

will move south of the border. (Analogous pressures in the other direction are rare, the only recent case occurring during the Vietnam War, when Canada's neutrality led many thousands of Americans to come to Canada rather than fight in that war.)

These one-way pressures have always been, and will always be, present. They have made Canadians aware of U.S. influence; they have made Canadian policymakers take account of this influence when setting policy; but they have not prevented some profound differences from developing in ingrained attitudes, and in social, cultural, and economic policies.

The purpose of this paper is to consider some of the dimensions in which there are concerns that the negotiation of an FTA with the United States would reduce Canada's ability to pursue an independent economic policy. We do not consider the question of an independent foreign policy or the issues around any alleged erosion of our existence of an independent political entity -- although we have discussed these elsewhere.¹ However, since some of our economic policies are directed at the market for cultural services, we do consider cultural policy. The paper draws on the results presented in a number of more detailed papers prepared for the C.D. Howe Institute by outside experts on specific topics. In the present paper, we first assess the status quo: pressures that currently act on Canada in the absence of an agreement, and those that may develop in the future. These pressures take two main forms. One is reactions in Canadian economic behavior to policy differences between the two countries. The other is U.S. regulations, policies, and laws that attempt to change Canadian behavior in ways that the United States considers desirable.

We then examine how an agreement to form an FTA might affect these pressures. Before commencing negotiations it is important to form an estimate of whether and where an FTA is likely to increase pressures on Canada to harmonize its policies with those of the United States.