

A Note from the Director

Canadian Studies at the University of Maine has a strong tradition of research and service in public policy fields. In the late 1930s, the University hosted an international conference on education and Canada-U.S. relations. Supported by the Carnegie Endowment, this landmark conference moved the University of Maine in the direction of ever greater involvement in cross-border policy fields. Beginning with spruce budworm research and potato cultivation and marketing, these endeavors were extended to include work in wildlife management, forest regeneration, health care, fisheries problems, water resources, heritage assessment, energy, and many more important fields. In recent years, issues of acid rain and free trade have emerged as major public policy concerns involving University of Maine researchers.

From the time of its establishment in 1968, the Canadian-American Center has encouraged and fostered Canada-U.S. policy research. In recent years the Center has been awarded numerous grants and contracts to enhance the University's work in this area. With the new appointments of key faculty and professional staff in five public policy fields, the University of Maine has been identified as a nationally prominent institution in this area.

The generous support of the Business Fund for Canadian Studies in the United States to the Canadian-American Center has provided the funds to launch this new policy paper series. The incentive for the series comes from the Canadian Studies faculty at the University of Maine and their colleagues in public policy research and implementation in the academy, government, and the private sector throughout the United States and Canada. The general editor and the editorial board have been selected from among the leading scholars of public policy in both countries. Their efforts and particularly the work of the series general editor, Professor Peter Morici, promise to make this initiative a significant and timely contribution to the emerging public policy literature on Canada-U.S. relations.

Victor Konrad
Director
Canadian-American Center

Call for Papers

Authors wishing to contribute to *Canadian-American Public Policy* should submit short proposals, two to three single-spaced, typewritten pages in length, plus an outline. Papers should deal with topical policy issues in the following areas of concern in Canadian-American relations: business and economics, natural resources, cultural issues, and international relations. Final manuscripts should not exceed sixty typewritten pages in length. Address all correspondence to: Kevin Archer, Canadian-American Center, University of Maine, 154 College Avenue, Orono, Maine 04469 U.S.A. Please include telephone and FAX numbers.

Canada-U.S. Relations in the Bush Era

Joseph T. Jockel

Introduction: The View from the Dock at Kennebunkport

Toward the end of the final summer of the 1980s, President George Bush and Prime Minister Brian Mulroney met for what was billed as a "working holiday" at the President's Kennebunkport, Maine, estate. There was much with which the two leaders could be satisfied, especially concerning the relationship between their two countries.

To begin with, that relationship was being well managed. The presidential-prime ministerial meeting itself, as friendly, relaxed, and informal as it may have been, was nonetheless another small but significant part of the generally successful approach toward managing Canada-U.S. affairs that the two governments had put in place and honed during the Reagan years.

Bush and Mulroney devoted little time and attention during their discussions to bilateral disputes, for there was, in truth, little need to do so. To be sure, the agenda contained two issues of the kind that often arise in day-to-day Canadian-American relations: this time a punitive U.S. duty on Canadian pork, and charges by Maine lobster catchers that lobsters trapped under lax Canadian regulations were un-

fairly driving down U.S. prices. But in the wake of the Canada–United States Free Trade Agreement (FTA), which began to come into effect at the start of the year, and the President’s decision to support legislation designed to limit acid rain–causing emissions, which Mulroney had been calling Canada’s “number one issue,” the bilateral agenda was as free of major irritants as it had been for a decade.

So aside from boating with their families and pitching horseshoes, the two devoted their business discussions largely to world affairs. Here, too, the short-term prospects they surveyed were undoubtedly pleasing, with the notable exception of the President’s preoccupation with combating the international drug trade. Above all, the Soviet empire was disintegrating with astonishing rapidity, validating America’s venerable strategy of containment and holding out the increasingly likely possibility that Bush might soon become the President to declare the postwar period at an end.

For its part, the Mulroney government, five years in office, had booked a strikingly solid yet sometimes overlooked record of diplomatic successes, including election to the U.N. Security Council, a high profile in the Francophonie, and the assumption, thanks in part to the default of the Thatcher government, of the role of leading developed country in the Commonwealth. Mulroney, in fact, had presided over gatherings in Canada of the heads of governments of the Francophonie, Commonwealth, and group of seven industrial countries. He was contemplating full Canadian membership in the Organization of American States, a step which would be announced later in the fall.

Thus both the President and the Prime Minister could end their encounter, and later their summer vacations, content with the state of the bilateral relationship and with the immediate prospects before each of them in world affairs.

Nonetheless, since the establishment at the start of the Cold War of what some call *Pax Americana* and others U.S. hegemony, never have the trends in world events been so uncertain. Moreover both Canada and the United States face troubling domestic economic and political challenges in the 1990s which call into question their ability to influence those events to their advantage. Failure to do so will all but inevitably have an impact on the Canada–United States relationship.

This essay surveys Canada-U.S. relations today and their prospects for the 1990s. It begins on this continent with, first, the joint approach towards management of the relationship and, second, the current, common Canada-U.S. consensus on the elements of the relationship, upon which the recent approaches to management rest. It then turns to global affairs and the disquieting domestic possibilities which could affect the foreign policies of both countries. It ends with an assessment

of the potential impact of international trends on the bilateral relationship.

Managing Canada-U.S. Relations

Relations between Canada and the United States reached a postwar low in the early 1980s as the conservative Reagan administration confronted the nationalist economic policies of the Trudeau government.¹ Secretary of State George Shultz, upon taking office in 1982 at the height of the "storm" in the relationship, was bluntly warned by the officials of his department in an internal assessment that "We have experienced a difficult period in recent years in which grievances on each side have accumulated. There is thus a growing perception that something is fundamentally wrong between our two countries."²

At the same time, there were persistent public calls, especially in Canada, for the establishment of new bilateral mechanisms, such as joint cabinet-level committees or bilateral commissions, to "fix" what many on both sides of the border perceived to be a broken relationship. Even Brian Mulroney, on the campaign trail in 1984, called for the establishment of "secretariats" in Ottawa and Washington to take on new coordinating roles.

The 1988 Free Trade Agreement did indeed institute several new bodies, which will be discussed below. Yet with respect to bilateral management, the most significant outcome of the "storm" of the early 1980s was not these new entities, but rather changes in how officials in both capitals deal with one another. A new, or at least a substantially modified, Canada-U.S. "management culture" was created, most of which remained in place as the Bush administration took over. This new relationship entailed several elements.

The first is the fairly persistent high-level attention Washington has come to pay to Canadian affairs. At first, the Reagan administration's approach to Canada was sporadic. Reagan did make Ottawa the destination of the first foreign voyage of his presidency. But he and the senior officials accompanying him were very clearly ill-versed in the vicissitudes of the relationship. The poor impression they left behind was not improved by the appointment of a political ambassador who lacked both the professional skills and clout within the administration to serve effectively.

Rather it was the shock of dealing with the Trudeau government, and then, beginning in 1984, the opportunities the more like-minded Mulroney government presented, that caused the Reagan administration to give bureaucratic substance to the president's frequent assertion that "no country is more important to the U.S. than Canada." This took

two principal forms, one at the State Department, the other at the executive office of the President.³

The State Department's role in Canadian matters was strengthened through the creation of a bureaucratic locus to deal with Canadian matters. In the beginning, this locus was to be found in the recreated position of Deputy Assistant Secretary of State for Canadian Affairs. Reflecting the complexity of the relationship, Canada was the only country to which a full-time Deputy Assistant Secretary was assigned. The first incumbent in the recreated position was James Medas, a political operative with ties to the White House who also adapted smoothly to the State Department machinery. On Medas's departure and with the appointment of the career diplomat Thomas Niles as Ambassador, the locus shifted to the embassy in Ottawa. Like earlier ambassadors, especially Kenneth Curtis in the Carter years, 1977-81, Niles's role in Washington was often as important as his representations to the Canadian government.

At the White House, the cabinet machinery was directed to consider Canadian affairs more frequently. In particular, at the time of presidential-prime ministerial visits, the National Security Council oversaw reviews of U.S. policy towards Canada considered at cabinet-level sessions.

Where, in the Bush administration, the bureaucratic locus for managing the U.S. relationship with Canada is to be found—indeed, if there is to be such a locus—is at this moment not at all clear. It is too early in the tenure of the new Ambassador in Ottawa, Edward N. Ney, and the new Deputy Assistant Secretary of State for Canada, Robert H. Pines, both political appointees who took office in 1989, to say which man, if either, will be able to play the role. The disappearance of such a locus would weaken U.S. handling of Canadian matters.

The enhanced bureaucratic involvement in Canada-U.S. relations put into place during the Reagan years soon betrayed two weaknesses, the first of which remains. Negotiations with Canada over the Free Trade Agreement fell afoul of the struggle within the U.S. government over trade policy, necessitating last-minute interventions by senior Canadian officials and then-Treasury Secretary James Baker. (The Canadian government, in contrast, created a special office reporting directly to the Minister of State for International Trade.) This problem in the U.S. has not been resolved at the working level, and overshadows impending and difficult discussions over subsidies mandated by the agreement. Nonetheless, if push comes to shove, Baker, now Secretary of State in the Bush administration, can certainly be expected to prevail on behalf of his department.

The other problem was that Canada-managers in the U.S. State Department often lost out to the President's image polishers in the White House. The dismaying and ultimately counterproductive hoopla surrounding the Mulroney-Reagan encounters, especially the glitzy "Shamrock I" summit in 1985, was too often the result, although by the end of the Reagan presidency Reagan, Mulroney, and their handlers alike had learned to tone down the hype. This second problem seems to have been resolved by President Bush's lower-key and more substantive approach not only to matters in general but to Canada in particular.

Fairly frequent face-to-face encounters at the senior level have in fact become, and remain, the second element of the new Canada-U.S. management culture. Of course they are closely related to the first. The fact that the President and Secretary of State, in addition to other cabinet-level officials, now meet frequently with their Canadian counterparts tends to focus the attention of the bureaucracy and to empower U.S. Canada-managers, especially those in the State Department. As an official in the department's Office of Canadian Affairs put it of an impending cabinet-level encounter, "Just as the sight of the gallows clarifies the mind, so does the knowledge lower down in the bureaucracy that the boss is looking over our shoulder."⁴

The presidential-prime ministerial sessions have, of course, tended to overshadow the other meetings in public perception. But until recently, it has been the discussions between the U.S. Secretary of State and the Canadian Secretary of State for External Affairs that have provided the critical consultative mechanism. These encounters began in 1982 when Shultz met with Secretary of State for External Affairs Allan MacEachan for an extensive review of the then overloaded agenda. The two agreed to meet at least four times a year, a commitment that was both honored and retained by succeeding secretaries of state for external affairs Jean Chrétien (who was in office briefly) and Joe Clark and now by Bush's Secretary of State, James Baker. The consultations have included sometimes surprisingly detailed, painstaking, item-by-item discussions of the bilateral agenda.

Yet in the Bush administration, some of the work of the "Baker-Clarks" has been transferred to the presidential-prime ministerial discussions. This, too, partially reflects the President's more substantive approach and is, of course, an ironic development in the wake of the much ballyhooed friendship between Ronald Reagan and Brian Mulroney. In this regard, the Kennebunkport meeting, and the two sets of lengthy discussions held earlier in 1989 by Bush and Mulroney, including the President's visit to Ottawa, were models of effective Canada-

U.S. summitry, with an emphasis on fairly lengthy, detailed discussions between a well-informed and well-briefed President and a Prime Minister. The more detailed summits will partially compensate for a reduced role at the ministerial level: few in Washington expect Secretary of State Baker to take the same detailed interest in Canadian-American relations as his predecessor did.

The third element of the new, or modified, Canada-U.S. management culture is the more assertive, broadly directed Canadian role in Washington. Allan Gotlieb, on the eve of his departure as Canadian Ambassador to the U.S. in 1988, outlined the premise of the new Canadian approach: "In Washington, a foreign government is a special interest and not a very special interest at that." Accordingly, Canadian practice has moved beyond "the antique diplomatic niceties."⁵ Today, the Canadian Embassy might be readily compared with a domestic lobby group which cultivates, issue by issue, key players in the executive branch, the media, and especially on Capitol Hill. According to Gotlieb, "If you want to be a successful diplomat in Washington, forget what you have ever learned about traditional diplomacy. Get up, get out on the field and play the American game."⁶

Having to deal with the division of authority in Washington is a long-standing irritation for Canadians, and for that matter for other governments. Notes Gotlieb, "The United States is the only country that has two executive branches of government."⁷ From it, though, there can be no respite, a reality to which Ottawa has now firmly adapted. This acceptance, and the ensuing Canadian efforts on Capitol Hill, partially fill what would otherwise be a gaping hole in the management of the relationship which the administration could not fill. For as close as ties may be between the heads of government and foreign ministers, it is unrealistic to think, as Prime Minister Mulroney seemed to do at the start of his tenure in office, that the President would be able to "go to bat for Canada" on Capitol Hill concerning a wide range of issues. Mulroney suggested that Reagan should begin his day by asking himself, "Now what can I do for Canada?"⁸

Ottawa clearly hoped, during the course of the free trade negotiations, to reign in congressional protectionism through the establishment of bilateral mechanisms with binding authority. But the two countries were unable to agree on what constituted unfair trade subsidies. Without such a definition, Congress was unwilling to surrender its legislative authority in the area. Success was quite limited; a weaker set of mechanisms than the Canadian government had hoped for was put in place by the Free Trade Agreement.⁹

A Canada-U.S. Trade Commission, composed of senior representatives of the two governments (including the U.S. Trade Representa-

tive and the Canadian Minister of State for International Trade) has responsibility for the implementation of the agreement. The commission is to operate by consensus. With the agreement of both parties, the commission may refer a dispute to a binational panel either for binding arbitration or simply for the panel's advice and recommendations.

In the critical and disputed areas of subsidies, countervailing duties, and antidumping duties, national law will continue to apply until the two countries are able to reach agreement on a joint code. This will continue to cause anxiety among Canadians inasmuch as the U.S. Congress remains, in essence, unfettered in its ability to alter the provisions of U.S. trade law affecting Canada. Nonetheless, the agreement provides Canada with two notable reassurances. First, each country is obliged to name the other specifically in changes to trade law that are to affect it as well as to notify the other in advance of such impending changes. Debra Steger points out, "This provision will have a deterrent effect on new legislative developments. Members of Congress are extremely reluctant to name a specific country that is the target of a particular measure."¹⁰

Second, while national law will always apply, decisions in antidumping and countervailing duty cases may be appealed to independent, binational, dispute-settlement panels with binding authority. This is intended to insure Canadians and to a lesser extent Americans that while they may not always approve of the national legal provisions being enforced, decisions will be taken in settings where aggrieved parties may not exert undue political pressure on their national authorities.

Again, it is Ambassador Gotlieb who has best described the agreement's overall impact on the management of the relationship:

Institutionalization in the form of the Free Trade Agreement . . . will take some of the contentious trade issues out of the middle of the field and put them into a more quiet corner. The issues will remain part of the Washington power game. But, removed from the game's hurly-burly, binational panels and commissions will, we hope, deal with problems that arise between us in a calm, more predictable and, to the extent possible, apolitical way. Bringing the rule of law to an otherwise power-based bilateral trade relationship is obviously of special interest to the smaller country.¹¹

Canada's most ancient and enduring worry in its modern-day relationship with the U.S. is that its concerns will be overlooked. Of course it has always been in the interest of the U.S. to minimize, to the extent possible, that Canadian worry. For should Canadians become

convinced that Washington pays no heed, they will become all the more tempted to strike out on a divergent course. As a result of the new management culture, resulting from both a more attentive U.S. government and a more aggressive Canadian diplomatic posture, the two governments today are engaged in the most consultative relationship in their mutual history.

Yet consultations alone cannot guarantee harmony. Consultative mechanisms can turn into forums where both sides hurl abuse at one another. The Canada-U.S. management culture works today because the issues it deals with in large part are, in a word, manageable.

The Bilateral Agenda in the 1990s

It is impossible to cover in any detail, much less predict, all of the bilateral issues that will appear in the 1990s. This is especially the case with economic issues. Thus no such attempt will be made here. Rather, boiled down to convenient essentials, the government-to-government agenda in North America covers three major areas: defending the continent, protecting its environment, and fostering trade and investment. Prospects for cooperation between Canada and the U.S. in the 1990s in the first are very good, in the second, good, and in the last, uncertain.

Defense Above all, the U.S. needs access to Canadian airspace, waters, and territory for U.S. strategic defense forces, and it seeks from Canada the commitment of effective armed forces prepared to cooperate with those of the U.S. in the joint defense of the continent. It also seeks to share the financial burden of defense with Canada.

In recent years, two defense programs, one American, the other Canadian, have caused anxieties. The U.S. Strategic Defense Initiative (SDI) research program (or "Star Wars," as its critics call it) was launched by President Reagan in 1983 and focuses on ballistic missile defense. SDI has conjured up for Canadians images of scores of American defense installations scattered across the Canadian north, engaged in operations of which most Canadians would not approve. Meanwhile, the Mulroney government announced in its 1987 defense White Paper a program to acquire a fleet of ten to twelve nuclear-powered (but not nuclear-armed) submarines. The proposal in turn raised for the U.S. Navy a vision of Canadian boats obliging the U.S. by their very presence to share extremely closely held information on the passage of American boats under the Canadian Arctic ice. It also engendered American suspicions that a main motive for the program was to emphasize full Canadian sovereignty in the waters of the Northwest Passage, which the U.S. claims is an international strait.

Both sets of concerns have now been dispelled, or can be. Depending upon the strategic and budgetary choices the Bush administration makes, there may never be any SDI deployments. The notion of the all but perfect defense, championed by President Reagan, has faded away. If, however, deployments with much more limited purposes do occur, Canadian territory will not be directly involved in the 1990s. None of the three candidate ballistic missile defense systems being proposed for the coming decade would require the use of Canadian territory.¹² To be sure, even SDI deployments outside Canada would raise Canadian worries about subsequent deployments which might depend on basing on Canadian territory.

To the great relief of the Pentagon, the Mulroney government canceled its nuclear-powered submarine program in April 1989, leaving the U.S. Navy to its own devices under the Canadian Arctic ice.¹³ Ottawa may well decide to develop alternative "air-independent propulsion" submarine technologies which would give the Canadian Navy under-ice capabilities at the turn of the century, creating some strong incentives for the U.S. to head such a development off through the creation of some information-sharing regime concerning the passage of U.S. (and to the extent possible, Soviet) submarines in Arctic waters.

With these issues set aside for the 1990s, the focus of Canada-U.S. defense cooperation will therefore remain, as it has for decades, on the relatively uncontentious area of continental air defense. The continent's air defense system is currently being modernized under the terms of a 1985 agreement which, among other things, modernizes the old U.S.-operated Distant Early Warning Line, renames it the North Warning Line, and places its elements on Canadian soil entirely in Canadian hands. It is becoming increasingly clear that the North American air defense system will probably have to be enhanced during the 1990s to deal with "stealthy" long-range bombers and cruise missiles which the Soviets may acquire. Indeed, a successful strategic arms control agreement between the U.S. and the U.S.S.R. will probably *increase* the need for improved air defenses capable of dealing with "stealthy" threats, inasmuch as the agreement will in all probability result in a decrease in the number of ballistic missiles and a proportionate increase in the importance of long-range bombers.

While Canadians will remain uneasy about the relationship between continental air defense and U.S. nuclear strategy, Canadian governments have long been firmly convinced that air defense cooperation with the U.S. under the aegis of the North American Aerospace Defense Command (NORAD) is essential for the protection of both North American security and Canadian sovereignty. There can be little doubt, therefore, that Canada will continue to devote resources to

continental air defense and continue to allow U.S. air defense forces access to Canada. Indeed, while Canada turned down a U.S. invitation to participate in SDI research, it is cooperating in the U.S. Air Defense Initiative (ADI), which is exploring new air defense technology.

The U.S., for its part, will remain unhappy with the low level of Canadian defense spending. In April 1989 the Mulroney government also announced that planned defense spending would be cut C\$2.74 billion over the next five years, meaning that there would be no real growth in the defense budget. Indeed, the 1989-90 defense budget of C\$11.3 billion, released at the same time, included an increase of only 1.2 percent in nominal terms over the previous year. With inflation running at above 4 percent in Canada, the budget obviously meant a significant cut in purchasing power for the Department of National Defense. According to estimates made by the Canadian Institute of Strategic Studies, the share of gross domestic product (GDP) devoted to defense spending will soon fall to as low as 1.7 percent.¹⁴

Nonetheless, the U.S. has long been resigned to the fact that it has little leverage in this area. As long as access to Canadian airspace, territory, and waters are guaranteed, and as long as Canada makes a nominal contribution to defense, the U.S. will remain content. Evidence of this can be found in the fact that the Mulroney government's unexpected April 1989 gutting of the Canadian armed forces had no impact at all on the happy discussions at Kennebunkport several months later. U.S. officials now recognize, as well, that the astonishing recent events in Europe further remove any incentive to defense spending.

Environmental protection As mentioned above, President Bush's endorsement of limits on acid rain-causing emissions should remove the most contentious environmental issue from the bilateral agenda. Indeed, throughout the 1980s acid rain poisoned not only Canadian and American waters but the tone of the official Canada-U.S. relationship. Progress now depends, it should be added immediately, upon an abatement program emerging intact from the U.S. Congress. In late 1989 the necessary legislation was stalled in Congress over the issue of who in the U.S. should pay the costs. A Canada-U.S. acid rain accord, although in large part redundant, will probably be negotiated over the next year or so (pending the adoption, first, of the U.S. domestic legislation) in order to meet Canadian domestic political needs and give Ottawa something to point to if the U.S. falters in its efforts.

Great Lakes water quality will then become the most pressing bilateral environmental concern by far. In many ways it constitutes a much more difficult problem than acid rain. To be sure, the Great Lakes are in one respect cleaner than they have been in years. In the wake of

efforts undertaken on both sides of the border, monitored and encouraged by the International Joint Commission (IJC), phosphate loadings are down; as a result, so is eutrophication.

On the other hand, toxic pollution of the Great Lakes, with its implications for human health, will cost enormous sums to control and clean up, and it poses thorny scientific and technical challenges.¹⁵ Unlike the small number of pollutants responsible for acid rain and their limited number of sources (chiefly utility plants and mineral smelters, and secondarily automobile emissions), the numbers of toxic pollutants and their sources are quite large. Just as important, beyond the abatement of toxics currently entering the Great Lakes, clean-up of toxics already in and around them will pose a challenging and expensive task. Both countries are saddled with a legacy of decades of toxic accumulation.

Therefore, Great Lakes issues will, in all probability, remain for years as bilateral irritants. This is especially the case with toxic sites, most of which are located in the U.S., the most infamous along the Niagara River. Clean-up costs for such sites also fall most heavily on the U.S., which has led to American foot dragging.

Nonetheless, Great Lakes water quality issues are politically on an order quite different from acid rain for two reasons. First, a bilateral regime is in place in the form of the 1978 Great Lakes Water Quality Agreement and its 1987 annexes. The agreement sets goals for toxic levels in the lakes and contains a standing reference to the IJC instructing it to report to the two governments on progress or lack thereof. (The negotiation of the original 1972 Great Lakes Water Quality Agreement can be compared readily with current prospects for an acid rain accord. Only when U.S. domestic water quality legislation was in place did the agreement with Canada follow.)

The most important reason, though, is geographic. The acid rain debate in the U.S. tends to pit polluting regions (mainly the states of the Ohio Valley) against the affected regions (mainly the Northeast and, of course, Canada). But the regions causing the Great Lakes pollution are also the ones that will benefit from cleanup. While interest groups will certainly take opposing sides, the geographic deadlock in the U.S., which, coupled with President Reagan's opposition, for so long prevented a solution to the acid rain problem, is thus absent in the case of Great Lakes issues. In short, while Washington and Ottawa will be talking about Great Lakes water quality for many years, these issues will tend not to be posed on the bilateral agenda as pitting American interests against those of Canada.

Unlike the case with economic relations, the Canada-U.S. environmental relationship is not directly coupled to decisions taken elsewhere

in the world or to the relations of the two countries beyond North America. Certainly European scientific research has effects in North America, but Canadian involvement in international efforts to curb acid rain has not affected U.S. policy. Lesser environmental issues that arise from time to time may similarly be dealt with strictly within the North American context, for they result from pollutants created on this continent affecting this continent. These smaller transboundary environmental issues will inevitably arise in the 1990s—an incinerator here, a mine or water project there. But the effects will tend to be local and the mechanisms to deal with them, especially the IJC, are in place.

Fostering trade and investment The blunt truth is that harmonious Canada-U.S. relations ultimately rest on what has frequently been called a “continentalist” approach to the North American economy. The assumption behind that approach is that neither country will place substantial new impediments on the flow of goods and capital across the border, thereby favoring domestic interests at the expense of those from across the line. The history of the most difficult moments between Ottawa and Washington is a history of that assumption being violated: the Nixon shocks of 1971, in particular the imposition of an import surcharge; Canadian nationalist economic measures of the early 1970s, especially the establishment of the Foreign Investment Review Agency in 1973; and the Canadian National Energy Program of 1980, to name just the most famous and most contentious.

There will always be economic interest groups clamoring for protection of some kind. Protectionism in Canada, though, calls to its support the historic fear of simply being overwhelmed by the colossus to the south, leading to the ultimate economic, cultural, and political integration of Canada. Canadian proponents of the Free Trade Agreement denied, during the bitter 1988 general election, the validity of that fear, and at the same time evoked a second long and deeply held Canadian anxiety: that U.S. protectionism might limit Canadian access to the U.S. economy, with devastating effects in Canada. After all, almost eighty percent of Canadian exports, representing about a fifth of Canada’s GNP, go to the U.S.

Proponents of the FTA in the U.S. not only pointed to modest benefits accruing through enhanced guarantees of access to the Canadian markets, but were obliged to concede that the second Canadian fear was legitimate. In the wake of global economic trends felt directly in the uncomfortably large and seemingly uncontrollable U.S. trade deficit, protectionist sentiment has been rising in the U.S.

Thus the 1988 agreement can perhaps best be seen as an attempt to establish momentum toward as liberal an economic relationship as

possible, lest protectionist pressures make commitments towards further progress impossible. As Peter Morici of the University of Maine observes, "It is important to be clear that many of the benefits from liberalization of nontariff barriers to trade in goods and services are *prospective* Perhaps as much as they have achieved a free trade agreement, the United States and Canada have embarked on a process of continuous negotiation and trade liberalization" (emphasis added).¹⁶ The agreement has also sometimes been seen as a model for trade liberalization elsewhere. Finally—and paradoxically—it could be built into the heart of a North American trading bloc in a protectionist world, a point that will be discussed below.

The Free Trade Agreement is incomplete. This is not to gainsay its real accomplishments, which Morici argues constitute "the most comprehensive agreement establishing a free trade area under the GATT."¹⁷ The agreement will lead, by the end of its ten-year implementation period, to the removal of all tariffs on Canadian goods entering the U.S. and on U.S. goods entering Canada, and it will preclude the imposition of new ones. This is certainly to be welcomed. So are a host of sectoral and other provisions, as well as liberalization in the regulation of services. The liberalization of Canadian investment regulations has also been especially welcome from the U.S. perspective.

Yet, as Professor Abraham Rotstein of the University of Toronto put it, only exaggerating slightly, "The age of tariffs . . . died a slow and gradual death in the several GATT rounds of the post-war period, where trade liberalization produced many clear benefits for Canada. It did not need the latest free trade agreement to give the coup de grace to what remained of the tariff wall between Canada and the United States."¹⁸

The thorniest trade disputes between Canada and the U.S. are not over tariffs. "Dumping" (selling abroad at a lower price than is charged at home) and the imposition of anti-dumping duties have sometimes been at issue. Most contentious, however, have been the Canada-U.S. trade disputes arising from charges of government subsidization of production in one country and the application of "countervailing duties" by the other government, designed to provide domestic producers with relief from competition by subsidized imports. A primary goal of the Canadian government during the negotiations was to blunt the ability of the U.S. government to apply countervailing duties on Canadian goods. The U.S., for its part, hoped to achieve limitations on what it saw as unfair Canadian export subsidization, which had led the U.S. to apply countervailing duties (over Canadian protest) on such products as potash and to threaten to apply them on softwood lumber until Canada headed application off through the unusual step of an export tax.

When the Free Trade Agreement was made public, it became clear immediately that the two governments had been unable to agree on what constituted "unfair" subsidization and thus "legitimate" countervailing duties. While Canadian hopes for negotiating exemptions from the application of U.S. countervailing duties may have been unrealistic, Canadian disappointment was real. As Donald S. Macdonald, co-chair of the Royal Commission on Canada's Economic Prospects (which helped pave the way in its endorsement of free trade with the U.S.) explained, "What has really happened is that what we on the Royal Commission hoped might be achieved has not been—the negotiation of an agreement between Canada and the U.S. on a code of economic conduct with respect to the countervailing duties."¹⁹

Free trade between the U.S. and Canada will not be complete until it includes such codes and the means to enforce them. Today, each country can still make its own rules for subsidies and countervailing duties. Nonetheless, as mentioned previously, the agreement does provide for a set of binational panels with arbitral authority to apply national law respecting subsidies and countervailing duties. Moreover, chapter 19 of the agreement provides for a working group to develop rules for dealing with subsidies, countervailing duties, and dumping, and to submit them to the two governments within five years, with the possibility of extending the period for two additional years. If those negotiations are not successful, either party may, upon one year's notice, terminate the entire Free Trade Agreement. The working group met in Ottawa for the first time in May 1989.

Those discussions will be very difficult. Yet even if they are successful, any accord which emerges from them then faces the formidable hurdle of congressional approval. To begin with, there will be a procedural obstacle. While the Canada-U.S. agreement itself provides five to seven years for negotiations, the U.S. Free Trade Agreement Implementation Act provides only thirty months to obtain congressional approval "under the fast track." Fast-track authority, which limits both houses of Congress to a simple yes or no vote, with no amendments permitted from the floor, was instrumental in the passage of the 1988 agreement.

In addition, Congress has signaled the kind of accord it expects. The implementation act establishes negotiating objectives for the U.S. delegation on the working group which include restraints on Canadian subsidy programs that adversely affect the U.S. industries that are in direct competition with subsidized imports. The Canadian side will press for an abandonment of the U.S. legislative right to set the structure of countervailing duties, a right Congress will yield reluctantly,

and only if it is convinced that Canadian subsidy programs are well under control.

Ultimately, though, congressional receptivity toward further trade liberalization with Canada will be affected by the general level of protectionism felt at the time. And that level will in large part reflect the kind of international economic order that emerges in the 1990s. Much will depend upon the ability of the U.S. to put its own fiscal house in order.

The World in the 1990s: How Ordered the Pluralism?

The observation of the editor of *Foreign Affairs*, made in the winter 1988/89 edition, that it was "unlikely" that "the 1990s will be an era of such historic dimensions" as the late 1940s already appears quaintly out of date.²⁰ Today, given the bewilderingly rapid changes in world events over the past year, only the foolhardy or the psychic would attempt to predict with any certainty or in any detail what the international order will look like in two or three years, much less ten years from now. The new chairman of the U.S. Joint Chiefs of Staff, General Colin Powell, has taken to quoting both Winston Churchill and Casey Stengel on the dangers of making of predictions: "I always avoid prophesying beforehand, because it is much better policy to prophesy after the event has already taken place," said Churchill. "Forecasting is a very risky business," said Stengel, "especially about the future."²¹ Still, at least four major trends of global significance can be identified, all of which point to a more pluralist world order.

The first is the disintegration, day by day, of the Soviet empire, especially in Eastern Europe. Who would have predicted a year or so ago that in 1989 there would be a noncommunist government in Poland and free elections scheduled in a Hungary that had renounced communism as its official ideology? Who would have foreseen the crisis in stolid East Germany, precipitated by the hemorrhaging of its population, leading to the absolutely astonishing, joyful scenes at the opening of the Berlin Wall? To whom would it have been apparent that after twenty years of repression the Czechs and the Romanians would overturn in a matter of days their own Communist dictatorships?

Who would have expected the Soviet Union to allow all these events to go so far, and most importantly who can now say where the limits are to Soviet tolerance of the increasing autonomy of the former Eastern bloc satellites? Indeed, who can now say with certainty what control the Soviet Union will have over events in Europe or precisely what the future of Eastern Europe in particular will be?

As suggested above, the receding of the Soviet tide can be celebrated as the crowning achievement of U.S. and Allied policy, the ultimate validation of what George Kennan called in his famous 1947 "Mr. X" article a "long-term, patient, but firm and vigilant containment," which would "increase enormously the strains under which Soviet policy must operate, to force upon the Kremlin a far greater degree of moderation and circumspection than it has had to observe in recent years, and in this way to promote tendencies which must eventually find their outlet in either the breakup or the mellowing of Soviet power."²² Democratization and the prospect of sustained growth in the stagnant economies of Eastern Europe surely must be welcomed not only for the sake of the long-suffering citizens of that unhappy region, but also for the exciting possibilities they create for enhanced stability in the whole of Europe at much lower levels of armament.

And yet, as is becoming increasingly clear, the end of the Cold War in Europe poses troubling problems for the economic and political cohesiveness of the West. For, as some commentators have observed, "The role of the United States as security guarantor of the Western alliance provides the glue for the political and economic relationship among the Western countries."²³ If the security guarantees the U.S. has provided Western Europe through the North Atlantic alliance continue to decline in importance, that glue will be at least partially dissolved.

No doubt this accounts for the sometimes almost wistful remarks emanating from Washington recently about the bad old days of Soviet-American bipolarity, which at least provided for predictable assumptions and the cohesiveness of the North Atlantic region. Many Canadians may also soon grow wistful for the days in which NATO clearly provided Canada with "a multilateral forum in which, by combining with other lesser powers, it could make its weight be felt and so be relieved, at least psychically, of the inhibitions of life with one gigantic neighbour."²⁴

In the 1990s this will create a perplexing dilemma for Canadian defense policy. Low Canadian defense spending, the improved security climate in Europe, and probable cutbacks in the number of U.S. troops in Europe will all militate in favor of the withdrawal of the token Canadian land and air forces in southern Germany. On the other hand, precisely because of the loosening of security ties between NATO Europe and NATO North America, Canada may continue to feel compelled to stretch its meager defense resources and leave those forces in Germany, in order to buttress its economic and political ties with Western Europe and secure its voice in the critical discussions that are bound to be held on pan-European security arrangements.

The second major trend can be closely related to the first. It is the surprisingly vigorous revival of European unity and above all, economic integration. Not so long ago, the talk was of "Euro-sclerosis" or even of "Euro-paralysis." Now, the "Europe 1992" project is well underway. With the removal of almost all major internal economic barriers in sight, the European Community will become the largest economy in the world, with a population of 350 million and a combined national income approaching that of the U.S. Most predictions are for fairly robust economic growth.

At the same time, the Western Europeans are groping—still very haltingly—to equip themselves with a common voice on external political and defense matters. At the initiative of the French, the long-moribund West European Union (WEU) has been revived and expanded in membership to provide a European forum to discuss security matters outside of NATO (and without the presence of the U.S., Canada, and several other NATO members). European Political Cooperation (EPC), the entity formed in the early 1970s within the European Community to promote European cohesion in foreign policy, has been gently intensified. So has Franco-German defense cooperation, although still largely on a symbolic level.

Still, the rapid rapprochement between West and East Germany following the opening of the intra-German frontier has become a completely unexpected factor in European integration. So has the prospect of enhanced trade and investment between West and Eastern Europe as a whole, with Germany again at the forefront. At the moment, no one can say with certainty where all this may lead.

At the very least, Europe will become an increasingly important international economic power in the 1990s. As the importance of U.S. security guarantees diminishes, it may very well also become the long-predicted, long-heralded, and sometimes long-feared "European pillar" in the NATO alliance and perhaps, should integration proceed at a pace faster than anyone is today prepared confidently to predict, an independent actor in world politics.

This past May in a series of speeches President Bush reiterated, as a cardinal principle of U.S. policy, that a strong, united Europe meant a strong America. "The economic rise of Europe and the nations of the Pacific rim," he said, "is the growing success of our postwar policy."²⁵ Nonetheless, a Europe moving out of the benevolent shadow of the United States and the malevolent shadow of the Soviet Union also means an economic and political challenge to both U.S. and Canada.

The third trend is perhaps too obvious to require any elaboration. It is the increased global economic clout of Japan. However, few people

in Japan, North America, or elsewhere are prepared to advocate, much less predict, a Japan that moves out of the security umbrella of the U.S., as will at least partially become the case in Europe.

The final trend also needs little elaboration in this section, for it is, in part, implicit in the previous two, and has been the subject of sustained public attention, especially since the publication of Paul Kennedy's book, *The Rise and Fall of the Great Powers*, among others. Partially as a result of its decreased share of gross world product and partially as a result of its inability to put its own economic house in order, the United States is a declining hegemon, with a declining influence on world events. This trend may be increased by the potential dissolution of the glue of North Atlantic security.

Therefore, in the broadest sense, the overall challenges facing both the United States and Canada in the world of the 1990s are identical: they are to create an international order where power, especially economic power, is more broadly based and where military might is far less important in the relationship between the major powers.

Perhaps the most difficult challenge will be the preservation of as open an international economic system as possible. Closely related will be the challenge of rebuilding the creaky international economic institutions that were put in place when the U.S. was overwhelmingly the world's preeminent international power.

North American engagement will be nothing short of critical. As two observers note, while the European Community and Japan "both have an abiding interest in promoting a stable global economy, neither has taken the lead to ensure it."²⁶ Obviously the U.S. must, in its own self-interest, bear the bulk of the responsibility. They add, "While the U.S. no longer has the power to compel its major trading partners to act as it desires, it still is recognized as a leader and its ideas command attention. After all, the U.S. is the world's only superpower in both economic and military affairs."²⁷

The roles Canada and the U.S. can play are congruent and complementary. This is especially the case in the rebuilding of international economic structures where Canada, with the world's seventh largest GDP, is a major player. No one has put the relationship between U.S. and Canadian interests in the world of the 1990s better than John Kirton of the University of Toronto:

Can Canada have the international order it wants without providing a stronger support for the United States than Canada has traditionally felt comfortable in giving? International order may well require American commitment, and a declining America may well require strong Canadian support in its task. . . . Both

international order and Canada require a strong, self-confident United States. And the United States badly needs the strong, self-confident contribution of Canada in preserving the old international order—and in building the new.²⁸

Are Canada and the U.S. Up to the Task?

Flora Lewis, the respected foreign affairs columnist of the *New York Times*, observed recently that “the greatest danger for America’s future now comes at home. That is the basis for our place in the world and our value to the world.”²⁹ The same can be said at the moment for Canada. For domestic problems in both countries threaten their abilities to play strong, self-confident roles in the world of the 1990s. While both Canadian and U.S. travails will have to be resolved in the political arena, they are of a different nature. Canada faces a resurgence of linguistic and regional factionalism, while the U.S. continues to be faced with fiscal woes.

From 1976 to 1980, that is, from the election of the Parti Québécois to power in Quebec to the defeat of the Quebec referendum on sovereignty-association, Canada turned inward. The attentions of the Canadian federal government were markedly directed to the crisis at home. As it struggled to ensure that Quebec would remain in Confederation, the Trudeau government called an end in 1977 to its relatively assertive policy of diversifying Canada’s ties abroad and attempting to limit the extent of U.S. economic and cultural influence. After the Quebec voters rejected the sovereignty-association option, the Trudeau government turned again to both economic nationalism (most notably in the form of the National Energy Program) and to establishing a high profile abroad in particular, with special concern for economic relations between the rich “northern” countries and the poor nations of the southern hemisphere.

Unlike its Liberal predecessor, the Mulroney government has, of course, eschewed economic nationalism. But it has been firmly committed to an international role of an intensity and effectiveness few expected from it upon its election in 1984. Indeed, in many ways the achievements of the foreign policy duo of Clark and Mulroney have been greater than those of the Trudeau years, which were especially marked by intermittent foreign policy intensity, even when the prime minister’s time was not consumed by domestic events.

Canada has never been in the postwar period a major military power, and has played but a minor role in the management of East-West conflict. However, Canada’s importance in world affairs has been elevated by the growing importance of economic issues on the interna-

tional agenda and by the economic differences between the countries of the industrialized world. Clark could correctly claim that under his foreign-policy stewardship, Canada in the late 1980s had become "adept—as a considerable power—in forming *fluid, issue-specific* working relations with other countries. It has to draw upon its wealth of affiliations, forming coalitions of common cause as the need arises. This means targeting the most appropriate organizations and being very clear about its agenda" (original emphasis).³⁰ And as suggested in the opening section of this essay, Prime Minister Mulroney has been especially effective in international forums.

Yet as the 1990s begin, Canada, and the attentions of its government, may very well be on the eve of turning inward once again, as was the case in 1976–80.

The immediate cause is the 1987 Meech Lake Accord between Ottawa and the ten provincial governments. The accord provided for a formal amendment to the Canadian Constitution which would, among other things, entrench recognition of Quebec as "a distinct society" within Canada. This recognition would confer legislative powers on the Quebec government to protect that distinctiveness, although how extensive those powers actually would be has been disputed. In turn, Quebec would accede to 1982 constitutional arrangements which were imposed on it without its consent by Ottawa and the other nine provincial governments.³¹

By early 1990 the accord had unraveled, with several English-speaking provinces refusing to give the assent necessary to bring it into effect before the summer 1990 deadline, whereupon it expires. The crisis may pass, as have so many others in Canada's history. In particular, the federal government and the ten provinces may yet be able to hammer out a compromise saving the accord or providing a satisfactory substitute, although such a step appears increasingly unlikely. Even if these efforts fail Canadians may be able to continue to live with their constitutional disagreements. Yet the debate over the Meech Lake Accord has once again brought to the fore deep divisions in the country over the very nature of Canada and led some to conclude that this time they may be unbridgeable. Predicting Canada's future may have become just as difficult as predicting the future of the international system.

Jeffrey Simpson, perhaps English Canada's leading political commentator, has come to the point of despair. He points out that "increasingly, English-Canadian hearts are hardening because there is a growing perception that in Quebec federalism is purely a matter of calculation, for the toting up of sums and losses, for a distinctly relativist approach without any deep-seated attachment to the common

cause."³² Within this context, many English Canadians have come to see the Meech Lake Accord as yet another accommodation to "a part of Canada that manifests little interest and conviction in the aspirations of the rest of the country."³³ A July 1989 poll suggested that one-quarter of English Canadians thought it best that Quebec leave Confederation.³⁴ Two provincial governments, those of Manitoba and Newfoundland, have thus far been adamant in their opposition to the constitutional entrenchment of the "distinct society" clause for Quebec, as it is written in the Meech Lake Accord.

Hearts have hardened in Quebec as well. There, the "distinct society clause" and the constitutional arrangements associated with it in the Meech Lake Accord constitute what appear to be the absolute minimum for Quebec's continued acquiescence to Canadian federalism. The accord has thus taken on enormous symbolic importance, even beyond the legal and political impacts it may have if it is ever put into effect. What many English-Canadians perceive as appeasement Premier Robert Bourassa of Quebec describes as a "test" for "the acceptance of Quebec as a distinct society by the rest of Canada, or the acceptance of Quebec, period."³⁵ The Quebec government has refused to entertain any proposals for alterations in the accord, emphasizing, however, that it is prepared to discuss further constitutional changes once Meech Lake has been ratified.

In short, the debate over Meech Lake seems to have driven English Canada and French Canada dangerously apart. It is far too soon to say whether Québécois may turn in greater numbers to the reconsideration of the independence option. Yet ironically, with or without Meech Lake, one of the great foreign policy achievements of the Mulroney government, the Free Trade Agreement with the U.S., would in the long term take some of the sting out of a Quebec-Canada divorce. In the 1980 referendum, Québécois were warned that independence might come at the cost of economic isolation, despite the Parti Québécois emphasis on association with the rest of Canada. An independent Quebec would surely take its place in the North American market being created by the Free Trade Agreement. With its eye on such a long-term possibility, the Parti Québécois has been among the most enthusiastic supporters of the agreement.

As for the United States, "decline has been on everyone's mind."³⁶ This is not the place to discuss the debate between the "declinists" and the "renewalists" over the long-term prospects for the U.S., except to note briefly the arguments of each side and their implications for the U.S. role in world affairs.

Declinists, led by Paul Kennedy, argue that the U.S. suffers from "imperial overstretch," maintaining commitments abroad that it can

no longer afford and that overtax an economy that is in increasing danger of losing its competitiveness in international markets. The prime imperative, therefore, is for American decision-makers to recognize the danger and accept the "need to 'manage' affairs so that the *relative* erosion of the U.S. positions takes place slowly and smoothly, and is not accelerated by policies which bring merely short-term advantage but longer-term disadvantage."³⁷ Failure to do so will result in a steadily deteriorating economy at home and a weakening position abroad.

Renewalists, most notably Samuel P. Huntington of Harvard University, reply that "the United States is less likely to decline than any other major country. It is distinguished by the openness of its economy, society and politics. Its engines of renewal are competition, mobility and immigration."³⁸ Yet most of the renewalists, Huntington among them, agree that the ongoing failure of the U.S. to put its economic house in order constitutes a serious danger to the U.S. role in world affairs. "Escalating current account and budgetary deficits," writes Huntington, "have been the most important changes affecting the U.S. position in the world of the 1980s."³⁹ Nonetheless, unlike the declinists, who argue that the deficits may reflect fundamental and hard-to-correct weaknesses in the U.S. economy, Huntington argues that the problem can be corrected: "The deficits stem from the weaknesses, not of the American economy, but of Reagan economics. Produced quickly by one set of policies, they can be reversed almost as quickly by another set of policies."⁴⁰

Unfortunately, those new policies have not emerged. President Bush has stuck to his "read my lips" pledge not to raise taxes, while neither his administration nor Congress appears willing to address seriously the need to cut spending. U.S. savings are low. Without substantial reductions in the U.S. budget deficit, the prospects for reducing the uncomfortably large U.S. current account deficit appear dim.

These failures, in turn, will have two consequences. First, they can only weaken the U.S. power to influence the emerging world order:

The situation endangers not only living standards, but also America's customary role as the world's dominant power, shaping the course of events in distant corners of the globe. The ability to project diplomatic influence as well as military force depends upon the country's relative economic position in the world. "Economic strength," two recent secretaries of state have noted, "is . . . central to the way America is perceived by its friends and potential adversaries. U.S. political leadership in the world cannot be sus-

tained if confidence in the American economy continues to be undermined by substantial trade and budget deficits."

In sum, due largely to U.S. *domestic* economic policies, the world economy remains seriously out of balance.⁴¹

Second, the trade deficit can only fuel protectionist pressures. Both trends have implications for Canada-U.S. relations in the 1990s.

Conclusion: The Canada-U.S. Relationship in the World of the 1990s

The most important issue by far on the Canada-United States agenda of the 1990s will be the implementation and solidification of the Free Trade Agreement. This of course assumes that the U.S. Congress will adopt acid rain-abatement legislation in 1990 and that no new environmental crisis will arise. It also rules out a dramatic reversal in improving East-West security relations, of the kind that might necessitate a substantial expansion in armaments, including those devoted to North American defense.

Within North America the climate for further trade liberalization will inevitably be affected by the perceptions of both Canadians and Americans of the agreement's immediate impact and of how each side is adhering to its often broad terms. Here, real problems could arise, two of which should be mentioned. First, as the much smaller economy, the pain of adjustment to a North American market will obviously be greater for Canada. This pain has already begun to be felt and to generate political charges that the agreement is costing Canadian jobs. If unemployment significantly rises in Canada, for any reason, there will be many people ready to point the finger at the Free Trade Agreement and urge the pursuit of nationalist economic measures.

Second, in the absence of a subsidies code, disputes over subsidies and countervailing duties will continue to arise. The chances for successful negotiation and approval of a code to replace the temporary arrangements will be affected by perceptions on both sides of the border of those interim arrangements. Much will depend on the willingness of each side to refrain from the kind of "unfair" actions that infuriate the other: generally trade subsidization in the Canadian case, and changes in countervailing and antidumping legislation in the American case. Here the new management culture of Canada-U.S. relations should be of special value to the extent it allows each side to warn the other of the consequences of "unfair" practices being contemplated. Much will probably also depend upon how fairly both sides perceive the interim binational panels as functioning.

The impact of Canada's current domestic political troubles on the bilateral relationship is uncertain. If the Canadian political structure appears in serious danger of unraveling, Ottawa may very well turn, as it did in 1976-80, toward a closer economic relationship with the U.S. In the still improbable event that Confederation fails, an independent Quebec and the rest of Canada might both conclude that their economic future lies almost entirely in a fully integrated North American market. On the other hand, the possibility cannot be ruled out entirely that Canadians (with or without the Québécois) might decide that weakening domestic ties mandate a stronger national government tying the country together on east-west lines and resisting further north-south integration.

And of course the failure of Confederation would place a whole host of issues on the North American agenda, as Ottawa, Washington, and Quebec City sorted out their diplomatic, political, and military relations. It makes no sense to anticipate such developments here and now; nonetheless, it is not alarmist to suggest that Americans might want to ruminate quietly on such possibilities.⁴²

Yet the international economic system of the 1990s will have an equal if not greater impact on the Canada-U.S. relationship. Above all, protectionism may intensify in the U.S. as a direct result of U.S. trade deficits. This would jeopardize congressional ratification of any Canada-U.S. subsidies code which may be negotiated over the next five to seven years, and at the same time sorely tempt Congress to adopt protectionist legislation that would strike at Canadian interests. In such circumstances, the entire Free Trade Agreement could come into jeopardy.

Still worse, especially from the Canadian perspective, would be the emergence of an international economic system based on three highly, or even fairly, protectionist blocs: Japan, the European Community, and the U.S. As so many have remarked so often, Canada is the only advanced industrial country without guaranteed access to any market of over a hundred million people.

The Free Trade Agreement, many Canadians hoped, would be Canada's insurance should the feared three-bloc world actually come into existence. The deal that was hoped for would have included Canada in the U.S. bloc if the door shut, yet would still have left it free to pursue trade beyond North America if the international trading system remained relatively open.

However, as emphasized above, the agreement that actually emerged out of the negotiations is still incomplete, in that it does not yet provide a settlement for the most contentious of all bilateral trade problems arising from subsidies, countervailing duties and antidump-

ing provisions. Canada is therefore only halfway into the U.S. bloc at a time when the American door might be on the verge of closing.

So the future of the Canada-U.S. relationship is uncertain. The tranquility that has settled over it may prove temporary and disappear into a militarily more stable yet economically turbulent world of the 1990s.

Notes

1. See David Leyton-Brown, *Weathering the Storm: Canadian-U.S. Relations, 1980–1983* (Toronto and Washington: Canadian-American Committee, 1985).
2. U.S. State Department, Bureau of European Affairs, assessment of Canada-U.S. relations, 24 October 1982 (declassified excerpts).
3. See Joseph T. Jockel, "The Canada-U.S. Relationship after the Third Round: The Emergence of Semi-Institutionalized Management," *International Journal* 40, no. 4 (Autumn 1985): 689.
4. U.S. State Department, Bureau of European and Canadian Affairs, assessment of Canada-U.S. relations, October 1984 (declassified excerpts).
5. Allan Gotlieb, "What I Have Learned about Washington," *bout de papier* 7, no. 1: 16.
6. *Ibid.*, 17.
7. *Ibid.*, 15.
8. Interview in *Time*, 17 September 1984, 40.
9. See Debra Steger, "Analysis of the Dispute Settlement Provisions: A Canadian Perspective," and Gary Horlick, "Analysis of the Dispute Settlement Provisions: A U.S. Perspective," in Murray G. Smith and Frank Stone, eds., *Assessing the Canada-U.S. Free Trade Agreement* (Ottawa: The Institute for Research on Public Policy, 1987), 91, 99.
10. Steger, "Analysis," 93.
11. Gotlieb, "What I Have Learned," 17.
12. These three are the official "Phase One" system proposed by the Strategic Defense Initiative Organization (SDIO), the "brilliant pebbles" space-based system currently gaining favor and championed by the former SDIO chief, Lt. Gen. James Abrahamson, and the Accidental Launch Prevention System (ALPS) which would be located at one site in the continental U.S.

13. See Joseph T. Jockel, "The U.S. Navy, MARCOM and the Arctic," *Canadian Defence Quarterly*, Winter 1989/1990, 23. The dispute over the legal status of the Northwest Passage remains unresolved. (See Donat Pharand, *Canada's Arctic Waters in International Law* [Cambridge: Cambridge University Press, 1988], especially Part 4, "The Waters of the Canadian Arctic Archipelago and the Northwest Passage.") However, a January 1988 Canada-U.S. agreement, whereby the U.S. promised to seek Canadian permission for the transit of Coast Guard vessels through the passage, will ease some of the tension.
14. "The 1989 Federal Budget: The Death of Defence?" *Strategic Datalink* 12 (May 1989), Toronto: Canadian Institute of Strategic Studies. Canadian officials have pointed out that U.S. defense spending under the Bush Administration is also set at zero real growth for fiscal 1990 and expected to grow at only one and two percent in the following two years. Of course comparisons in growth are irrelevant in the face of the enormous disparities between the two countries in GDP shares devoted to defense.
15. The definitive work on this subject is bound to be the Conservation Foundation and the Institute for Research on Public Policy, *Great Lakes, Great Legacy?* (Washington: The Conservation Foundation, 1989).
16. Peter Morici, "U.S.-Canadian Trade Relations," in Peter Karl Kresl, ed., *Seen from the South* (Provo: Brigham Young University, 1989), 125.
17. *Ibid.*, 116.
18. Abraham Rotstein, "A Balance Sheet on the Free Trade Agreement," in Smith and Stone, eds., *Assessing the Canada-U.S. Free Trade Agreement*, 244.
19. Donald S. Macdonald, "Overview of the Agreement," in Smith and Stone, eds., *Assessing the Canada-U.S. Free Trade Agreement*, 25.
20. "The Next Four Years," *Foreign Affairs* 67, no. 2 (Winter 1988/89), 1.
21. As quoted in an address by General Colin Powell, "NATO in the 1990s: New Initiatives and New Solidarities," before the Atlantic Treaty Association, 23 October 1989. Text, Office of the Joint Chiefs of Staff.
22. Mr. X. [George F. Kennan], "The Sources of Soviet Conduct," *Foreign Affairs* 25, no. 4 (July 1947): 566-82.
23. David Leyton-Brown and John Gerard Ruggie, "The North American Political Economy in the Global Context: An Analytical Framework," *International Journal* 42, no. 1 (Winter 1986/87): 7.
24. John W. Holmes, *Canada: A Middle-Aged Power* (Toronto: McClelland and Stewart, 1976), 128.

25. Speech at the U.S. Naval Academy, 24 May 1989, *New York Times*, 25 May 1989, A8.
26. C. Michael Aho and Marc Levinson, "The Economy After Reagan," *Foreign Affairs* 67, no. 2 (Winter 1988/89): 21.
27. Ibid.
28. John Kirton, "Further Challenges," in John Holmes and John Kirton, eds., *Canada and the New Internationalism* (Toronto: Centre for International Studies, University of Toronto, 1988), 161.
29. *New York Times*, 8 November 1989, A31.
30. The Right Hon. Joe Clark, "Canada's New Internationalism," in Holmes and Kirton, eds., *Canada and the New Internationalism*, 4.
31. Not surprisingly, much has been written about Meech Lake. For an overview, see Michael Behiels, *Meech Lake Primer* (Ottawa: University of Ottawa Press, 1989).
32. Jeffrey Simpson, "Hardening Hearts," *Toronto Globe and Mail*, 20 June 1989, A7.
33. Jeffrey Simpson, "Accord and Discord," *Toronto Globe and Mail*, 22 June 1989, A7.
34. "PM Discusses Support for Independent Quebec," *Toronto Globe and Mail*, 21 July 1989, A4.
35. Quoted in Benoit Aubin, "Bourassa Links Ratification to Acceptance of His Province," *Toronto Globe and Mail*, 1 July 1989, D1, D8.
36. Samuel P. Huntington, "The U.S.: Decline or Renewal?" *Foreign Affairs* 67, no. 2 (Winter 1988/89): 76.
37. Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), 534.
38. Huntington, "Decline or Renewal?" 89.
39. Ibid., 78.
40. Ibid., 79.
41. Aho and Levinson, "The Economy after Reagan," 11.
42. Readers interested in these possibilities should read the section on "Implications of Possible Quebec Independence on the U.S." in Alfred Olivier Hero, Jr., *Contemporary Quebec and the United States* (Lanham, Md.: University Press of America, 1988), 441-48.

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