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America and the Canadian Presence

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America and the Canadian Presence

*As the United States faces global challenges, how does Canada fit in?*¹

The late John Sloan Dickey was already a distinguished scholar and president emeritus of Dartmouth College when he wrote his great book on the United States relationship with Canada, *Canada and the American Presence: The United States Interest in an Independent Canada*. In one particularly memorable section of the book, Dickey notes the significance of 1971 for the bilateral relationship:

“December 7, 1971 (...) The Prime Minister of Canada gave the Parliament a potentially historic report of a discussion he had in Washington the previous day with the President of the United States. The meeting of the two leaders was of special interest, at least in Canadian eyes: several months earlier, within a thirty-day period, the American President had twice made unhappy news from coast to coast in Canada.

“On August 15, President Nixon’s dramatically announced new economic policy, with its imposition of a surcharge on United States imports, had produced instant trauma throughout Canada. (...)

“On September 16, Canadian sensibilities received a second seismic jolt. President Nixon, in an effort to reassure the American public about trade discussions with Japan, announced at a White House news conference: (...) “Japan is our biggest customer in the world.” Coming as it did hard on the August 15 shock, the President’s confusion of Japan with Canada as the best customer of the United States seemed to many Canadians to confirm their worst fears as to where Canada stood in the hierarchy of American interests and understanding.”²

The year 1971 was a difficult one for the relationship between the United States and Canada. Beyond the misunderstandings noted by Dickey, the Nixon administration ended the traditional policy of seeking an exemption for Canada from significant trade and economic policy actions. The United States sought but failed to get Canadian participation in the Vietnam War. Social movements in the United States for civil rights and an end to the war were compelling but alien experiences for Canadians. Prime Minister Pierre Trudeau and his government responded to popular Canadian anxieties about the United States, which in 1971 had come to seem like a nation in decline, by introducing a “Third Option” foreign policy of finding new and presumably better friends than the Americans.

¹ This document is based on remarks given by Christopher Sands in honor of the 40th Anniversary of the Western Washington University Center for Canadian-American Studies in Bellingham on April 29, 2011.

² John Sloan Dickey. *Canada and the American Presence: The United States Interest in an Independent Canada* (New York University Press, 1975) pp. 133-134

Out of the doubts about the future of this bilateral friendship in 1971 between Canada and the United States came one very important thing: the foundation of the Center for Canadian-American Studies at Western Washington University. In the forty years since, the Center has been a source of scholarship and optimism that the problems that beset both countries can be resolved with hard work, insightful research, and mutual goodwill. The faculty and students that have contributed to the Center over the years have exemplified the spirit that has made these two countries enduring friends and allies.

Yet in 1971, it was not obvious how this friendship would continue. U.S. economic problems, American weariness with the burden of leadership in the West and the long struggle with Communism that led to a perception of American decline, the real costs at home and abroad of a war half a world away, energy price shocks, protectionist sentiments in Congress, and environmental concerns that had begun to worry many Americans – there was a lot to preoccupy U.S. attention and the Canadian relationship suffered.

At the same time, in 1971 Canada's "Third Option" policy seemed to be retreating from a close relationship with the United States when it most needed its friends. Canada's economic policies were bolstered by strong commodity prices during the oil shocks of the 1970s and the inflation that followed, but their protectionist and statist orientation alienated international investors and foreign companies, including many U.S. multinationals.

Today, some of the same conditions recur, but the state of the U.S.-Canadian relationship is much better.

The United States in 2011 is struggling with the burdens of global leadership; one Obama administration official has labeled the approach "leading from behind."³ After prolonged discussions within the administration and among the United States and key allies, the United States remains engaged (in the form of ground troops) in Afghanistan and Iraq, and has entered a third conflict in Libya. Oil prices are high, along with other commodity prices, and inflation is gathering strength. The U.S. Congress has added protectionist "Buy American" conditions to stimulus spending and other legislation, and many U.S. states are considering local production as one criterion for qualification of energy for renewable portfolio standards and carbon reduction programs – discriminating against Canadian energy imports. The integration of the defense industrial base between Canada and the United States has been undermined by U.S. export controls for a wide array of dual-use technologies that could, conceivably, give terrorists a weapon to use against the United States, and by International Traffic in Arms Regulations (ITARs) that restrict who can work in a facility handling sensitive information relation to the defense of the United States. Many post-2001 border security measures have had the effect of adding to the cost associated with crossing the U.S.-Canadian border, and this has been a drag on trade. And

³ Ryan Lizza. "The Consequentialist: How the Arab Spring Remade Obama's Foreign Policy" *The New Yorker* May 2, 2011

U.S. unemployment remains stubbornly high – higher than the Canadian unemployment rate for the first time in decades.

Yet in 2011, Canada is not seeking other, better friends, but has worked to deepen ties with the United States. In the current election campaign, there is no major party or candidate running on an anti-American platform, and no sign that – whatever the outcome – the U.S.-Canadian relationship will suffer.

The credit for this improvement in the baseline conditions for good U.S.-Canadian relations is widely claimed and should be generously shared, but in that spirit it is not an exaggeration to give some of the credit for this to the Center for Canadian-American Studies and to Western Washington University. The better that we understand Canada and Canadians, the better our relationship can become. For forty years, the Center has made steady contributions to our mutual understanding and awareness, and these contributions are known and appreciated in Washington, DC no less than in Ottawa.

From this happy moment in the U.S.-Canadian relationship, what can we expect next? The challenges facing both countries in the coming years will be significant, and it will be better for citizens of both countries if the governments of Canada and the United States can find ways to respond to these challenges in a cooperative or at least complementary fashion.

Specifically:

Continental economic integration will continue to deepen

Although we think of this period of world history as being marked by “globalization” there are only some parts of the economy that are truly global. For many others, the minimum efficient scale for production – the scale at which economies that come from scale reduce production costs to a level sufficient to generate profits, attract investment, and spur innovation – is continental. North America, Europe, China, and India have more than 400 million consumers each. Enough to warrant production of a wide range of goods there, and enough to attract the more competitive companies in the world to attempt to bring their products and services to consumers in these markets. The particular challenge for Europe and North America is that higher prevailing labor costs make economies of scale, including those attained through exports, especially important.

Many Americans and Canadians have looked askance at globalization, and at regional integration in North America. Yet the competitive pressures of the global economy will continue to make us – our companies and our jobs, and accordingly our futures – depended on a global circulation of goods, services and capital. If we build and maintain a continental market we can also be a chamber of the heart of the global economy, pumping flows in and out and benefiting in the process. Politicians will offer plans for buffering our countries against the effects of globalization, but technology and transportation logistics will continue to drive us toward a global economy and in the

medium-term, a more integrated continental economy provides the best route to participation and positioning.

Reaching the Limits of Current Governance Integration

The flows that cross borders are becoming as important as those which remain within borders. This is true in the economic sense – when the flows are financial, or commercial. It is also true when the flows are carrying terrorists, organized crime, and other threats. The internet gives us access to a world of information, but also gives the world access to our information, with worrying consequences for personal security and privacy. A salmonella-infected pepper that begins in Mexico could sicken diners in Bellingham, and a SARS infected traveler from China can sicken dozens in Toronto.

The difference between the domestic economy and the international economy is regulation, and for both Canada and the United States domestic regulation is robust. Yet what crosses borders can either travel unregulated, or – as is most likely in North America – travel doubly and triply regulated. Differences in regulation, some significant and some idiosyncratic, add to compliance costs for business and make it more expensive to do business in North America.

When tariffs were the biggest barrier to cross-border trade, the two governments gradually worked to eliminate them for most products moving between the United States and Canada, and firms responded by integrating their supply chains across the border. Canadians and Americans became co-workers, rather than simply trading partners. The competitiveness of our economies (and our potential to generate employment and wealth here) is increasingly dependent on our ability to lower the costs of compliance with regulation and inspection. This could be done if the governments agreed to mutual recognition of each other's standards, to harmonize standards, to converge on new and better standards, the simplification and elimination of some standards, or a combination of all of these. Since governments in the United States and Canada have an obligation to safeguard the public welfare and national security, the process of working to improve regulation and inspections processes for cross-border goods, services, people and things will proceed slowly and carefully.

On Friday, February 4, 2011, U.S. President Barack Obama and Canadian Prime Minister Stephen Harper met in Washington and launched a new initiative on regulatory cooperation, establishing a United States-Canada Regulatory Cooperation Council.⁴ The president and the prime minister also issued a joint declaration on the U.S.-Canadian border – not a new agreement, but a list of principles and objectives for future action.⁵

⁴ The text of the statement on the new United States-Canada Regulatory Cooperation Council is included in an appendix to this report and is also available here: <http://www.whitehouse.gov/the-press-office/2011/02/04/joint-statement-president-obama-and-prime-minister-harper-canada-regul-0>

⁵ The text of the new Washington Declaration on the U.S.-Canadian Border is included in an appendix to this report and is also available here: <http://www.whitehouse.gov/the-press-office/2011/02/04/declaration-president-obama-and-prime-minister-harper-canada-beyond-bord>

Getting these processes right will require the governments to push beyond the current limits on the integration of governance of the cross-border flows upon which our economies depend. This will require greater mutual awareness and sensitivity to the risks involved for each society in closer cooperation.

There is a risk that the United States, larger and less willing to cede sovereignty (and perhaps, given its treacherous domestic politics and unwieldy public discourse) will be an impossible partner when it comes to negotiations with Canada over borders and standards for regulation and inspection. The result might be the Americanization of standards, rather than the improvement and simplification of standards, with Canadians harmonizing their standards and practices and adapting to conform to those in the United States. This could easily happen if U.S. leaders in government, business and the NGO sector are too ignorant of Canadian governance to recognize best practice when they see it, and to appreciate the benefits to be had from Canadian experience. Americanization would not be without benefits – in some cases, U.S. standards may be better, and a single standard for the continental economy will be good for competitiveness. However, it is not the optimal approach.

The Drive for Public Sector Productivity

The debates in Washington, DC over budget deficits and the national debt are especially intense today. This reflects a serious fiscal challenge for the United States and future generations of Americans that Canadians can relate to: in the 1990s, Canadian debt to GDP ratios were also too high, and international financial markets threatened to punish Canada if it did not act. The government of Prime Minister Jean Chrétien did act, and Canada's economy today is the envy of many countries around the world, not least among its southern neighbors.

Part of Canada's story, and one component of the solution for the United States going forward, is the need for increasing public sector productivity. During the 1990s and 2000s, firms in the private sector adopted information technologies in creative ways in order to get more output, and even better consumer value and service, with fewer employees. The U.S. public sector has, to be sure, computers, Blackberries, and more. But as budgets are squeezed by the need to transfer funds to citizen beneficiaries in line with extant commitments, even if these commitments are revised in the years to come, governments will look to reducing their operating costs by getting more public service with fewer public servants.

In the welfare sector, this will include an end to paper checks and a move to electronic payment.⁶ In health care, electronic patient records will be used to eliminate paperwork and improve patient care. In the military, robots will transform our fighting forces to improve their lethality while lowering the risks to soldiers and sailors. Canadian governments, which faced their fiscal crisis earlier, have many lessons to pass on to U.S. counterparts, from the federal government to states like California and New York.

⁶ See my Hudson colleague Hanns Kuttner's *The Move to Digital Payment: When the Check is No Longer in the Mail* (Hudson Institute, 2011)

Exit Baby Boomers, Enter the Next Generation

Several years ago, I wrote about the effect of a generation transition on U.S.-Canadian relations.⁷ During the Clinton administration, the federal workforce in the United States shrunk significantly as members of what Tom Brokaw calls “The Greatest Generation” retired and were replaced by members of the Baby Boom generation. Those U.S. public servants who had experienced World War II and the Great Depression often held Canadians in high regard; after all, they had fought alongside Canadians in the war, and saw Canada make a dignified transition from being part of the British Empire to becoming an independent country that many Americans, including Franklin Delano Roosevelt and Dwight Eisenhower, admired.

Baby Boomers, in contrast, saw Canada sit out the defining war for their generation: Vietnam. Baby Boomers had a lot of goodwill toward Canadians, too, but they tended to see Canada as a friendly, small, progressive place that was enviable but often marginal to U.S. interests in the wider world. Where the “Greatest Generation” sponsored Canada’s entry into clubs from the United Nations to NATO and build a number of institutional relationships such as the Permanent Joint Board on Defense where the two countries met as sovereign equals, Baby Boomers were more likely to overlook Canada, or to treat Canada as a regional player in North America but not relevant elsewhere.

Fiscal pressures in the United States will drive many Baby Boomers into retirement from public service as soon as they can afford it, and may perhaps prompt their involuntary departure from the public sector as well. What will the Next Generation mean for U.S.-Canadian relations?

The professors here at Western Washington can probably provide more insight on this question, but I will offer the following speculative observations. Members of the Next Generation who enter U.S. public service have grown up in an era of connectivity. Even if they lived far from the Canadian border, the odds that they have a song by a Canadian band on their iTunes playlist, know that one of their favorite actors is a Canadian, and have multiple Canadians among their Facebook friends are high. This disintermediated mutual awareness is both richer and thinner than that which linked previous generations of young Americans and Canadians.

The twenty-five volume series, “Relations of Canada and the United States” sponsored by the Carnegie Endowment and was commissioned to coincide with the establishment of diplomatic relations between the United States and Canada (with an exchange of embassies in 1926, by agreement with London, prior to the Statute of Westminster in 1931 which gave Ottawa control of its own foreign policy) gave the “Greatest generation” a real insight into Canada and Canadians. The last book in this series was published in 1948.

⁷ Christopher Sands. “The Changing of the Guard” *International Journal* Volume LX, Number 2 (Spring 2005).

Baby Boomers had landmark works like Dickey's, Charles Doran's *Forgotten Partnership*⁸ and numerous edited volumes⁹ to help them to understand the relationship. These books called attention to the attenuation of the relationship during the 1970s as a new spirit of Canadian nationalism emerged that emphasized differences with the United States and greatly complicated bilateral relations.

The Next Generation will rely on their social networks and the internet, and hopefully not just Wikipedia, for fast takes on what makes Canada and Canadians tick. The result will be a fascinating new era in the U.S.-Canadian partnership, one in which those who can take abundant information about Canada available from myriad sources and transmogrify it into insight and knowledge of Canada, and what makes it tick.

What links all of these challenges is the benefits of bilateral cooperation among Canadians and Americans in responding to them. The foundation for that cooperation is mutual goodwill, and mutual knowledge. These things have been improved since 1971, when the Center for Canadian-American Studies opened its doors on the campus of Western Washington University at a particularly difficult time for the U.S.-Canadian relationship.

Dickey ends his book on the Canadian-American relationship with this encouraging observation:

“Basically perhaps the most taken-for-granted and least appreciated specialness of the United States-Canada relationship is the fact that its energies need not be negatively oriented toward averting disaster or merely achieving the tolerable; with all its difficulties, it is probably the only international relationship where optimum collaboration is potentially a realistic aspiration. If that potential is to be pursued in *both* collaboration and national independence, ad hoc diplomacy, good as it has generally been, will increasingly need to be supplemented by ongoing joint agencies. Such structures of process in support of enlightened national policies will only be acceptable and effective when designed for specific functional purposes and not as loosely conceived omnibus mechanisms. Their main service would be more systematic consultation, better-digested information, and more maturely formulated recommendations.

“The climate for creative venturing in statecraft us rarely beckoning, but both countries – certainly Canada no less than the United States – have a stake in not permitting the concept of a genuinely independent Canada as a realistic American national interest to languish in the dustbins of idle rhetoric. Sustained collaboration through both improved understanding and better processes is the *sine qua non* of higher ceilings for tomorrow's policies and perhaps of an

⁸ Charles F. Doran. *Forgotten Partnership: U.S.-Canada Relations Today* (Johns Hopkins University Press, 1984)

⁹ Among the best were two produced by The American Assembly at Columbia University: *The United States and Canada* edited by John Sloan Dickey (Prentice-Hall, 1964) and *Canada and the United States: Enduring Friendship, Persistent Stress* edited by Charles F. Doran and John H. Sigler (Prentice-Hall, 1985). Also notable was *Neighbors Taken for Granted: Canada and the United States* edited by former U.S. Ambassador to Canada Livingston T. Merchant (Praeger, 1966).

optimum relationship the day after tomorrow. Indeed, even today's problem-clouded weather could hardly fail to benefit."¹⁰

Today, the weather for the United States and Canada is a bit cloudy again, even if not by the standards of the Pacific Northwest. However Canadians have reacted to the current turbulence by seeking to improve the bilateral relationship, rather than by seeking a Third Option alliance with another world power. This presents an opportunity, and a promise that U.S. leaders ought to embrace. The "creative venturing in statecraft" that Dickey called for in response to the problems that beset the relationship in 1971 is still needed, and the close consultation, mutual understanding, and respect for each country's sovereignty remain vitally important. Yet deeper integration, new governance processes to foster consultation on the challenges of deepening integration in an atmosphere that requires greater public sector productivity will condition the way in which the two countries proceed.

Dickey observed in 1971 that Canadians were forced to grapple with an "American presence" not just on their border but in their daily lives – one that complicated the challenge of forging a national identity that wasn't mere reactionary anti-Americanism. For Americans in 2011, there is a real "Canadian presence" not just on our border, but permeating the intellectual, cultural, commercial, and political dimensions of our daily lives, too. Today's technology creates new opportunities for consultation at a time when the Baby Boom generation is in a position to shape the "structures of process" as a legacy for the New Generation to inherit and inhabit.

The Canadian-American relationship will thrive for another 40 years and beyond with the help of the scholars produced by, and participating in the Center for Canadian-American Studies at Western Washington University. The future of this relationship will not be solely in the hands of its alumni, but the leaders who will shape this relationship for the times to come will do so with greater confidence and surety in the spirit of Bellingham infuses the relationship, from Ottawa to Washington DC, and across the continent.

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¹⁰ Dickey (1975) pp. 195-196