

**OF INDEPENDENCE AND  
FAUSTIAN BARGAINS:  
GOING DOWN THE DEEP INTEGRATION  
ROAD WITH UNCLE SAM**

**BY BRUCE CAMPBELL**

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0-88627-424-9

February 2005

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# INTRODUCTION

How do we continue to maintain our independence, our capacity to chart a distinct course for our nation? How do we maneuver in the ongoing dance with Uncle Sam so as to maintain a relative independence and avoid slipping into a satellite status? While this is an age-old preoccupation, we face new challenges from powerful forces, both internal and external, that would further undermine our independence. The big business drive to lock Canada into a full-blown economic and security union with the United States—euphemistically called *deep integration*—is one of those challenges.

Two changes in the political landscape over the last 15 years have added to the challenge. The first is the Bush Pax Americana, whose mission to maintain global dominance has little patience for working in concert with the international community and little tolerance for dissenters or fence-sitters among its traditional allies. Canada has already felt the intense heat of the empire's hard ball tactics to bring our policies into line. The other, of course, is the deeply flawed continental constitution: NAFTA. Whatever NAFTA's benefits or costs (and I believe that the costs have greatly outweighed the benefits), what is not in question is that NAFTA has greatly accelerated economic integration and increased Canada's vulnerability to U.S. actions, whether or not aimed directly at us.

The aftermath of September 11 taught us a great deal about how deeper economic integration has heightened our vulnerability. It

reminded us that the Bush administration will not hesitate to unilaterally rewrite the terms and conditions of entry into its market, regardless of NAFTA; it will not hesitate to link our compliance with its security demands to access to its market. It reminded us that we have a border and that it matters. It reminded us that we are different and that our different laws and institutions are under siege. People are beginning to connect the dots between integration and independence: NAFTA begat deeper economic integration and increased vulnerability which, with September 11, begat the Smart Border Accord, which in turn begat pressure for still deeper integration. It has also evoked a nationalist reawakening to the need to stem this slide into the American orbit.

During the great free trade debate of 1987-88, the story of Hawaii was brought forward to illustrate the dangers of becoming too dependent on another country. Hawaii in the mid-19<sup>th</sup> century was an independent country that entered into a free trade agreement with the United States to secure access for its sugar exports. Some 50 years later, with Hawaii now ultra-dependent, the U.S. threatened to withdraw access to Hawaiian sugar. The result: Hawaii applied, under pressure from its business interests, to join the U.S. as its 49<sup>th</sup> state. Of course, this example was dismissed by pro-free-traders as irrelevant and scaremongering, but the case of Hawaii is a cautionary tale about the dangers of blithely

going down this road without regard for the political consequences.

To want to chart a different course does not imply a better course. This is not about moral superiority, or being anti-American. It is simply that we have different values and interests. We want to be able to reaffirm and preserve our founding myths, our historical experiences, and the values that have shaped and defined us. We want our laws and institutions to reflect our unique social character and our successful blend of individual and collective rights. We want to chart a course that affirms our highly original political experiment: our complex (tri-national and multicultural) federation with its long and extraordinary history of resolving tensions and conflicts peacefully. We also want, as we have in the past, to make our mark in the world: to help strengthen the fabric of international law, to advance world peace, social justice, democracy, and the environmental sustainability of the planet.

It is important, however, to put the current dark age into historical perspective. Relations between our two nations, though by no means free of conflict, have been remarkably civilized and friendly by international standards for the last 230 years or more.

Several historians have talked about Canada as a more deliberately constructed country than most. Unlike the political traditions of Europe and the U.S., Canada's is of a state that created a non-monolithic nation as opposed to the other way around—nations that created monolithic states.<sup>1</sup> This means that the sinews of Canadian nationhood are primarily in the realm of government and in the activities shaped by government. For this reason, and because of the asymmetry of power between our nations, maintaining independence is a primordial national interest that must

frame the terms of our relations with the U.S. Of course, this fundamental principle has been badly battered over the last two decades.

Our political leadership until Brian Mulroney more or less understood this reality. They understood that the role of policy was to control and discipline the gravitational pull of continental integration, not to encourage it. The purpose of bilateral agreements, commissions, etc. was more often to reduce conflict, not necessarily to bring us closer together.<sup>2</sup>

Over the last 15 or so years, the choices available to policy-makers have been narrowed. The deep integration proposals that are now before us would undoubtedly shrink that policy space much further. They target, in the first instance, economic policy freedom, but economic, social, environmental, cultural, military and security policies are not watertight compartments; they are interconnected. At what point does this erosion of policy independence degrade our democracy and our capacity to give real weight to who we are and who we want to be? A large segment of our political and economic élite argue that we can go on deepening our economic ties to the U.S. and compressing policy choices without significant consequence in terms of independence and autonomy. Either they have badly miscalculated or they have misled Canadians about the political spillover. The consequences of their Faustian bargain are starting to become uncomfortably evident.

It bears stressing that, despite this erosion of autonomy under NAFTA and in the wake of September 11, substantial space still remains to Canadian policy-makers. For example, the CCPA's Scott Sinclair has written an excellent paper on how to use existing policy capacity to develop creative industrial policies.<sup>3</sup> The Chrétien government's decision not to partici-

pate in the Iraq war revealed that there is greater room for an independent foreign policy than many thought possible. The problem is that recent governments have mostly chosen not to use that space, whether because of ideological orientation or simple lack of backbone.

Despite accelerated economic integration over the last 15 years, opinion polling reveals a deep and growing divide in attitudes and values between Canadians and Americans. It shows that the vast majority of Canadians do not want to be more like Americans. On the contrary. Nevertheless, a majority of Canadians have come to terms in principle with NAFTA, and a substantial minority favour even closer economic integration. However, most Canadians don't understand the term *economic integration*, and support drops sharply the more NAFTA and deep integration initiatives are perceived to impair domestic policy freedom. For the vast majority of Canadians, continued support is contingent on maintaining policy independence and retaining Canada's unique social character. The confusion around the issue of integration and independence is understandable. The linkages are often subtle and indirect, and it takes time for effects to become apparent. And the mainstream media gatekeepers and pundits have steered away from this issue.

It also reveals a wide gap in attitudes between the business elite and the Canadian public. Business leaders are closer to U.S. policymakers in their attitudes on a range of issues, from the war in Iraq to missile defense to Kyoto. Unlike the general public, they favour minimalist government and low taxes. They believe we must fall into line with U.S. policies at all costs or risk our economic security. Many would like Canada to become more like the U.S. Although small in number, this group has great capacity, as the record shows,

to shape the public debate and influence policymakers.

NAFTA imposed a long list of constraints on government policy freedom. The superpower basically set the rules to conform to its own "free market" model (with Canadian and Mexican concurrence), shifting power from the state to the market. The reality of the power asymmetry meant that, whenever an important U.S. interest was at stake, it could ignore the rules. The smaller partners have no such luxury. This should be painfully obvious in a post-September 11 world where the U.S. has unilaterally imposed security demands on its partners and disregards NAFTA rules in the softwood, wheat, livestock, and other disputes.

Indirectly, the opening of the continental space and the increased weight of trade in the economy gave business additional power to lobby for a level playing field—in other words, to cut taxes and social programs, to relax labour and environmental standards, etc. Although NAFTA increased pressure for downward social harmonization, business success in achieving these goals (although far from unqualified) has depended on sympathetic governments in power. Although we have moved some distance toward the U.S. social model, we are still a long way away from it. We have managed to protect a lot and have even made social gains in some areas. There is clearly room to reverse this social erosion under progressive governments and civil society pressure.

The following facts provide a thumbnail sketch of how our economy and social model has changed over the last 15 years:<sup>4</sup>

- An overall increase in income inequality after 1995, the first time in the post-World War II era.

- Huge cuts to public spending, including social spending and significant convergence downward toward U.S. levels. (If spending were still at 1992 levels, governments would have spent an additional \$103 billion in 2003.)
- Harmonization of specific programs toward U.S. levels—notably unemployment insurance.
- Major income and corporate tax cuts (harmonization closer to U.S. levels), dropping Canada from above-average to the bottom third among OECD countries in terms of overall taxation levels.
- Weakening of labour laws in some provinces.
- Wage stagnation and living standards stagnation for all but the top 20%. In the period 1989-2003, average living standards (personal income per capita) grew only one-third as fast as during 1981-89, and one-ninth as fast as during 1961-80.
- A higher average unemployment rate over the last 15 years than for the previous 15-year period.
- A deterioration in the quality of jobs—in the share of secure, well-paid, high productivity jobs.
- Concessions by workers, especially (but not restricted to) the front-line trade sector; and declining union density, not only in the trade sector, but throughout the economy.
- Slower economic growth in the last 15 years than in any previous 15-year period since World War II.
- A productivity gap between Canadian and U.S. industry that failed to narrow and instead grew wider.
- Continued dependence on resource exports. We have not significantly diversified our economy toward knowledge-based high-value added activities.
- The failure of new direct foreign investment flows into Canada to meet expectations for establishing platforms for continent-wide export. Continued U.S. border harassment can only make matters worse.

These facts are contrary to the conventional wisdom that free trade has been a huge success. While recognizing that several mutually reinforcing factors, including NAFTA, have produced this result, surely one would expect that NAFTA boosters have some explaining to do. Remarkably, however, thanks to their sway over the mainstream media, they have been able to sustain the myth of NAFTA-generated prosperity, while obscuring in the public mind NAFTA's failed promises and adverse impacts. Far from being defensive about this record, they are proceeding aggressively with measures to further integrate the continental market. John Helliwell makes a compelling case that such measures would not only fail to improve Canadian living standards, but would also hurt Canada's economic and political relations with the rest of the world.<sup>5</sup>

# BIG IDEAS: CUSTOMS UNION AND MONETARY UNION

There is a range of deep integration proposals on the table, either under consideration, or in the process of being implemented in some form by government. For convenience, they can be divided into two broad categories: 1) economic, and 2) security/military. The latter is higher on the government priority list at the moment, and areas such as ballistic missile defence (BMD) are much more prominent in the public mind. The former is much less visible, with discussion confined to a narrow circle of policy makers and experts. The term *deep integration*, itself, has not yet broken out into the public arena. This section examines two deep economic integration (also called NAFTA-plus) proposals: a customs union and a monetary union.

Clearly, if all of these proposals were fully realized, it would make the loss of sovereignty under NAFTA seem modest by comparison. It is important to note also that they are mostly negative proposals that would reduce or eliminate public policy capacity. There are no positive integration proposals that would, say, obligate nations to adopt minimum standards or regulations—for example, a North American social dimension to protect and foster upward harmonization of social and labour rights. Nothing that would limit the ability of transnational corporations to avoid paying taxes in “high-tax” jurisdictions.

Deep integration proponents rarely miss an opportunity to warn that another terrorist attack is inevitable and that an extended border disruption (or series of border disruptions)

would be devastating for the Canadian economy unless we protect ourselves by entering into these agreements. What is needed, they say, is a comprehensive negotiation where trade-offs across sectors are possible. Only a Big Deal, they say, will coax the Americans to the table to address the elusive Canadian business demand of secure market access.

Business has greatly overstated the border risk. The U.S. has a vital interest in keeping the border open, as well. Its economy would also be hurt, whether in the integrated auto and other manufacturing sectors, or in petroleum and other vital resource sectors. As prominent American trade expert Sidney Weintraub wrote: “...even an implied threat by the United States to take such steps is madness.” Thus, *both* countries would be highly motivated to minimize disruptions and normalize cross-border traffic quickly should another terrorist attack occur.

Big business should be up-front about the consequences of its agenda. How much national independence is business prepared to sacrifice to achieve its goal? What kind of Canada do proponents envisage at the end of the proposed deep integration path? And what guarantees would we have that, no matter what economic or security integration agreements are in place, the Americans wouldn't still close or disrupt the border? The FTA dispute mechanism was supposed to protect us from U.S. actions against softwood lumber, cattle, and other exports, but has disastrously failed to do so.

Business-supported think-tanks behind this push include the C.D. Howe Institute, the Institute for Research on Public Policy, and the Fraser Institute. Two key initiatives to watch are the Canadian Council of Chief Executives' *North American Security and Prosperity Initiative (NASPI)*, and a tri-national business task force on North American integration co-chaired by former deputy Prime Minister John Manley. Prominent advocates include many who were also key players in the drive for the original free trade deal: Tom d'Aquino, Hugh Segal, Wendy Dobson, Michael Hart, Derek Burney, Brian Mulroney, Alan Gotlieb, and Michael Wilson.

On the U.S. side, policy-makers are currently preoccupied with bigger things than shoring up their own neighbourhood, though this could change. Behind the scenes, U.S. think-tanks such as the Council on Foreign Relations, the Centre for Strategic and International Studies, the Institute for International Economics, and a gaggle of bureaucrats, academics and policy entrepreneurs are moving the deep integration agenda forward.

Advocates on both sides of the border have been very active in building their case for deep integration: producing their studies, assembling business and political coalitions, and waiting for an opportunity such as another terrorist attack, or a shift in the political winds, to move into gear. On the Canadian side where, they all agree, the impetus has to originate, they see the stars beginning to align in their favour. They see an elite consensus beginning to form and they see a public open to closer economic ties and not well informed about the consequences.

## CUSTOMS UNION

The customs union debate is taking place within elite policy circles and has not yet reached the general public. It has many supporters among the business and policy élites, but it has dissenters as well.<sup>6</sup>

Deep integration advocates see a customs union as the next stage in the deepening of the continental market. Key features associated with a customs union are the creation of a common external tariff applied to all nations not part of the free trade area, and the establishment of a common trade policy. However, many advocates of a *customs union* also insert elements of a common market into their definition. A common or single market is seen in the literature as a still deeper stage of economic integration. It would include removing barriers to trade and investment in agricultural, cultural, legal, communications, and financial services. It would include the harmonization of a vast range of regulations and policies (economic, social, environmental, cultural, immigration, etc.) to achieve the free movement of goods, services, capital and labour.

This is an important point. The lesson to recall from the FTA is that what was initially presented as a proposal for a conventionally-defined free trade agreement resulted in a comprehensive deep economic integration agreement that went far beyond the border into the very heart of domestic policy-making power. An alleged customs union negotiation would be similarly open-ended, making it hard in advance to fully evaluate its costs. We also know from the FTA experience that much will be surrendered for little gain.

The standard economic case for a customs union is that removing rules of origin (which currently prevent back-door entry of imports from a non-member country into the NAFTA



area through a member that has lower tariffs on the those imports) will eliminate costly administrative procedures and thereby reduce transaction costs of doing business. Proponents have built economic models that greatly exaggerate the overall efficiency gains to the economy (2-3% of GDP). Many of us remember the wildly exaggerated estimates of economic benefits of tariff elimination generated by similar models during the FTA debate. Nor do they mention possible costs of removing rules of origin as an incentive to source production within Canada.

But the focus on rules of origin is a diversion. The far greater cost is that a common trade policy—given the huge difference in power—would mean effectively handing over Canada's trade policy to U.S. authorities. It would have huge implications for both our domestic institutions and our relations with the rest of the world.

Contrary to proponents' claims that Canada's positions and protections in multilateral trade agreements (the WTO) are very similar to those of the U.S., there are in fact major differences between them, affecting crucial public policy areas. They include public services such as health, education, and other social services which, unlike in the U.S., are not organized on market principles; they include cultural industries, which are subsidized and regulated in direct opposition to free trade principles. Also on the table would be agricultural marketing boards, the Canadian Wheat Board, telecommunications, and banking. The U.S. has long objected to these policies and would definitely target them for elimination.

In heavily protected U.S. sectors such as sugar, textiles, beef and tropical fruits, Canada would ironically be pushed to raise its tariffs to U.S. levels. It would mean complying with

U.S. trade embargoes on Iran and Cuba and ending Canadian trade preferences with, for example, Commonwealth countries. And it would foreclose future independent policy initiatives. Imagine, for example, under a common trade policy persuading American drug companies and policy-makers to allow the export of cheap generic AIDS drugs to poor countries.

If, like the FTA, a negotiation were to go beyond the traditional scope of a customs union, the potential for ceding regulatory and policy space would grow exponentially. A major Canadian objective would obviously be exemption from U.S. trade protection laws. But the U.S. Congress would insist that this be off-limits and would (as it does now) say that, if Canada wants exclusion from U.S. trade laws, it has merely to adopt U.S.-style laws and practices.

Imagine a negotiation between two unequal partners where the smaller partner wants an agreement much more than the larger one. What would be the outcome? We have only to look at NAFTA to see how much we paid for minimal gains.

## MONETARY UNION

The idea of a North American Monetary Union (NAMU) has been proposed by a number of prominent deep integration advocates, but it does not currently have much support within the Ottawa policy establishment. Nor does it currently have much support within the business community. In a parliamentary debate several years ago, Paul Martin flatly ruled it out, but the idea was supported by both the Alliance party and the old Tories, as well as by the Bloc Quebecois. Bank of Canada Governor David Dodge has said it

is something to consider once Canada had moved several stages down the deep integration path of customs union, common market (including full labour mobility), common regulatory and policy regimes, and a convergence of both industrial structures (namely a reduction of Canadian dependence on resources).

For the time being, monetary union is not a front-burner issue for deep integrationists. It is virtually dormant. But things could change. Let us never forget that in the 1970s “free trade” did not have much support within the business community; nor within the political parties or the policy establishment. A decade later we had the FTA.

What is being proposed is a North American Monetary Union (NAMU) that would replace the current system of national currencies and floating exchange rates. Exchange rates of the NAFTA countries would be permanently fused in a single North American currency. At an agreed-upon date (and transition period), the three NAFTA countries would replace their currencies with a new currency unit at an agreed-upon rate of exchange. At the same time, the central banks of all three countries would be replaced by a North American Central Bank. New notes and coins would be produced for the North American monetary unit, replacing the notes and coins of each country.

Proponents say that the logic of globalization is moving inexorably towards the creation of regional currency blocs. The European Monetary Union is now a reality. Canada, we are told, should act now to negotiate a monetary union on more favourable terms than would be available when imposed on Canada down the line.

Canada, like many countries, has an independent flexible, or floating, exchange rate

system. This means that the price of our currency in relation to other currencies—the exchange rate—is allowed to move freely according to demand and supply. The Bank of Canada, which sets interest rate policy in accordance with inflation, growth and employment objectives, does influence demand and supply and hence the exchange rate.

In order to make their case for NAMU, proponents argue that the existing floating exchange rate system has a number of costs or weaknesses that the NAMU would eliminate. They also claim that NAMU would have additional economic benefits over the existing system. (I have elsewhere reviewed their main arguments and conclude that they do not hold up.<sup>7</sup>)

These arguments, however, pale in comparison to what is really at stake, and why a NAMU would be disastrous for the kind of Canada we want to preserve.

A floating exchange rate system enables Canada to have an independent and politically accountable monetary policy. The Bank of Canada’s control of interest rates is a vital tool of macroeconomic management. Under a North American Monetary Union, Canada would permanently lose control over interest rates to U.S. monetary authorities. Moreover, the U.S. would effectively take over the role of regulator and lender of last resort to Canadian financial institutions. It would also further intensify pressure to reduce differences with the U.S. in social programs, labour market regulations, and other policy areas.

Most observers, including many NAMU proponents, believe the possibility that the Americans would give up their dollar for a new North American currency is about as likely as a resurgence of the Flat Earth Society. The overwhelming dominance of the U.S. economy, the U.S. dollar’s primacy as a glo-

bal currency, as well as the aggressive nationalism of American policy-makers, make the proposal a non-starter.

The only realistic alternative would be for the smaller partners to adopt the U.S. dollar. "Dollarization" has received some marginal attention within the U.S. Congress. They have made it clear, however, that any country wishing to dollarize unilaterally would get no special deviations or concessions from U.S. monetary authorities and U.S. economic priorities.

Some NAMU proponents argue that Canada could negotiate Canada's entry into a North American dollarized monetary union as the 13<sup>th</sup> District within the U.S. Federal Reserve System. The possibility that the Americans would seriously entertain such a proposal, however, is remote to say the least. In any event, with just one seat on the Federal Reserve Board, Canada's influence would be negligible. And if we were to enter into negotiations, what control would the U.S. be prepared to give up; and what concessions would Canada have to make to get a deal? One wonders whether the advocates of monetary union are incredibly naïve, or just mendacious.

While the European Monetary Union also lacks democratic accountability, member countries can argue, with some justification, that it constitutes a pooling of sovereignty with each country having an equal voice. No such claim could be credibly made for NAMU. Canada would undoubtedly surrender its sovereignty to the dominant partner. More importantly, unlike NAMU which is being sold on economic efficiency grounds, European monetary union has been undertaken as part of a process whose stated goal is not economic efficiency, but rather the *political* unification of Europe.

In the real world of today, the best alternative for Canada, indisputably, is the status quo. An independent monetary policy and a national currency have long been vital instruments of economic management, nation-building and national identity for Canada. Far more important than the questionable economic benefits claimed by NAMU proponents, the political issues of sovereignty, national identity and democratic accountability would dominate any debate should NAMU be put on the table down the road.

# WHERE IS THE MARTIN GOVERNMENT GOING?

Will Paul Martin, the self-described Walter Gordon Liberal, resist the deep integration pull, or will Paul Martin, business Liberal and ex-CEO, go with the flow and reinforce deep integration forces?

In his 1990 bid for the Liberal leadership, Martin described himself as a Canadian nationalist, warning that unless Canada staked out distinct foreign, economic and social policies, we would become an American colony. “The country has ten years in which we are going to become either a colony of the United States...or we are going to become an independent nation.”<sup>8</sup>

He called for a “nationalism without walls” approach, which meant balancing economic openness with a strong and activist central government. As Finance Minister, however, he presided over the shrinking of the state, continued privatization and deregulation, the weakening of the social fabric, and decentralization of power to the provinces. Moreover, Martin is beholden to the big business lobby, which bankrolled his leadership campaign and will no doubt want to cash in on its investment.

Nor does a look at the Martin team inspire confidence. His key policy advisors include David Dodge, Peter Nicholson, and Jonathan Fried—all deep integration proponents. Cabinet colleagues, especially those whom he has appointed to the all-important Canada-U.S. Cabinet Committee that he himself chairs—Pierre Pettigrew and David Emerson—are strong deep integration boosters. (Curiously,

Trade Minister Jim Peterson is not on this Committee). The new Canadian ambassador to Washington, Frank McKenna, is the dream candidate for big business’s deep integration agenda.

The Martin government is not currently inclined to pursue a high-profile comprehensive integration agreement, preferring the low-intensity route where possible. Though this could change if its hand were forced—for example, by the threat of U.S. retaliation—or if a broader supportive political coalition were to emerge.

Incrementalism is also the preponderant view within the Ottawa policy establishment. The Privy Council Office’s research arm, Policy Research Initiative, is focusing its North American integration work in three areas: regulatory cooperation (read harmonization), labour mobility, and “moving toward a customs union.” The first two measures are usually associated with a common market, a stage beyond customs union.

It should be noted that *harmonization*, often used interchangeably with integration, refers to the melding of policies or regulations, but in reality means Canada bending its regulations or simply adopting U.S. policies and regulations. Proponents try to soften the blow by the tossing out the fig leaf of *mutual recognition agreements* that purport to preserve regulatory differences. A nice-sounding concept, to be sure, but no one has any idea of what it means in practice or how to implement it.

There is also a dovetailing of domestic and continental regulatory reform in the so-called *smart regulation initiative*, which has as one of its goals the removal of impediments to the integrated North American market.

The Liberal government is proceeding incrementally in many different areas largely hidden from public scrutiny and often from political oversight. Purportedly technical/bureaucratic measures in areas such as health, environment, transportation, and immigration have much broader implications for policy autonomy. What seem to be small steps may in fact turn out to be much bigger steps. Considerations of efficiency and competitiveness appear to be crowding out health and safety, environmental, civil liberties, and other priorities. One example: Health Canada is moving toward eliminating some of its own drug testing and simply accepting drugs approved by the U.S. Food and Drug Administration, a body upon which Congress and the pharmaceutical giants have enormous influence.

The Bush administration signaled recently that it wants to hold a NAFTA leaders summit this spring to kick-start a NAFTA-plus agenda. All parties stress that its purpose is merely to improve NAFTA through regulatory harmonization and the removal of remaining barriers to trade and investment, denying that a big negotiation is in the works. But these are essential building blocks of a common market. Ironically, such a meeting

would coincide with the expected report of a tri-national business task force on deep integration.

Paul Martin has moved quickly on the security front. However, he will move carefully on the economic integration front, given public sensitivities. Moreover, trade diversification is an important part of his strategy as evidenced by recently signed framework trade agreements with Europe and Japan, and his recent trade mission to China, India, and Japan. Martin faces a dilemma in reconciling his deep integration leanings both with his desire for trade and investment diversification and with his desire to play a prominent independent role on the world stage. Deepening continental integration will make it harder than ever to persuade Canadian business to venture outside the fortress walls, and will further weaken his ability to resist U.S. demands. The more Canada deepens its preferential relationship with the U.S., the less it will be perceived internationally as an independent player able to contribute at the global level.

If Martin capitulates, for example, on the integration of Canadian forces under the new U.S. Northern Command, or on ballistic missile defense, he will have squandered the respect Canada gained within the international community for its stand on the Iraq war, reinforcing the image of Canada as a mere proxy for the superpower.

# CONCLUSION

The incremental integration track is less damaging to Canadian sovereignty because it does not expose us to the broad cross-sectoral trade-offs that would be made in a “big mother” of a negotiation. Nor does it lock us in formally, and so is also easier to reverse. On the other hand, the danger with incremental steps, given how far down the road we have travelled already, is captured in the story of the frog in the pot. If you drop a frog in a pot of boiling water, so the story goes, it will jump out immediately. But if you put the frog in cold water and gradually apply heat, it will remain in the water until it is boiled alive.

At least the grand U.S.-Canada integration schemes being pushed by the business lobby are visible and so provide a target for debate, mobilization, and resistance. The danger is that such schemes might come into being through the cumulative effect of aggressive incrementalism—many small deals mostly made away from the public spotlight. This “death by a thousand cuts” (or gradual heating) scenario would leave most Canadians unaware of what is happening until it is too late. Better, as Trudeau put it, to “go out with a bang than a whimper.”

How far down this deep integration road must we go before the policy independence required to give substance to our identity is eroded past the point of no return? To the point where resistance to some kind of formal political association may seem futile or no longer worth the effort?

Former Canadian ambassador to Washington Alan Gotlieb has put forward a “grand strategy” proposal that would create “a community of law under which the free flow of goods and services and people can be guaranteed.”<sup>9</sup>

But a decade ago, according to author Richard Gwyn, he said that the only way Canadians could have real influence over American economic decisions was through political union, although the U.S. was not interested at the time.<sup>10</sup>

(What seems to have changed is that Canada now has a hand to play, namely meeting all U.S. security needs: defence, energy, water, etc.) Although he doesn’t come out and say it, Gotlieb is advocating a form of political union in the making, a variant of the E.U. model. He and those who share his views need to be up-front with Canadians on this scheme and explain how it would, as they claim, enhance Canadian sovereignty, especially given the fundamental imbalance of power between the two nations.

John Crosbie told journalist Lawrence Martin in an interview in the early 1990s that economic union was inevitable and could go beyond the economic. Acknowledging that political union is something very few Canadians want, he told Martin, “We may have gone a lot further [toward integration] than we realize... This thing may bubble along below the surface. Then it just happens.”<sup>11</sup>

Nothing in the policy direction described above is inevitable, as deep integration advocates would have us believe. Elsewhere I have sketched a strategy that would resist and reshape further continental integration with the long-term goal of reclaiming lost policy freedom.<sup>12</sup>

Its starting point is that policy independence is our pre-eminent national interest, the precondition for all others, and must not be subordinated to the persistent forces of market efficiency and competitiveness.

Finally, I would make a plea to civil society organizations for moving this issue to the front burner, something that has not happened for

a decade or more. Activists should be educating themselves and raising awareness of the deep integration agenda in its many dimensions and manifestations. Organizations with research capacity need to be doing their homework to deepen understanding of this complex issue, and to communicate with their constituencies and the general public. At the same time, we need to build civil society and political coalitions at the community, provincial, and national level, as well as with our allies in the United States and Mexico. And finally, we need to develop a coherent and compelling alternative to the deep integration model to put before the Canadian people.

# ENDNOTES

- <sup>1</sup> See for example, John Ralston Saul, October 15, 2001 speech on the 25<sup>th</sup> anniversary of DFAIT's Canadian Studies program, available at: [www.gg.ca/media/doc](http://www.gg.ca/media/doc)
- <sup>2</sup> John W. Holmes, *Life With Uncle: The Canadian American Relationship*, University of Toronto Press, 1981, p.43
- <sup>3</sup> Scott Sinclair, *Thinking Outside the Trade Policy Box*, Canadian Centre for Policy Alternatives, Trade Briefing Paper Series, November, 2004, available at: [www.policyalternatives.ca](http://www.policyalternatives.ca)
- <sup>4</sup> For a detailed analysis of social and economic impacts, see Andrew Jackson, *From Leaps of Faith to Hard Landings*, Canadian Centre for Policy Alternatives, November 2003, available at: [www.policyalternatives.ca](http://www.policyalternatives.ca)
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- <sup>6</sup> In this section I have drawn on Marc Lee's study, *Indecent Proposal: The Case Against a Canada-U.S. Customs Union*, April 2004. This study is available at: <http://www.policyalternatives.ca>
- <sup>7</sup> Bruce Campbell, *North American Monetary Union: A Critical Assessment*: Briefing Paper prepared for *Canada and the New American Empire*, conference sponsored by the University of Victoria, Centre for Global Studies, November 26-28, 2004. It is available at: [www.globalcentres.org/can-us](http://www.globalcentres.org/can-us)
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