very

pro-regeneration of the Canadian military. I am not sure if it is not too late. There have been studies done, a few of which I have participated in, that say that the military will implode within about five years. In other words, Canada will have to shut down the air force, navy, or army and then a couple of years after that shut down another branch. Canada has not replaced or repaired equipment for so long it is all going to rust out at the same time. The public is now on side and Canada has a prime minister that understands economy. Paul Martin is a former a finance minister and businessman. There is a hard power requirement within the whole view of foreign policy so if it does not happen within the next few years it will be too late.

Canada does not give out medals and ribbons at the same rate as the U.S. military. They are fairly rare. I was the first person since WWII to retire with four rows of decorations and medals, and that took me until I was fifty-three; thirty-six years of service. A thirty-one year old sergeant started on his fourth row a couple of weeks ago. He has been on a conveyor belt of mission after mission after mission. When an organization starts to abuse its people it is a sign. His wife is still with him but most would have left by now. Canada has recruits sitting on their hands at home being paid because there are no instructors to train them. It is not a problem of junior privates joining, it is the middle level, the core of the military organization, the sergeants and experienced captains that Canada is losing. The public is on side but as politicians are wont to do, they make it a zero sum game. If you do a poll and ask, "Do you want a stronger military or do you want the money to go to health care?" even I would probably vote for health care with that question. It is like missile defense, if you ask Canadians if they want to join an unproven and expensive missile defense shield the answer comes back 51:49 no. If you ask about support for a system that is not going to cost anything, is not going to be parked on your soil, you will not see it but it will make you safer, and seven other countries are involved—95 percent say it sounds like a good idea. It is a matter of leadership.

Kristi Foell, BGSU: The critique of the UN is justified and I believe you when you say that it pains you to make that critique, but from what I hear of political discourse in this country there are a lot of people clapping their hands at the UN's incompetence and hoping to do away with it. What would you say to that?

Lewis MacKenzie: No, I would not endorse that. I was being very hard on the UN. I am ready to pass judgement on the UN's abilities

within the area of international peace and security, meaning the UN Security Council. However, I think the UN has a lot to contribute in other areas that relate frequently to international peace and security such as dealing with refugees, children, or other similar efforts.

Regarding questions about whether to intervene or impose sanctions, I am just so much against sanctions. I have been in three countries that have been the subject of sanctions and the only people to suffer are those on the lowest end of the social scale. All the other people are in luxurious houses all around Zagreb and Belgrade because of sanctions, because the rich people got richer. There is a role for the UN but it is just incapable of dealing with certain problems and adding non-veto holding members to the larger Security Council will just increase the size of the debating society.

Jeff Gordon, BGSU: You mention that fewer countries are going to war with each other, that instead it is these factions. Could you comment on how long you think it might take for us to understand and get used to this new paradigm, and could you make some suggestions on how to speed up this process.

Lewis MacKenzie: I would suggest that the primary focus is Africa. The UN proved its naiveté in the Congo where there were seven foreign armies and eleven factions involved. The UN decided to have a conference to try and reach a ceasefire peace agreement. After everyone agrees they disappear and then break the ceasefire. How do we find these foreign armies and factions? They do not have diplomats or delegations, they are out there fighting. This is exactly what is happening in eastern Congo right now and there is no way that UN, Cold War-style, peacekeeping forces are going to be able to cope with that. A litmus test for Africa will be the 10,000 man force they are sending into southern Sudan now as a result of the ceasefire. I came back from Uganda a couple of months ago where they signed a peace agreement that lasted six hours. They are back fighting now with the Lord's Resistance Army. It is hard to deal with people that do not have a phone number.

How do you accelerate? I still firmly believe that you cannot go in and militarily beat up on all the sides and try and have a winner and a loser where, hopefully, we are the winner. I firmly believe you have to go in and protect the innocents. There are those who, through no fault of their own, are the innocent victims. From a moral point of view, once we go in and protect the innocents and negotiations do not work, then we can follow-up with a military intervention. This would

be highly unlikely because not many countries would agree. While having the debate like we have had for the last two and a half years about Darfur, what is backwards is that the NGOs are in there first. There are Médecins Sans Frontières, International Red Cross, Care Canada; all these people are over there trying to help while the military is still held back because the debating society is going on within the UN. It should be the other way around. Military get in there to protect the innocents, and then we will try and sort out the constitutional aspects or whatever it is between the factions. We have not done that. We did not do it in Bosnia, Somalia, or Rwanda. That is what is so frustrating.

Arnold G. Oliver, Heidelberg College: We appreciate your contributions and we do not mean to pick on you as an individual. In terms of protecting the innocents, what the heck was Canada doing in Haiti? That was a hugely bad idea to overthrow a mediocre democratic government and replace it with what seems to be a totalitarian bunch of thugs. How could Canada do that? What were you thinking? Aren't they afraid of "perp walks" [a practice whereby defendants, often in handcuffs are led in front of media cameras]? If

they ever crank up the International Criminal Court I can see the orange jumpsuits and perp walks for those guys.

Lewis MacKenzie: Your wonderful Tip O'Neill taught us that all politics is local. We have the largest Haitian diaspora in the world in Montréal. We have the largest Tamil diaspora in the world in Toronto, which is why we are in eastern Sri Lanka right now. Those issues are driven by domestic politics. It is our hemisphere; it was an Organization of American States involvement.

CLOSING PANEL

Mark Kasoff: Professor Molot and Mr. Gray, what additional thoughts, or reaction do you have after hearing the other presentations?

Maureen Appel Molot: I am delighted that there was some attention in this symposium to the environment because often we pay insufficient attention to it. Two points: one is that Canadians like to brag about how environmentally sensitive we are, but when you compare policies between Canada and the U.S. we do not come out very well. More significantly, how are we going to deal with both questions raised by energy costs and energy supply? The costs of energy are going to go up and that will of course increase our production costs. Second, where again we are going to dance around the idea of national self-interest, is the integrated nature of energy. If anybody does not remember how integrated we are just remember Ohio on August 14, 2003 [electricity blackout].

On General MacKenzie's comments, I guess I agree with virtually everything he said. As someone who does live in the nation's capital I am waiting to see what the Foreign Affairs review really says and whether, in fact, it is an integrated look a Canadian foreign policy that we need, one that includes a defense review.

Herb Gray: Actually, so many things have been raised we could spend the afternoon and evening here and have a second seminar. I return to a point made by Professor Molot that the degree to which decisions about cross-border trade and investment, while influenced by government policies, are essentially a type of free market system made by individual, private companies. No doubt government policies do have an impact but this is not something that can be directed or influenced by governments unlike, say, in China. We have to be aware of these market driven forces.

When it comes to environmental issues there are very important interests that believe there is a place for coal, in spite of arguments about sulphur, in producing power. The technologies that can create clean coal burning are very controversial on the part of the scientists working in the field. Yet, there are people involved in the coal mining industry who are actually pursuing these activities and this has an impact on public policy. By the way, I read an interesting article in the *New York Sunday Times* two weeks ago. Senator Fritz Hollings was retiring and he apparently was known for his quips so they published a series of these quips. One of them was, "Talking about free trade is like talking about dry water." Now that is in itself a judgemental kind of question, but what I am getting at here in quoting Senator Hollings is that we can not overlook the range of interest involved. There are people who are involved in coal mining and believe strongly that coal can be handled in a way that will produce power more cheaply and even more safely than other sources. There are others who have strong differences. Reconciling those points will be an ongoing challenge.

Another comment I wanted to make on Canada in the world was that Canada with only 31 million people continues to be one of the G-8 countries. Of all the countries in the world there are only eight people who are invited to the meetings of the G-8 and Canada is one of them. So we must be doing something right.

Kasey Tucker, University of Toledo: I recently have been doing some research on the sharing of information among agencies in the U.S., with regards to national security. I was curious how they have addressed that issue in Canada. How have they addressed the issue of sharing information between the two countries to insure national security, or if they have not addressed it?

Lewis MacKenzie: The answer to your question is yes and no. By that I mean when I was initially brought on board in Ontario, and Ontario probably had more contact with the U.S. at that time than the federal government did, we were blown away by the fact that the American delegations from CIA, FBI, even Secret Service, all told us that the walls on our information silos were lower than those in the U.S. This scared me because I knew that our silos were very high. When we tried to get the various ministries together at the provincial level it was the first time in their careers that many of them had been in the same room with their colleagues from other departments. It was a major achievement to get them talking together, developing plans,

and convincing them to exercise those plans. In the U.S. the walls came down, I am told, only for a relatively short period and now they are tending to go up again. Let's face it, information is power. You are more expert than I am at the new structure which has created a massive bureaucracy. The judgement is still out on whether this will be an improvement. The U.S. is still taking it more seriously. Canada tends to keep a very low profile with what it is doing. I argue that a lot of our exercises should be high profile so the public can see what is happening. The political reaction to that is that it will scare the public.

Maureen Appel Molot: I do not know how much the Maher Arar inquiry related to the detention of an individual and his subsequent removal to Syria is getting attention in the U.S. The only reason I mention it is that it really has to do with the sharing of information. The case involves not intra-governmental sharing, but inter-governmental. It revolves around what information may or may not have been passed by the RCMP and the Canadian Security Intelligence Service (CSIS) to the U.S. authorities. One big issue is information is power and it is also tradable. What do agencies share? What do they get back for sharing it? How do they persuade their allies and friends that they are reliable, all of the time keeping in mind that there are issues of privacy? Canada is having a very serious look at this and it will take a very long time for it to come out. So many of Justice O'Connor's decisions, who, incidentally, was the person who looked into the Walkerton tainted water scandal, around the release of information by the federal government have been shaped by possible implications for national security.

Marc Simon, BGSU: I am thinking a little bit about immigration and General MacKenzie's comment about the fact that another terrorist attack might force the U.S. to close its borders more. I am not sure there is interest on this in the U.S. for lots of reasons, but I am curious about the Canadian side. Is there any hope of a long-term goal of establishing the kind of agreement it only took Europe about thirty-five or forty years to do which would allow people to travel across the borders more freely? I think the economies are allowing this and I think that Canadian security is just as good if not better than the U.S. We probably have just as many terrorist groups in Ohio as in Canada. I am wondering if that is something that the values and culture of Canada would go for or not—open movement of labor and people across the borders maybe ten years in the future?

Lewis MacKenzie: Yes. The technology is going to enhance those

possibilities. In customs preclearance there are devices now that are placed on a vehicle and make it possible to know if anybody has touched it, let alone opened a door or touched the cargo.

Unfortunately, the border itself is a tremendous restriction. As an anecdote, a trucker from the United States who trucks from Oshawa, Ontario, to Miami, Florida, said there are fourteen traffic lights between Oshawa and Miami and thirteen are in Windsor. Those are things you can solve.

There is also streamlined crossing of individuals, fast tracked through the border once they are registered. That has to get better. Everything that we do is looked through the domestic political prism as to whether this is somehow a sacrifice of our sensitive sovereignty. There is a significant majority of Canadians who are very sensitive about that.

Maureen Appel Molot: An issue regarding North America is the third country that is part of the continent. Although lots of Canadians are talking about the need to do something about the bilateral relationship and argue that we need to move on our bilateral relationship for a variety of reasons, we have to remember there is another country involved. The population and the political power in the U.S. being what they are it is very hard to move on one bilateral relationship without the other. Although Canadians are making the case for doing that we have to be cognizant that whatever is proposed brings in Mexico. You know better than I do the sensitivities around the southern U.S. border. In the best of all possible worlds, yes we should move toward freer labor mobility. But Canadians will be hung up on sovereignty issues and what will make it difficult in Washington will be the Mexico-U.S. border.

Herb Gray: Major American publications like *Time* and *Newsweek* and more recently the international publication *The Economist* talked about how open and porous the U.S.-Mexico border is. Something like a million people a year come into the U.S. and disappear into the American economy. Many Canadians reading articles in these mainstream publications wonder why the same attention is not being paid to the U.S. southern border. Mexico's border with Central America is involved as is the Canada-U.S. border. Also, to reiterate from my earlier remarks, we have not yet tested the point of view of the U.S. Congress, particularly the Senate, in terms of giving up U.S. sovereignty in any great Canada-U.S. overarching bargain. We have

not heard from the U.S. Congress; its senators and the regions and interests groups with which they are linked. No Canadian government or political party has come forward to proclaim their interest in having a grand bargain, to use that wording. Even more importantly, nor has this been the case with either of the two major U.S. political parties or the current leadership of the House of Representatives.

By the way, with respect to the Windsor-Detroit border, one simple thing is to keep every one of the customs booths at the bridge on both sides open twenty-four hours a day, seven days a week. This would cost only a couple million dollars extra a year and would eliminate 90 percent of any backlogs, well before getting into the matter of having to build a third crossing. Sometimes the simple solution is not pursued.

I was delighted—and Consul General Delvecchio will confirm—that one of the strong points of the press release issued by Secretary Ridge and Deputy Prime Minister Anne McLellan was a commitment to have more people in the customs booths and have a goal of reducing backlogs within the next year by 25 percent. So sometimes, as I say, the simple solutions which are being worked on will be just as useful as the grand solution.

With respect to the traffic lights, they arose from a day when the Ambassador Bridge was a sleepy, barely-used entity well before the free trade deal. The connecting road from highway 401 was a municipal road. Hopefully, the joint federal and provincial infrastructure project will deal with that within the next year or so. In the meantime, citizens on both sides of this border area may want to press for round-the-clock staffing of all the customs booths on both sides of the border to make a major difference.

Lewis MacKenzie: Maybe I could just make some comments on strategic issues that will cause us some problems in the future. First, a famous general once said that the only thing that would drive Canada and the U.S. to war was water. We are not going to go to war over it, but it will become a subject of some tension. Secondly, Saudi Arabia has been lying about its reserves for the last twenty years. Canada now has the number one oil reserve in the world. That has a strategic implication for Canada not the least of which is security to the military.

I personally have a plan. Those of you who have seen the movie *The Mouse That Roared* know that if Canada attacks America we have

to make sure we lose, unlike Peter Sellers who actually won with the duchy of Grand Fenwick. Then the amount of foreign aid America will have to pump into Canada will resolve all of our issues.

Herb Gray: I wanted to make an observation. I referred to outgoing Senator Hollings and I quoted his quip about free trade and dry water simply to stimulate debate on the subject. I was not being judgmental there. I also wanted to say that a professor at Brigham Young University analyzed every dispute over water in the last hundred years. Out of a hundred cases he analyzed there were only four that resulted in shooting. When the countries looked at the issues of sharing water and managing shared water they found the issue so important that they found peaceful ways of resolving the disputes. Hopefully, this will continue to be the case and certainly so far we have managed to handle this through mechanisms like the IJC and with good will, common sense, and science we will continue doing that in the years to come.

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APPENDIX B: CANADIAN FOREIGN POLICY TIME LINE

Preconfederation

- ✳ British Loyalists migrate to British North America, especially many blacks, following the conclusion of the American Revolution.
- ✳ War of 1812: U.S. declares war on Great Britain and attacks Canada; participation of Native Americans on British side is significant.
- ✳ Blacks fleeing slavery in the U.S. seek freedom in Canada via the Underground Railroad.
- ✳ U.S. Civil War and strong U.S. army creates fears of “manifest destiny” in British North America.

Late 1800s

- ✳ July 1st, 1867: Confederation. Dominion of Canada is formed from the union of Nova Scotia, New Brunswick, and the United Province of Canada (Ontario and Québec).
- ✳ The Joint High Commission’s negotiations lead to the Treaty of Washington, a recognition by Britain of Canada’s right to play a role in matters directly effecting Canada.
- ✳ Sitting Bull and Sioux Indians move north to Canadian territory to avoid U.S. Cavalry.
- ✳ John A. Macdonald’s National Policy protects domestic industries and initiates railway to settle western lands.
- ✳ Sudan crisis: Britain is denied official contingent of Canadian troops, sets precedent for years to come.
- ✳ Creation of the Department of Trade and Commerce.
- ✳ Yukon Gold Rush: Approximately 50,000 Americans take part in the search for gold.

1900s

- ✳ Arbitration panel of three Americans, two Canadians, and a Briton rules 4-2 in favor of the U.S. regarding the Alaskan panhandle.
- ✳ The Boundary Waters Treaty: Creates the International Joint Commission to advise Canadian and U.S. governments on issues effecting border waters.
- ✳ Canadian Department of External Affairs created.
- ✳ Naval Services Act creates Canadian Navy in lieu of providing direct aid to Britain in response to the growing German threat. French Canadians feared the Navy would be used by the British

and English Canadians feared it wouldn't provide enough for the British.

- ✿ Proposed free trade agreement with the U.S. sparks Canadian fears that integration would surrender economic independence and ties to the British. Laurier, who favored the agreement, called for an election to decide the matter and lost.

1910s

- ✿ Great Britain declares war on Germany.
- ✿ Conscription becomes law within Canada, but French Canadians and a few English Canadians objected again highlighting strong divisions along linguistic lines.
- ✿ Canadian troops take Vimy Ridge, a German stronghold thought to be impenetrable, marking a turning point towards Canadian nationalism.
- ✿ Treaty of Versailles: Ends World War I; Canada signs as separate nation.
- ✿ Canada joins the League of Nations.
- ✿ Halifax Explosion: Precipitates cross-border disaster relief efforts.

1920s

- ✿ U.S. prohibition leads to massive smuggling of alcohol from Canada into United States.
- ✿ U.S. investment in Canada surpassed British investment for the first time.
- ✿ Canada signs Halibut Treaty with the United States, first treaty signed without British oversight.
- ✿ The first Canadian diplomat in a foreign country is sent to United States.
- ✿ Canadian Department of National Revenue established, enforces tax collection at the border.

1930s

- ✿ Statute of Westminster: British law formally grants legislative independence to Canada and the other Dominions.
- ✿ Canada declares war on Germany a few days after Britain under a separate declaration by the Canadian Parliament.

1940s

- ✿ Ogdensburg Agreement establishes the Permanent Joint Board of Defense between the U.S. and Canada to oversee the defense of

North America.

- ✳️ Hyde Park Declaration: U.S. increases purchases of munitions in Canada; materials sent from the U.S. to Canada destined for Britain are billed to British lend-lease account.
- ✳️ Canada helps found the United Nations.
- ✳️ Lester Pearson becomes Canadian Ambassador to the U.S.
- ✳️ Canada signs the General Agreement on Tariffs and Trade (GATT).
- ✳️ Canadian John Humphrey was the principal drafter of the Universal Declaration of Human Rights approved by the United Nations.
- ✳️ North Atlantic Treaty Organization (NATO) created with the help of Canada.

1950s

- ✳️ Lester Pearson serves as President of UN General Assembly.
- ✳️ Canada participates in the Korean War with other United Nations members.
- ✳️ Lester Pearson awarded Nobel Peace Prize for his efforts to create the UN Emergency Force to keep the peace in the Suez region.
- ✳️ Canada approves the North American Air (now Aerospace) Defense Command (NORAD).

1960s

- ✳️ Canada accepts thousands of U.S. draft resisters to Vietnam War.
- ✳️ U.S. imposes economic embargo on Cuba. Canada does not cut off diplomatic or commercial ties with the island nation.
- ✳️ Québec opens a diplomatic office in Paris.
- ✳️ The Organization of Economic Cooperation (OECD) is formed of 24 industrialized countries including Canada.
- ✳️ Cuban missile crisis: Canadian forces go to DEFCON 3 alert status.
- ✳️ Auto Pact with the U.S. allows free trade in automotive industry.
- ✳️ Canada's Maple Leaf flag is adopted.
- ✳️ Canadian National Energy Policy institutes protectionist trade measures in the oil and gas industry.
- ✳️ Canada recognizes the People's Republic of China.

1970s

- ✳️ Canada imposes an arms embargo on South Africa.
- ✳️ After a reassessment of bilateral relations Canada chooses the "Third Option" and seeks to reduce reliance on U.S. by building relationships with other countries.

- ✿ Signing of the Great Lakes Water Quality Agreement between Canada and U.S.
- ✿ Canadian Foreign Investment Review Agency (FIRA) formed in response to concerns about the scale of U.S. ownership of Canadian facilities.
- ✿ Canada joins the Group of Seven (G-7) countries.
- ✿ Canada withdraws trade assistance to South Africa.
- ✿ Canada helps five American hostages escape from Iran.

1980s

- ✿ Canada patriates constitution from United Kingdom.
- ✿ FIRA renamed Investment Canada in policy shift to welcome foreign investment.
- ✿ Canada–U.S. Free Trade Agreement (CUSTA) signed by President Reagan and Prime Minister Mulroney goes into effect.

1990s

- ✿ Canada joins Organization of American States (OAS).
- ✿ Canada participates in Persian Gulf War.
- ✿ Canada endorses Kyoto Protocol to the United Nations Framework Convention on Climate Change.
- ✿ The North American Free Trade Agreement (NAFTA) between Canada, the U.S., and Mexico goes into effect.
- ✿ U.S. passes Helms-Burton Act allowing U.S. citizens to sue foreign nationals dealing in Cuban property confiscated by the Castro regime. Canada responds by amending its Foreign Extraterritorial Measures Act to block the U.S. legislation.
- ✿ Canada signs the International Mine Ban Treaty to ban landmines.
- ✿ 600 Chinese illegal immigrants, most bound for U.S., intercepted in Canada.
- ✿ Canadian forces participate in UN and NATO mandated military action in Bosnia and Kosovo.
- ✿ Ahmed Ressay, would-be terrorist, intercepted by U.S. Customs upon entering Washington State from British Columbia.

2000s

- ✿ Summit of the Americas to launch Free Trade Association of the Americas concept held in Québec City amid widespread street protests.
- ✿ September 11, 2001: U.S. closes its borders, while Canada accepts all incoming overseas flights bound for U.S.

- ✿ Canada and U.S. sign the Smart Border Accord.
- ✿ Canada participates in U.S.-led “war-on-terror” in Afghanistan.
- ✿ Four Canadian soldiers die in friendly fire bombing by U.S. jet during Afghan operations.
- ✿ Canada declines to join the U.S. in the Iraq War, but pledges support for reconstruction assistance in the war-torn country.
- ✿ August 14, 2003: the largest blackout in North American history occurs.
- ✿ Canada and the U.S. amend NORAD.

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