

have to abandon what is best about Canadian society or accept what is worst in the US model. It would mean that Canadians would recognize that the tide of history was moving us toward closer association with the United States, and that the correct response was to seek to manage the process so as to make the most of the economic opportunities while preserving what was important in Canadian society. Accordingly, the Canadian government should state clearly that it recognizes that the country's best future lies in closer association with the United States, and that it wishes to negotiate the terms of a new economic partnership, the updating of the military alliance, and the creation of new bilateral institutions for the discussion of problems and the management of continuing issues. Let us now look at each of these propositions.

### **A Canadian initiative**

It is essential that the initiative for a closer association come from Canada, the smaller and more vulnerable country. Canadians have been taught to be suspicious of the United States, and any suggestion from Washington for a new partnership would be viewed as a plot to steal Canadian energy, Canadian water or even Canadian identity. On the other hand, a Canadian government with the courage to announce a new approach to the United States would probably find a good measure of support from some of the provincial governments, the more energetic and enterprising business leaders, and commentators thoughtfully concerned about economic opportunity, cultural openness and military security. The opposition would come from nationalists, businessmen with interests to protect, and politicians trying to exploit the old fears of continentalism.

Prime Minister Mulroney at the head of a government with a fresh mandate has the opportunity to present the new strategy toward the United States not as a retreat from past mistakes but as a confident approach to the future. As for the United States, there is little doubt that a Canadian approach seeking closer association would be welcomed in the White House, the Congress and the news media. Americans like to be liked, and as a superpower often accused of imperialism, it is useful for the United States to be able to demonstrate to the world that it gets on well with its weaker northern neighbor. That is not to say that negotiations on the terms of association would be a pushover for Canada, but only that negotiations would take place in an atmosphere free from the acrimony of recent years.

### **Economic association**

A new economic association could take any one of several forms. A common market providing for the free movement of goods, services, capital and labor, and for a common Canada-US tariff against other countries, might make the best economic sense, but would present political problems. It would be necessary to create joint institutions to manage such an economic union. In view of the disparity in the sizes of the two countries, it is unlikely that the United States would allow Canada equal representation on decision-making bodies. That would mean that Canadian interests would be at the mercy of the American majority. Canada might seek to get around the difficulty by treaty provisions reserving control over such key sectors as energy, water resources and the cultural industries, but even

so, the surrender of sovereignty might be too much to swallow at one gulp. The situation would be different of course if Mexico were willing to enter the common market and sit on the decision-making bodies, as some commentators have proposed.

The lesser form of economic association known as free trade is the option that has been proposed by the Economic Council of Canada and by the Standing Senate Committee on Foreign Affairs. This would involve only the abolition of tariffs on specified areas of trade between the two countries — for example, the trade in manufactured goods. It would not effect the movement of capital or labor, or trade relations with other countries. Energy, water resources and other sensitive sectors of the economy need not be involved and would remain under Canadian regulation.

The basic argument in favor of free trade is that Canadian producers need guaranteed access to the US market in order to compete with large US and foreign companies. The secondary argument is that Canada has already agreed, at the GATT conference in Tokyo in 1979, to abolish tariffs on some goods and slash them on others to the point at which there will be effective protection for only a few industries by the time the new rates are fully implemented in 1987. And even where high tariffs remain — for example, on textiles, clothing and footwear — the Liberal government saw them as “a bargaining instrument to facilitate the negotiation of improved access to foreign markets for Canadian exports.” In other words, the government was prepared to reduce or abolish these remaining tariffs in return for access to the US and other markets, and in fact such negotiations are under way. As the Standing Senate Committee on Foreign Affairs put it, “The Tokyo Round has, in effect, left Canadian industry in the worst of both possible worlds — with tariffs too low to be effective protection and, at the same time, still without free access to a huge assured market as enjoyed by its competitors, the European Community, Japan, and the United States.” So decisions already made have committed Canada to something close to tariff-free trade with the United States.

But that does not obviate the need for a treaty with the US in order to deal with such non-tariff barriers as quotas, preferences and regulations designed to protect US producers against competition. In the absence of a free trade agreement, Canada may find itself still excluded from the US market by the non-tariff protective devices.

The argument against free trade has been that it would enable US corporations to close down their Canadian operations and supply the market from their plants south of the border. But this ignores the reality that tariffs are disappearing anyway under the GATT agreement, and it also assumes implicitly that Canadian workers in Canadian plants would not be able to compete successfully with US workers in US plants.

### **No sovereignty loss**

Underlying the arguments about free trade there has always been the fear that economic association would erode Canadian political sovereignty. There is no question that countries participating in a common market, as in Europe for example, do surrender some part of their sovereignty to the central authority in which they have a voice and a vote. It is a matter of paying for the benefits of sharing