

# SO NEAR yet so FAR

THE PUBLIC AND HIDDEN WORLDS  
OF CANADA-US RELATIONS

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# 1

## INTRODUCTION

### The Elephant and the Beaver

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#### Proximity and Distance in Perspective

Pierre Trudeau once famously likened the Canada–US relationship to that of a mouse and an elephant.<sup>1</sup> Although this analogy suggests that the former’s world shakes every time the latter rolls over, it also speaks to traditional Canadian outlooks on the two countries’ respective national characters. An elephant is very large and quite capable of dominating its environment without much attention to the preoccupations of smaller animals. The mouse, on the other hand, seems to have a distinct problem with its self-image. It is small, agile, able to fit through places the elephant would never think of travelling, but potentially vulnerable to the lurching around of its much larger neighbour and apparently rather insecure about the whole business.

This image of the Canada–US relationship is captured in the titles of a series of books written over several decades: *Neighbours Taken for Granted*, *Forgotten Partnership*, and, more recently, *Invisible and Inaudible in Washington*.<sup>2</sup> So, in a way, does the title of this book, *So Near Yet So Far*. This phrase, derived from the late-nineteenth-century Mexican strongman Porfirio Diaz’s exclamation “Poor Mexico: so far from God, so near to the United States,” can be taken as a lament or as a hard-headed recognition of reality.

Certainly, from the perspective of the animal kingdom, the elephant analogy works well. The United States is large, with interests that stretch as far as the eye can see (or farther). At the same time, like most large animals, its



size enables it to dominate its immediate surroundings and ignore all but the largest predators when it so chooses. When alarmed or taken by surprise, it can stampede in any direction, trampling other animals heedless enough to get in its way. However, when one looks around an unstable and often violent world, one finds many countries that, given the chance, would happily exchange their large, ambitious neighbours for Canada's border of 8,893 kilometres with the United States.

Canadians can identify, if they wish, with the small, cute, and slightly neurotic mouse of Trudeau's analogy, but they have other national symbols, such as the beaver. Small, amphibious, industrious, resilient, the beaver is a reasonable symbol, with deep historical roots, for a certain kind of Canadian who bridges traditional linguistic and cultural solitudes. Despite its size, the beaver finds ways to function within a much bigger natural environment and to shape parts of that environment for its own security and comfort.

Certainly, there are limits to this analogy as applied to Canada–US relations. Elephants and beavers generally do not share the same ecosystem. Were they to do so, chances are that the denizens of the beaver colony would be far more conscious of the local elephant herd on its way to the watering hole than the other way around. Yet Canadians and Americans do share a continent (as do Mexicans, if largely beyond the political horizons of the former).

This book explores the evolving context of the Canada–US relationship and the ways in which the smaller country attempts to manage that relationship at different levels. On the one hand, Canadians want to make the most of the opportunities provided by their proximity to the world's largest economy and its dynamic society, whatever its economic challenges of recent years. On the other, most Canadians place a high value on preserving and, where possible, expanding opportunities for choice – or “exercising policy discretion” – in their domestic and foreign policies. Rather than the historical lament of Mexican political life and culture, *So Near Yet So Far* expresses the continuing paradox<sup>3</sup> evoked by the relationship from the multiple perspectives of both Canadians and Americans.

Canada's physical and cultural proximity to the United States leads many Americans and other observers to overlook differences between the two countries – not least many Canadians' heartfelt desires to be different and to have Americans (and others) notice the differences. It is no accident, as discussed at greater length in Chapter 4, that these Canadians' assertions of their differences from the United States or from Americans – two

notably different concepts – are most intense when the government of their southern neighbour is most assertive in exercising its claims to global political or economic leadership. Nor is it an accident that Americans are confused when such cultural and political differences are framed as questions of Canadian “identity” – given the tendency of politicians on both sides of the border to speak of the two countries as “friends” and “family,” not just neighbours, when trying to cultivate mutually beneficial relations.<sup>4</sup>

Canada is “so near” to the United States in terms of economic interdependence and integration. Shifts in US economic policies or the domestic political environment often affect Canadian interests directly. This impact is usually most significant on the economic security and opportunities – major preoccupations of any Canadian government – that arise from the two countries’ economic and sometimes social interdependence. This interdependence, driven by a combination of physical proximity, market forces (i.e., the actions and preferences of businesses, consumers, and investors on both sides of the border), and government policies that accommodate and reinforce these realities, often blurs distinctions between domestic and international policies in both countries.

Social interdependence can reflect the accustomed interactions of citizens in border regions, the actual or threatened spillover of environmental problems, food safety scares, outbreaks of disease from one country to the other, or the efforts of individual citizens or organized groups to take advantage of policy differences between the two countries. For the beaver to maintain its capacity to choose economic policies that serve its priorities and interests, it must pay careful attention to the habits and actions of the elephant whether or not the latter returns the compliment. At the same time, as noted by American political scientist Helen Milner, “cooperation among nations is affected less by fears of other countries’ [actions] ... than it is by the domestic distributional consequences of cooperative endeavours.”<sup>5</sup>

Another reality of this interdependence – particularly when combined with the global scope of US foreign, security, and international economic policies and the structure of the American political system – is that most issues of bilateral economic interdependence are dealt with in the context of US *domestic* policy processes and, often, US *domestic* politics. From the perspective of American foreign policy, Canada’s political and economic interests are important only to the extent that they reinforce, complement, or impede broader US strategic objectives and the policies chosen to achieve them. US domestic policies tend to engage Canadian interests and

objectives only to the extent that they affect politically important domestic interests in the United States. At such times, the political priorities of interests based in Ottawa, Toronto, Montreal, Calgary, or Vancouver can be “so far” from the consciousness or priorities of American politicians or journalists that navigating the cross-currents of American bureaucratic or congressional politics requires skilful and creative management by Canadian diplomats and interest groups.

These realities highlight the disparity between the importance of American political and economic processes (whether as sources of opportunities or risks) to Canadians and the latter’s limited relevance, importance, or visibility to Americans, except in the very selective contexts of particular interest groups.<sup>6</sup> Indeed, growing numbers of Americans are likely to think of Mexico rather than Canada when they think of cross-border issues in North America given the progressive shifts of population, wealth, and power toward the American south and west and the rising influence of rapidly growing Mexican–American (and other Hispanic) communities across the United States.<sup>7</sup>

The paradox of *So Near Yet So Far* applies to Americans as much as it does to Canadians or Mexicans. Americans are more likely to understand the realities and complexities of interdependence with their northern and southern neighbours if they live in border regions or have close economic, cultural, or family ties across the border. However, the normal human tendency toward self-absorption often leads individuals and social groups to project their own realities, desires, and expectations onto those “others” outside their immediate circles. This projection can easily lead to disappointments and misunderstandings when, guided by their own perspectives and priorities, “they” do not live up to “our” expectations. Americans are not much different from Mexicans or Canadians in this respect, except that their country’s relative size, power, and self-confidence limit their felt need to know or engage their neighbours, particularly the more distant ones. However, the spread of North American integration increases the challenges of what political scientists describe as “intermesticity”<sup>8</sup> – the blurring of traditional distinctions between international and domestic policies and politics.

These challenges are visible in recent American debates over issues ranging from the use of federal stimulus policies to promote local industries, to border security, and to immigration policies. They are inherent in ongoing debates over the relationship between America’s sovereignty and capacity

for self-government and international institutions whose effectiveness depends to some extent on American participation and leadership. These debates take place in Canada (and Mexico) as well, though often in different contexts. The ways in which Americans treat their neighbours are likely to condition the ways in which the governments and peoples of other countries respond to American interests, policies, and efforts to provide leadership around the world. American leadership on regional and global issues is far more likely to be effective when approached as a process of building alliances based on complementary and overlapping interests, objectives, and values while recognizing the sometimes competing interests of other nations, than when treated as a simple exercise in power politics.<sup>9</sup>

Similarly, the ways in which Canadians (and Mexicans) seek to protect and advance their own interests when engaging American governments and the broader American political system can contribute to greater American understanding of how their respective national interests can complement one another while also differing in many ways. Alternatively, they can reinforce the mutual incomprehension and opportunities for political and economic conflict that are never far from the surface given persistent differences in size and power and the tendency of some groups to exploit memories of historical grievances to serve their own agendas.

This is a book for people who wish to approach these issues with open minds rather than preconceived political or ideological agendas or a misplaced sense of moral (or cultural) superiority – phenomena that can occur in any cultural setting and across the ideological spectrum. It is intended as a journey of exploration, not as a definitive set of answers to the questions of a relationship whose scale, scope, complexity, and continuing evolution defy pat answers.

The book explores the fundamental challenges of the Canada–US relationship and the ways in which they shape both US policies toward Canada and Canadian efforts to engage and influence those policies. It examines the different levels and aspects of US policy making toward Canada – and the different institutional settings in which they take place. It engages US policies since the 1990s in three broad policy clusters: “homeland security” policies and how they affect economic integration and interdependence, the management of trade disputes arising from policy differences and interest group competition, and the evolution and partial integration of energy policies in each country, including the related influence of environmental issues. Finally, *So Near Yet So Far* suggests some tentative lessons to be

drawn from this exploration, their implications for Canada's international economic policies, and their more sector-specific implications for bilateral and trilateral relations in North America.

### **Key Features of the Canada–US Relationship**

The relationship between the United States and Canada, though unique in some ways, epitomizes the relations between major powers and smaller neighbours with which they share cultural similarities and a degree of interdependence but also have fundamental differences in size, power, and the relative importance of the relationship to each country.

The Canada–US relationship has been the subject of a number of studies in recent years. Hoberg, followed more recently by Bow and Lennox, have explored Canada's capacity for policy autonomy or policy choice in a wide range of settings. Clarkson has analyzed Canada's policy relations, both strategic and sectoral, within the broader context of governance within North America.<sup>10</sup> Dymont has explored the ideological polarization of Canadian domestic debates on bilateral relations and argued for a new "interest-based" paradigm that acknowledges interdependence as an "enduring situation to be managed," not a problem requiring a solution.<sup>11</sup> Heynen and Higginbotham and Mouafo and colleagues have documented the mechanics of "advancing Canada's interests within the United States" and the detailed interactions of transgovernmental relations at the departmental and agency levels. Gattinger and Hale and, more recently, Anderson and Sands have sought to map the contours of cross-border sectoral and subsectoral relations as part of a broader study of factors structuring policy relations.<sup>12</sup>

Gattinger and Hale note five major and enduring structural features of the Canada–US policy relationship: asymmetries on multiple levels; the primacy of economic factors, especially for Canada, in shaping the two countries' growing interdependence; the lack of formal political integration (bilateral or trilateral) or the institutions necessary to facilitate it, which has reinforced what they characterize as the shift from government to governance; the extent of policy decentralization in both countries – characterized as "the staggering ... breadth, depth and complexity of ... administrative relations"; and "continuing policy differentiation amid economic and policy integration."<sup>13</sup>

A sixth important feature noted by Clarkson is the integration of decentralized North American governance within comparable global systems so

that “North America is not a self-contained region of the world. It is one region *in* the world.”<sup>14</sup> The continued decentralization of governance systems enables both US and Canadian governments to tailor their participation to the requirements of domestic political institutions and distinct coalitions of domestic interests to secure greater political legitimacy for their actions.<sup>15</sup>

These findings overlap with several persistent features of the Canada–US relationship noted by Charles Doran in his 1984 study *Forgotten Partnership* – if from the perspective of “intermestic” relations rather than the international relations emphasis of the earlier work. Doran suggests that, in addition to the features noted above, key elements of the relationship include a “tradition of prudence in foreign policy conduct” by both countries; Canadian bargaining strengths that offset the inherent asymmetries of the relationship; ambiguity of foreign policy interests, especially in Canada; and intervulnerability, “the cost to one’s neighbours of one’s own domestic policy choices,” so that “neither polity can avoid the external impacts of its neighbour’s policies, enjoying only the benefits of its own domestic politics.”<sup>16</sup> Whatever the changes in the bilateral relationship since the 1980s, these central features have persisted.

The institutional contexts (and contexts for interest group competition) in each country, and the different ways in which national, North American, and international governance structures interact from one policy field (and often subfield) to another, give rise to several American policy styles toward Canada that will be discussed at the end of this section.

### Asymmetries

Bilateral Canada–US relations are characterized by a high degree of asymmetry: of relative size and power within the international system, of security commitments and capacities, and of the relative importance attributed to and the attention paid to the relationship by each national government – whatever its partisan or ideological orientation. Understanding these asymmetries, both as relevant facts and as underlying political realities, is vital to understanding the nature and dynamics of the bilateral relationship.

As one American diplomat noted in a conversation with me several years ago, “every relationship the US has in the world right now is asymmetrical.”<sup>17</sup> Despite mounting challenges, the United States remains the world’s pre-eminent political and military power. This reality is significant for the geopolitical considerations of every major international power (and most smaller ones), whether as a potential ally, a rival, or simply a strategic fact of

life. Although Canada's position in the international order is often debated, not least by Canadians themselves, a leading former diplomat describes it as a "regional power without its own region,"<sup>18</sup> striving to manage its dependence on the United States through active engagement in international institutions and the selective pursuit of independent policy positions across a wide range of policy fields. Respective Canadian and American views of the relationship are explored further in Chapter 2.

A central reality of North American economic integration is the substantial interdependence between the United States and its Canadian and Mexican neighbours as its largest and third largest trading partners, respectively. The concept of interdependence is relatively simple: the actions of political and economic actors in each country are conditioned, directly or indirectly, by the actions or anticipated responses of the other – or of overlapping interests.

However, the interdependence of the United States with both of its neighbours is heavily asymmetrical. The United States is a central preoccupation of Canadian foreign and international economic policies, whereas American foreign policies are focused primarily on managing political, security, and economic alliances and relationships in a global context. Although this distinction gives Canada a modest advantage by enabling its senior policy makers to devote relatively more time and greater resources to the relationship, it might relegate Washington's consideration of Canadian concerns to categories described by different secretaries of state as "weeding the garden" or "condominium association issues." Except when critical US security priorities are at stake, as with the dual imperatives of securing US airspace and US borders in the months and years after 9/11, American policies toward Canada have been driven more by competing and overlapping constellations of bureaucratic, societal, and related congressional interests than by broader foreign policy considerations.<sup>19</sup>

Both Canada and Mexico depend far more on US markets for their trade and prosperity than the United States typically does on them or, indeed, any foreign country. Table 1.1 summarizes key differences in the economic dimensions of interdependence, including relative economic size, average incomes, openness, dependence on one another's markets, and foreign investment.

The asymmetries of economic (and, to some extent, political) interdependence have been reinforced since the 1980s in at least four major ways. First, Canada's (and Mexico's) greater openness and trade dependence reinforce historical asymmetries of market openness and interdependence

**TABLE 1.1**  
**North American economic symmetries and asymmetries**

<i>Relative economic size and prosperity in terms of GDP (2010)</i>				
	GDP (\$millions)	Rank	Per capita (\$)	Rank
US	14,660	2	47,200	2
Canada	1,330	15	39,400	22
Mexico	1,567	12	13,900	85
<i>Merchandise trade as share of GDP (2010)</i>				
	Exports (%)	To US (%)	Imports (%)	From US (%)
US	8.8	19.4*	13.2	14.2 <sup>†</sup>
Canada	25.0	74.9	25.5	50.4
Mexico	28.7	73.5	29.0	60.6
<i>Foreign investment as share of GDP (2010)</i>				
	Inward (%)	Outward (%)	Ratio	
US	18.2	26.0	0.685	
Canada	35.6	39.1	0.910	
Mexico	31.3	7.5	4.173	

NOTE: GDP figures are based on \$US at purchasing power parity.

\* Exports from US to Canada.

† Imports to US from Canada.

SOURCES: CIA, *The World Factbook* (Washington, DC: CIA, 2011), <https://www.cia.gov/>.

with the United States (see Table 1.1). Second, these factors contribute to asymmetries of vulnerability, including those arising from security sensitivities and foreign trade “threats,” especially since 2001. Third, the relatively centralized US (and Mexican) federal systems, with their extensive checks and balances between the federal executive and Congress, and the much more decentralized Canadian model create important institutional asymmetries. Fourth, these differences are reinforced by asymmetries of policy processes, especially in legal requirements for the timing and nature of public consultation on regulatory measures in the United States compared with Canada, processes that have become central to managing bilateral policy relations.<sup>20</sup>

### **Primacy of Economic Factors**

Both Canada’s economic strategy and its broader interactions with US policies since the 1980s have been driven by the logic of Canada–US free trade and the restructuring of many Canadian industries within North



American markets. Clarkson characterizes this process as one of “market reconfiguration on a continental level.”<sup>21</sup> As a result, trade policy imperatives, particularly securing access to US markets and strengthening bilateral economic relations, have become Canadian foreign policy priorities – whatever the Harper government’s efforts to negotiate a broader range of trade agreements since 2006. In contrast, the cross-border effects of domestic policies are largely an afterthought for US policy makers, viewed primarily through the prism of their effects on domestic interests – even if Canada remains the largest market for American exports.

Even so, the web of economic, cultural, and social relationships between the United States and Canada is so extensive that intergovernmental cooperation is a matter of “structural necessity rather than conscious choice”<sup>22</sup> in facilitating and managing these relationships. Doran describes this reality as “intervulnerability,” defined above.

However, this cooperation is mediated by three other major factors: resistance to the creation of binational or continental institutions involving substantial transfers (as opposed to the limited delegation) of sovereignty, the decentralization of policy processes in both countries, and the latter’s expression in different approaches to reconciling regional interests within national politics. This regional dimension is more visible in Canada, where it is expressed through powerful provincial governments’ control over many aspects of economic policy. But it is also deeply embedded in the structures of US congressional and special interest politics.

### **Lack of Formal Political Integration/Weakness of Shared Institutions**

A fundamental contrast between North America and the European Union in recent decades has been the deliberate choice of national governments *not* to use NAFTA to create shared political institutions on either a bilateral or a trilateral basis, as opposed to the European Union’s longer-term trend toward greater political integration. These choices have reflected the clear and persistent attitudes of policy makers and publics in both the United States and Canada – despite the persistent willingness of Mexican elites to pursue more extensive integration.<sup>23</sup>

Processes for bilateral and trilateral policy coordination under the Security and Prosperity Partnership of North America (2005-8), while serving as a lightning rod for nationalist elements in all three countries, lacked any mandate to pursue legislative changes. Instead, they were explicitly designed to address only those administrative measures on which bilateral or trilateral consensus could be achieved.<sup>24</sup> Similar concerns have

been expressed over bureaucratic processes to strengthen cooperation on border security and regulatory issues announced in the Washington Declaration of February 2011.<sup>25</sup>

### **Policy Decentralization**

Another major result of this extensive interdependence is that Canada–US relations are highly decentralized, unlike each country’s relationship with virtually any other country. Neither country is a unitary actor in its bilateral or North American relationship. As with broader trade policies, Milner notes that “no single group sits at the top: power or authority over decision-making is shared, often unequally. Relations among groups ... entail reciprocal influence and/or the parceling out of distinct powers among groups.”<sup>26</sup> Rather than being focused on relations between heads of state and their respective foreign ministers, most intergovernmental relations, from important sectoral policy issues to day-to-day contacts, are carried out through transgovernmental relations: extensive networks of personal and institutional contacts among officials of each country’s executive departments and regulatory agencies.<sup>27</sup> Although power politics are not absent from either the domestic or the cross-border dimensions of these relations, the overlap and interpenetration of economic and social interests between the two countries generally limit the extent to which political action on one set of issues is explicitly linked to corresponding action on other sets of issues.<sup>28</sup>

The extent of intergovernmental, economic, and societal relationships also brings into focus important differences between the two countries’ political systems. The breadth and depth of Canada–US economic, societal, political, and administrative relations have resulted in the widespread distribution of responsibility for different elements of the relationship across dozens of executive departments and agencies in both governments. This reality is reinforced by the decentralized character of congressional policy making, the US executive branch’s frequent deference to Congress on domestic and North American policy issues, and in recent years the steady growth of cross-border relations among subnational governments.<sup>29</sup> Some observers have described this process as the politics of “fraggementation”: the interaction of integrating and fragmenting tendencies at multiple levels of analysis.<sup>30</sup> As a result, Canadian governments that pursue favourable policy outcomes – or seek to avoid unfavourable policy outcomes – in Washington must engage not one but two American governments: the current administration and Congress.<sup>31</sup>

Conversely, the processes of federalism and intergovernmental relations serve many of the same functions for Canadian politicians and civil servants as the interactions of the executive and Congress do in Washington. Provincial governments typically enjoy far greater political, regulatory, and budgetary power relative to their federal counterpart than do American states, whose legislative authority can often be neutralized through the unilateral application of federal authority. As a result, the capacity of Canadian government officials to deliver policy outcomes desired in Washington is often constrained by the prospect of having to secure provincial acquiescence or consent to federal actions whose implementation might require provincial cooperation.

As a result, the resolution of competing interests and policy conflicts, or the introduction of new policy and institutional arrangements, often resembles a “two-level” or “multilevel” game in which officials of each government (and sometimes outside policy entrepreneurs) attempt to assemble compatible coalitions of interests in each country and often in other international settings.<sup>32</sup> Such “gamesmanship” is necessary to legitimate proposed changes and secure the necessary support to navigate them through each country’s very different policy processes.

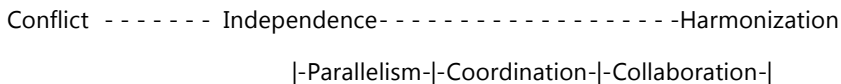
### **National and North American Governance in a Broader Global Context**

The decentralization of governance within North America tends to parallel the decentralization of global governance and for many of the same reasons. Technical issues of financial sector regulation, competition law, intellectual property law, and many others are embedded within specific national legal and institutional contexts. Reconciling these national differences (or supraregional ones, as with the European Union) can be accomplished more easily in sector-specific forums that can be used to structure shared principles to enable mutual recognition of national or regional standards oriented toward similar policy objectives. Such arrangements are often reinforced by extending “national treatment” to participating countries’ citizens and businesses.<sup>33</sup>

### **Continuing Policy Differentiation amid Economic and Policy Integration**

The result is a varied mix of cross-border policy styles outlined in Figure 1.1, ranging from *independence*, in which the two countries make and implement policies in selected areas largely without reference to each

**FIGURE 1.1**  
**The continuum of Canada–US policy relations**



SOURCE: Gattinger and Hale, *Borders and Bridges*, 13.

other; to *parallelism*, in which one government might unilaterally adopt goals comparable to those of the neighbouring country but use different mixes of policy instruments and settings in recognition of different domestic institutions and conditions; to *coordination*, involving mutual adaptation by governments in the pursuit of common policy goals; to *collaboration*, involving the exchange of data, expertise, and knowledge in pursuit of common objectives; and to *harmonization*, referring to the development of common policy frameworks characterized by similar and often common policy instruments.<sup>34</sup>

As noted by Hale and Gattinger, this continuum is at least two-dimensional in nature since transgovernmental relations in specific policy fields are shaped by the relative centralization and decentralization of policy processes in each sector (and often their different subsectors) and by the number and diversity of domestic interests implicated in relevant national and cross-border policy communities.<sup>35</sup>

Thus, as the processes of “intermesticity” progressively blur traditional distinctions between domestic and foreign policies, the effectiveness of Canadian policies in both spheres often depends on engaging American domestic policy actors and processes whose effects frequently transcend national boundaries or, more simply, influencing American policies toward Canada.

**Conceptualizing American Policies toward Canada**

*The United States doesn't have a Canada policy. It has Canada policies.*

– Confidential interview, US Department of State, 2006

The decentralization of the American political system, the exceptional breadth and depth of the bilateral relationship, the challenges of effective policy coordination within both governments, and Canada's relatively low political profile in the United States combine to ensure that "there is no single American policy towards Canada, but rather a number of policies applied at different times."<sup>36</sup> The diversity and decentralization of political, economic, and societal relationships inherent to bilateral relations are shaped, in turn, by different mixes of domestic political considerations, bureaucratic politics reflecting competing institutional interests *within* each government, and the personal agendas of senior policy makers.<sup>37</sup>

Canadian historians Edelgard Mahant and Graham Mount suggest that US policies toward Canada tend to fit into five broad categories: "exceptionalism," "exemptionalism," alliance related, unilateral and deliberate assertions of American power, and inadvertent effects arising from domestic policy processes.<sup>38</sup> In reality, particular policies can combine elements of more than one of these categories.

The first category, exceptionalism, suggests that American policies toward Canada are distinctive. Such policies can reflect either US recognition of Canada's distinct interests as an independent ally or its capacity to make a distinctive contribution to US interests. The idea of exceptionalism is sometimes described as "the special relationship"<sup>39</sup> – a phrase also used to describe the periodic pursuit of political and military partnerships as a major element of Canadian and British foreign policies since the Second World War. However, the erosion of Canada's relative economic and military position in the industrial world since the 1950s, the retirement of senior officials who worked together to build the post-Second World War international order, and past efforts to assert greater distance from Washington in international relations have largely eroded Canada's claims to any such relationship in Washington.<sup>40</sup> So have the decline of the "imperial presidency," the reassertion of congressional power over economic, trade, and, to a lesser extent, foreign policies, and the substantial decentralization of power in Congress between the 1970s and the 1990s.<sup>41</sup>

Examples of exceptionalism in American policies toward Canada tend to be heavily weighted toward the "political-strategic" dimension of the relationship, discussed further in Chapter 2, or toward security issues directly related to Canada's geographic location – sprawled across the "top" of the North American continent. These factors contributed to the creation of NORAD, the North American Aerospace Defence Agreement, the Defence Production Sharing Agreement of 1958, which formalized the effective

integration of the two countries' defence industries, and broader issues of defence cooperation.<sup>42</sup>

President Gerald Ford's inclusion of Canada in the G-7 (now G-8) summits during the 1970s was a way of balancing the preponderance of European nations whose interests often diverged significantly from those of the United States.<sup>43</sup> When bilateral tensions over the nationalist policies of the Trudeau government threatened to get out of control in the early 1980s, Secretary of State George Shultz initiated quarterly meetings with his Canadian counterpart, Allan MacEachen, as a way of facilitating the timely sharing of information, lowering tensions, and ensuring high-level attention to ongoing issues.<sup>44</sup>

More recently, heightened security concerns after 9/11 resulted in the negotiation of the Smart Border Accord, a comprehensive agreement formalizing extensive cooperation on security issues along the two countries' shared border. This process, which became the model for a similar agreement between the United States and Mexico, contributed to the creation of the Security and Prosperity Partnership (SPP) announced in 2005 to coordinate assorted security, regulatory, and microeconomic policy arrangements among the three countries. However, as with the SPP, quietly abandoned by the Obama administration shortly after taking office, most such arrangements require ongoing political support and bureaucratic commitment to survive the cross-currents and shifting priorities of domestic politics in each country. Elements of the border action plan released in December 2011, which aimed to formalize a bilateral security perimeter, suggest that the White House remains open to "exceptionalist" policies with Canada to the extent that they complement broader US policy goals.

The second category, exemptionalism, has a long history resulting from the two countries' economic interdependence. Canada has repeatedly sought and often received exemptions from US policies intended to regulate international capital flows, in recognition of the historical dependence of Canadian firms (and some Canadian governments) on US capital markets to finance their expansion and operation. Canadian citizens traditionally were exempted from having to show a passport when entering the United States, a reciprocal privilege based on the close social and economic ties linking communities in both countries. Although this exemption has been removed for both Americans and Canadians entering the United States, domestic political pressures led it to be replaced by provisions for enhanced drivers' licences issued by state and provincial governments based on common standards – suggesting a partial shift from exemptionalism to

exceptionalism.<sup>45</sup> The politics of exemptionalism are most visible in the fine-tuning of microeconomic or regulatory initiatives in the day-to-day activities of diplomats, interest groups, and policy makers on each side of the border.

A third category, policies toward allies, is visible both in traditional US diplomacy and in the growth of specialized international networks to coordinate or negotiate technical policy and administrative arrangements between the United States and other nations. Such agencies can provide a forum to negotiate policy differences or develop broad principles and guidelines for policy coordination, particularly among industrial countries. They can also be used to project US policy goals or arrangements in particular policy fields.<sup>46</sup> Regional trade agreements such as CUFTA and NAFTA have clearly been used as vehicles to advance each country's trade policy agenda within GATT (and subsequently WTO) negotiations. Other policies, such as the post-9/11 Container Security Initiative, began as bilateral projects that were subsequently extended internationally through the World Customs Organization. Pressures applied to NATO allies, including Canada, to increase their defence spending by the Clinton and Bush administrations both before and after 9/11 would also fall into this category.

A fourth set of policies – ones that treat Canada as a “dependent” or “satellite” nation – is more likely to arouse tensions. Such policies often involve efforts to project American power through the extraterritorial application of American laws (though such arrangements rarely single out Canada for “special treatment”) or the systematic use of regulatory pressures or private litigation to secure political and economic concessions in bilateral disputes. Although it is tempting for some observers to dismiss the use of terms such as “dependent” or “satellite” as emotive or ideologically driven terms inconsistent with serious policy analysis, references to Canada in the mainstream US foreign policy literature often comment on its economic and/or military dependence on the United States as a significant, if not defining, characteristic of Canada's position in regional and global politics.<sup>47</sup>

This category, open to both subjective interpretations and ideologically driven disputes, is both the most contentious and the most difficult to define with precision – particularly since it is often asserted in connection with national security-related policies that highlight differences of substance or emphasis between US and Canadian foreign policies. Long-standing debates over measures such as the Trading with the Enemy Act, the Helms-Burton Act of the early 1990s, the US Department of State's

International Trade in Arms Regulations (ITAR), or more recent restrictions on international banking activities point to the fine line between interdependence and “intervulnerability.” Some American observers argue that such policies are merely variations of American policies toward allies that define the limits of behaviour considered acceptable for “allies” or their citizens seeking economic benefits from doing business with US firms or strategic industries.

Equally contentious, especially for Canadians, are measures that provide for the extraterritorial application of economic policies by private interests – notably the use of US trade remedy laws to enforce the policy preferences of American interest groups in areas historically reserved for other countries’ domestic policy spheres. The repeated disputes over Canadian softwood lumber exports to the United States, culminating in the managed trade agreement of 2006, are probably the outstanding example of this category in recent years.<sup>48</sup>

Not included in this category are US government objections to Canadian policies that might affect American domestic interests adversely; these objections mirror Canadian objections to US domestic policies that ignore or adversely affect Canadian interests. Such disputes often overlap with partisan and interest group contests *within* Canada, such as debates over the National Energy Program of the early 1980s, the intensification or liberalization of foreign investment restrictions, or the demonstration effects of changes to sectoral economic regulations in fields such as transportation, financial services, and telecommunications.

Finally, the realities of economic integration between the two countries often result in measures that appear to fall into the fifth category: policies that often “forget or ignore” Canada unless or until technical adaptations can be made to US legislation to accommodate Canadian interests, circumstances, or sovereign rights. Such measures are often sectoral or micro-policy initiatives designed to apply in a US domestic policy context, whether by the executive branch or, more often, Congress. They create much of the day-to-day workload of Canadian diplomats in the United States – both in monitoring proposed legislative and regulatory measures for their prospective impacts on Canada and in attempting to influence, adapt, or counter measures that might be seriously detrimental to Canadian governmental or societal interests.

As noted above, the result of “dispersed relations”<sup>49</sup> on political, security, and related economic issues is that bilateral relations are often the product of a series of two- (or multi) level games with differing patterns of



cooperation, “satisficing,” or conflict in which the behaviour of each party is contingent on the other’s expected response. Milner suggests that “cooperation may be tacit, in which parties retain considerable freedom of action, negotiated or coercive – involving the actual or threatened use of unilateral action.”<sup>50</sup>

Coordination, whether formal or informal, can involve “mutual enlightenment” on participants’ policy goals and intentions; “mutual reinforcement” of policy goals to overcome domestic or foreign opposition; “mutual adjustment” involving adaptations of national policies to reduce conflicts; or “mutual concessions” in which policy adjustments by one state are conditional on reciprocal adjustments by another.<sup>51</sup> One key element in this process is the building of supportive (and sometimes oppositional) coalitions of domestic interests in each country that anticipate benefits (or potential losses) from the details of such agreements. It can also involve efforts to defuse domestic opposition from groups with competing interests and policy objectives.

The concept of political actors “gaming” the system results from competition among overlapping and competing political, bureaucratic (or institutional), economic, and societal interests that attempt to project their *particular* policy goals onto relevant policy processes – whether legislative, regulatory, or diplomatic. In contrast to the traditional “high politics” of international relations among authoritative state actors, these processes are heavily influenced by “low politics” in which governments do not consistently function as unitary actors. Both the institutional interests of political and bureaucratic actors and the economic and other policy goals of societal actors often encourage the decentralization of policy processes noted above. These factors can contribute to cross-border or broader international cooperation by limiting the range of actors to be consulted or accommodated on any issue or set of related issues or by cultivating cross-border policy communities that develop a shared outlook on specific policy issues.<sup>52</sup>

However, as noted by Hale and Gattinger, the challenges of mobilizing political, bureaucratic, and interest group support to manage and reconcile cross-cutting interests and policy objectives increase in proportion to the number and range of interests in each country implicated in such policy communities. As a result, two-level games that attempt to balance international cooperation with domestic legitimacy can evolve into complex multilevel games that constrain national governments from serving as

unitary, let alone autonomous, actors. These realities are visible within individual governments (as with interdepartmental or interagency competition in setting priorities or competing for scarce resources), between different governments (as in Canada's relatively decentralized federal system), or between independent branches of government (as in relations between the US executive branch and Congress and between the two houses of Congress).<sup>53</sup>

Any study of American policies toward Canada – or of the interaction of primarily domestic policy processes in each country – must thus come to grips with three basic realities that increase the challenges of being able to relate particular elements of the bilateral relationship to a coherent picture of the whole.

*First, neither the United States nor Canada is a unitary actor politically or economically. There are too many competing political, institutional, economic, and social interests at play for either country to speak consistently with one voice – except when faced with serious crises that transcend major partisan and ideological differences.*

This assessment of the Canada–US relationship fundamentally challenges the central assumption of traditional international relations built on dealings among sovereign national states serving as authoritative representatives of their countries' interests and citizens. This challenge can be threatening for both Americans and Canadians alike. For many Canadians, it suggests that the federal state's capacity to assert or defend their interests in dealings with the United States is contingent on the ability of its leaders or diplomats to secure the support of foreign political leaders or domestic political interests in a foreign country. For many Americans, it suggests either that foreign governments are "interfering" in what they view as primarily domestic policy processes or that particular "special" interests are cooperating with foreign powers in ways calculated to subordinate "American" interests and values to those of other countries.

*Second, bilateral policies are heavily influenced by the institutions and processes of particular policy sectors: their relative openness, the number and relative cohesion or diversity of institutions and interests associated with particular policy systems or subsystems, and the relative interdependence of domestic interests in each country.*

Policy processes and market activity can be studied at several different "levels of analysis" that interact with one another but that also require a degree of focus by policy makers and related economic and societal actors

who might not be able to influence the broader policy environment but must learn how to function effectively within it. At the level of particular policies, such conditions often lend themselves to the politics of “satisficing” and of working through informal channels to resolve potential conflicts or work out arrangements that are “functional” for both governmental and societal interests without attracting much public attention.

This approach, sometimes described as “quiet diplomacy,” is often criticized on both sides of the border, particularly by groups that perceive their interests to be threatened by the quiet arrangements of diplomatic or economic elites.<sup>54</sup> However, for many issues, it is an indispensable element in lubricating a relationship that has too many moving parts to be controlled by any single set of political or bureaucratic actors.

In this study, I explore four particular dimensions of the broader Canada–US relationship – political–strategic, trade–commercial, cultural–psychological, and institutional–procedural – building on concepts introduced a generation ago by American political scientist Charles Doran. Writing in 1984, Doran points to a third critical reality: “*the primary theoretical consideration in the U.S.-Canada relationship is that each government starts from different assumptions about international politics, and these assumptions in turn affect the weighting of the bargaining dimensions themselves.*”<sup>55</sup>

Doran divides the study of US–Canada relations into three broad dimensions. The first, the political–strategic dimension, addresses broad issues of foreign policy, national security, and international relations, including formal and informal systems of alliances and the role of international institutions in ordering relations between and among states. The second, the trade–commercial dimension, focuses on the economic dimensions of international relations and more recently the blurring of distinctions between domestic and international economic policies in response to the forces of economic globalization and North American integration. The third, the psychological–cultural dimension, explores the impact of domestic political cultures, competition, and concerns on the “democratic” context for policy making in other areas. Depending on trends in bilateral relations and the political evolution of each country, environmental policies could eventually become a fourth dimension, capable of shaping or constraining policy developments in other fields. Each dimension involves a variety of institutions and processes that help to structure bilateral relations – whether in the context of domestic, “intermestic,” or broader international relations.

I will then apply these concepts to three broad sets of policy issues: post-9/11 efforts to combine the enhancement of security measures with trade facilitation along the Canada–US border, energy and related policies, and the management of trade-related disputes that arise from continuing differences in the economic and regulatory structures of the two countries.

### **A Note on Methodology**

Of necessity, any topic as broad as Canada–US relations engages a rich variety of literature on both bilateral policy issues and their interactions with the domestic and foreign policies of each country. Not surprisingly, perspectives on these issues – and their locations within the broader literature – vary substantially between the United States and Canada. The conceptual framework of this book lends itself to a comparative approach – examining the institutions, interests, and perceptions of academics and practitioners in each country and the ways in which they influence both the actions and the perspectives of policy actors in each country.

I have evaluated and refined this theoretical background through extensive interviews with policy makers and analysts in each country – primarily with senior officials, policy practitioners, and government relations specialists in Canada, their counterparts in the United States, Canadian diplomatic representatives in the United States, US Embassy officials in Canada, selected provincial governments, business and other interest group representatives, and Canadian media representatives in Washington. I conducted more than 170 semi-structured interviews between late 2005 and early 2010, most on a “not-for-attribution” basis to allow policy makers, government officials at varying levels of responsibility, and other participants in the policy process to speak freely about their activities and engagements with various aspects of bilateral relations.

A significant dimension of Canadian efforts to influence American policies toward Canada also involves the processes of public diplomacy: the efforts of governments to influence broader patterns of public opinion both within their “host” country and in leading or responding to domestic public opinion. Here I assess the continuing efforts of Canadian government officials to engage public and interest group opinion in the United States at several levels, using both the public statements of government officials, analyses of media coverage in Washington, DC, and major regional centres, and published polling data in each country. I also note the perennial “two-audience” problem of Canadian diplomacy in the United States: the far

higher profile of bilateral issues in Canadian media outlets compared with American ones and the tendency of Canadian politicians to exploit this reality for domestic political purposes.

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