

## THREE LESSONS FOR MEXICO FROM CANADIAN-AMERICAN RELATIONS

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### ABSTRACT

In the course of the twentieth century, beginning with World War I. Canada has become closely tied to the United States in a variety of ways. These links contributed to Canadian prosperity and a sharing of the comparatively high North American standard of living. In spite of the nationalist reaction in English Canada in the 1960's and 1970's the economic integration has continued and culminated in the 1988 Free Trade Agreement. This article argues that while Canada generally benefited from closer economic ties there were negative aspects. First, in the haste to build up trade with the U.S. in the 1930's, 1940's, and 1950's. Canadian policymakers tended to downplay Canadian nationalist concerns and thus made it easy for U.S. policymakers to underestimate the nationalist issue and its ramifications for the relationship. Second, the way in which economic integration went ahead side-by-side with closer military ties made it more difficult for Canada to pursue foreign policies free of U.S. influence. Third, the Canadian case warns us that notwithstanding government to government agreements there will always be powerful political, regional or sectorial lobbies in the U.S. which will seek to shape aspects of the general agreement in their favor. It is suggested Mexican policymakers be careful to keep foreign policy and trade issues distinct, and be aware of later amendments to a general free trade agreement by special interests in the U.S.

### RESUMEN

En el curso del Siglo XX, empezando con la Primera Guerra Mundial, Canadá ha llegado a vincularse con Estados Unidos de muchas maneras. Estos vínculos han contribuido a la prosperidad canadiense y a un nivel de vida relativamente alto por todo Norteamérica. A pesar del movimiento nacionalista en Canadá de habla Inglesa. En las décadas de 1960 y 1970. La Integración económica con Estados Unidos progresó culminando en 1988 en con Acuerdo de Libre Comercio. Este artículo argumenta que, aunque Canadá se ha beneficiado en general de estos lazos económicos bastante estrechos, también hubo impactos negativos. Primero, por su fuerte interés en aumentar comercio con Estados Unidos en los años 1930, 1940 y 1950. los formuladores de política canadienses tendieron a menospreciar las angustias nacionalistas canadienses, y por eso los formuladores de política estadounidense también acabaron menospreciando estos mismos intereses nacionalistas y sus implicaciones e importancia en la relación bilateral. El segundo punto es que la manera en que la Integración económica procedió conjuntamente con lazos más estrechos en consideraciones militares hizo más difícil para Canadá desarrollar una política exterior libre de influencias estadounidenses.

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Tercero. El caso canadiense advierte que, a pesar de acuerdos entre gobiernos, siempre habrá camarillas de cabilderos a nivel regional o sectorial que buscarán la manera de orientar varios aspectos de los acuerdos generales a su propio beneficio. Se recomienda que los formuladores de política externa y de comercio exterior sean cuidadosos respecto a los acomodos racionales a la agenda nacionalista mexicana, y que se protejan contra enmiendas posteriores Impuestas por Intereses estadounidenses.

THE current talks between Mexico, Canada and the United States seem to be very much a product of late twentieth century conditions in the world economy. The twin challenges from Japan and the European Community suggest the need for the three neighbouring nations in the American to move decisively towards a more integrated trade and investment relationship and thereby prepare the way for a viable counterpoise to the economic powerhouses in the Pacific and Europe. When commentators take stock of the three-way talks they assume the issues can only be viewed in terms of recent and contemporary developments. There is little sense that historical patterns have anything useful to contribute to our understanding of what is going on. However, there is at least one remarkable historical parallel to the current discussions and several characteristics of past U.S. policy thinking that do shed light on the dynamic of this tripartite relationship. In 1910 Charles Pepper and H.C. Davis of the Bureau of Trade Relations wrote a memorandum on "Trade Relations with Canada, Newfoundland and Mexico" which took a longterm view of U.S. goals with respect to the entire area now the subject of the talks.<sup>1</sup> In addition to special documents like this which provide clues to the evolution of strategic thinking in the U.S. with respect to Mexico and Canada, the general pattern of the U.S. response to Canada provides some helpful insights into U.S. attitudes and lessons which may be useful to those involved in the current negotiations.

There are obviously significant differences between Canada and Mexico which make close parallels in their situations awkward and strained. The geographic and demographic differences have put Canada and Mexico in fundamentally different situations. Canada is

1 Charles M. Pepper and H.C. Davls. "Trade Relations Between Canada, New-founland and Mexico." Bureau of Trade Relations. 23 May 1910, Department of State Decimal File [hereafter DSDFJ, 1910-1929, Box 5795, Record Group 29 [RG 29], National Archives Washington D.C, [hereafter NA]. Hereafter cited as Pepper Memorandum 1910.

a huge northern country with a comparatively small population, most of which lives within two hundred miles of the U.S. border. Canada is divided by the perennial struggle to define an acceptable relationship between Quebec and English speaking provinces. While Mexico certainly has ethnic strains within its borders there is no structural parallel to the separatist tendency in Quebec, and the cultural and political center of gravity is well south of the U.S. border. Above all, Mexico has been independent from Spain since the early nineteenth century whereas Canada never had a war of independence and has only slowly evolved into an independent state within the peculiar context of the British empire and commonwealth. In spite of such differences, however, the contiguity to the U.S. does give Canada and Mexico something uniquely in common. In the course of the nineteenth century both countries suffered from the effects of U.S. expansion, the Mexicans most dramatically in the 1846 war which ended with the loss of the last Texas territory, northern California and the southwest. A major theme in nineteenth century Canadian history from the U.S. invasion of 1812 to the Fenian raids in 1866 is resistance to American expansion, and Canadians are still convinced that a large chunk of New Brunswick was lost to the U.S. by the 1842 Webster-Ashburton treaty.<sup>2</sup> By examining the main features of the U.S. response to Canada some lessons maybe learned about the way in which the U.S. views its neighbours and its prerogatives as the dominant economic and military power in this part of the world.

The Pepper-Davis memo was written in 1910 and was one of the key documents prepared by the Taft administration as it decided to seek a reciprocal trade treaty with Canada. In the first decade of the new century several circumstances had come together to create favorable conditions for a re-thinking of U.S. policy towards Canada. In domestic politics the Republicans were coming under increasing pressure because of their protectionist policies which in Canada's case had been in place since the abrogation in 1866 of the old 1854 reciprocity treaty. The Democrats pointed out that protection increased the cost of living for the millions of Americans now working and living in the large industrial cities that had grown up in the midwest and northeast since the middle decades of the nineteenth century. While there were sufficient food supplies in the U.S., the rapidly increasing urban population combined with the closing of the

<sup>2</sup> Reginald C. Stuart, *U.S. Expansionism and British North America 1775-1871* (Chapel Hill, 1988) Is a comprehensive and reliable account of this era of expansion and Its Impact upon Canada.

frontier, and the end of cheap land in the west meant that there would be an upward pressure on food prices and cost of living. Within the Republican party those who preferred a stand-pat policy on tariffs were accused by tariff revision advocates of opening the party to electoral disaster. Linked to these developments was a concern about the depletion of natural resources within U.S. boundaries. This issue was given prominence by Theodore Roosevelt, who organised a national conference on the topic in 1908. Roosevelt placed the issue in a continental context and wrote ominously to Prime Minister Wilfrid Laurier of Canada that “the progress of the people of the United States obviously depends on the availability of natural resources and it is evident that natural resources are not limited by the boundary lines which separate nations...”<sup>3</sup> It was in this setting that Pepper and Davis wrote their memorandum. They went beyond these current preoccupations, however, to argue that the future of the U.S. required policymakers to think of the entire region from Newfoundland to Mexico as one single area of economic activity. American policy should be formulated “on the basis of geography, that is, the special relation resulting from contiguous territory.”<sup>4</sup>

The United States was also anxious in these years about the growth of strength in Canada’s imperial ties. The imperial federation movement and the campaign for tariff reform in Britain created the possibility of an empire trade bloc emerging which would pull Canada away from her more natural destiny as a North American state. It was precisely this goal of weakening the empire tie that led to the defeat of the policy devised by Pepper and Davis and implemented by Knox and Taft. In Canada the Liberal government of Wilfrid Laurier which had negotiated the agreement was defeated in the 1911 election and reciprocity was finished for the next twenty-five years. The grand plan of the memo therefore remained only in the realm of the academic. Nevertheless, the manner in which policy experts were linking up the destinies of all three countries as early as 1910 is a sign of the deep historical forces working to bring Canada, Mexico and the U.S. into a more integrated economic relationship.

## 1

The most enduring feature of the U.S. response to Canada from independence to the 1930’s was the goal of disengaging Canada from

3 Theodore Roosevelt to Wilfrid Laurier, 24 December 1908. Theodore Roosevelt Papers, Series 2, Reel 353, Vol. 89.

4 Pepper Memorandum 1910.

the British empire-commonwealth. Throughout the nineteenth century Canada was viewed as a troublesome aspect of the worldwide British commercial and territorial expansion, which often appeared threatening to American interests. In the first forty years after independence Canada was feared as a British military base that could be used to stunt the growth of the new republic. The War of 1812 brought this fearful phase to an end but the U.S. remained suspicious of any signs suggesting the strengthening and expansion of Canada as an imperial outpost in North America. As long as Britain remained interested in Texas and Oregon, Canada was viewed in this light. In 1845 the U.S. Minister in London, Louis McLane, described British actions in North America as designed "to encourage the novel idea of regulating and supervising the balance of power on the American continent."<sup>5</sup> The U.S. acquisition of Texas, the settlement of the Oregon question and the winning of California and the southwest as a result of the Mexican War finally put these U.S. fears to rest. Moreover, with the ending of the old imperial trading system in the 1840's as Britain shifted to free trade policies, U.S. officials thought the empire was entering the last stages of dissolution. The signing of the Reciprocity Treaty of 1854 with Canada was taken as a sign that Canada would now be required to develop economically in a North American setting, complementary to the U.S. rather than antagonistic as it had been under the old system of imperial preferences. In so far as Secretary of State William Marcy had any grand expectation with respect to the 1854 treaty it was that freer trade between British North America and the U.S. would lead to a weakening of the imperial tie. Canada's apparently pro-Confederacy role during the Civil War and the creation in 1867 of an enlarged Canada that within three years stretched across the continent from the Atlantic to the Pacific, provided a setback to these U.S. expectations that Canada's imperial phase was ending. By now the U.S. was powerful enough economically, militarily and in terms of territory that there was no longer any fear that Canada was a threat to U.S. dominance of the continent but there was an annoyance, reflected in a stiffer U.S. tariff policy, that Canada, with British support, was striving for "a second Empire"<sup>6</sup> in North America. Republican administrations from the 1860's to the 1890's hoped, as Secretary of State

5 Louis McLane to James Buchanan. London, 1 December 1845. In William R. Manning, *Diplomatic Correspondence of the United States. Canadian Relations 1784-1860* (Washington, 1940-1945), Vol. I, p. 986.

6 *The American Economist*, 8 November 1889, pp. 299-300; Robin Winks, *Canada and the United States. The Civil War Years* (Baltimore, 1960).

James Blaine made clear in 1892 when he rejected Canadian overtures for a new treaty, that high tariffs would bring Canada to its senses, force Canada to turn away from empire dreams and sue for some kind of economic accommodation to the U.S.

The resurgence of British imperial ideology in the 1890's and Canada's economic boom in the grain producing Prairie provinces during the first decade of the twentieth century suggested the failure of the Republican course since the Civil War and the Taft administration policy shifted back to the earlier one of attaching Canada to the U.S. through freer trade. In contrast to the 1850's, however, this time there was a much more systematic review of circumstances, including the analysis by Pepper and Davis which put Canada-U.S. trade in the context of hemispheric patterns likely to develop in future years. The U.S. goal in the 1911 reciprocity agreement was to break the Imperial orientation that had been revitalised since the 1890's and to gain access to Canada's grain supplies and her raw material potential. The policy failed because of the strength of imperial sentiment in Canada which was able (with the help of incautious crypto-annexationist rhetoric by Taft) to present reciprocity as the first step in a U.S. takeover of Canada.<sup>7</sup>

The agricultural problems in the U.S. in the 1920's made any new overtures to Canada impossible but the impact of the Great War, the Depression and World War II undermined the remnants of Canada's imperial orientation. As Jack Granatstein and R.D. Cuff have so effectively demonstrated, during the 1914-1918 war Canada was forced to turn to U.S. capital markets.<sup>8</sup> By the late 1930's and the 1940's Canada had moved dramatically into a network of comprehensive economic and military ties with the U.S. In 1947 the Canadians were even scouting the possibility of complete free trade between the two countries as the only sensible solution to Canada's trade and fiscal problems. The free trade discussions in 1947 foundered because of a lukewarm reception in the U.S. and a fear on Prime Minister Mackenzie King's part that there would be a repeat of 1911 with opponents able to argue that this was selling out Canada's independence to the U.S. But the economic pressures were remorseless. Canada's imports and exports both depended so heavily on the U.S. that no alternative solutions presented themselves. Attempts at

7 L. Ethan Ellis, *Reciprocity 1911* (New Haven, 1943); Robert Hannigan, "Reciprocity 1911: Continentalism and American Weltpolluk," *Diplomatic History*, Vol. IV (1980), pp. 1-18.

8 J.L. Granatstein and R.D. Cuff, *Canadian-American Relations in Wartime: from the Great War to the Cold War* (Toronto, 1975).

a so-called “third option” in the 1970’s of seeking to increase trade with Japan and the European Economic Community did not alter this fundamental reality. Throughout the late nineteenth century Conservative governments in Canada had deployed the national policy as a means of building a viable east-west economy, as a counter-weight to U.S. influence. In the 1980’s the Conservative government of Brian Mulroney staked its political life on initiating and concluding the free trade agreement with the U.S. This linking up of the two economies and tightly binding Canada into an integrated North American economic system had been, “an objective of U.S. foreign policy since the founding of the republic.”<sup>9</sup>

The second basic characteristic of the U.S. response to Canada was the belief that geography was on the U.S. side and that if the forces shaped by geography were permitted to function without hindrance, Canada would naturally be drawn into an integrated relationship economically with the U.S. In the 1783-1854 period U.S. administrations had complained that British and Canadian trade restrictions blocked natural trade channels within North America (for example, down the St. Lawrence river) and between the continent and the West Indies. In the post-Civil War decades Canadian transportation policies, largely financed by British capital, were criticised on the grounds that they created artificial east-west routes far to the north of population concentrations and that they were therefore British imperial devices to syphon off Pacific and continental trade through British-Canadian rather than U.S. routes. American policymakers responded with formulations about the north-south economic linkages that ought to exist between the Maritime provinces and New England, central Canada and the midwest, and between British Columbia and the U.S. west coast. Israel T. Andrews, who served as an expert on Canadian policy in the 1840’s and 1850’s, had always referred to the unity of “the hydrographic basin of the Great Lakes” in his reports to the State Department and Congress.<sup>10</sup> In 1910 Pepper used phrases such as “the natural channels of commerce” and “contiguity and identity of interests.” When Justifying their Canadian policy to domestic lobbies, Taft administration officials explained it on a geographical basis. John Osborne, chief of the Bureau of Trade Relations, made

9 Memorandum by Assistant Secretary of State for Economic Affairs Thorp to Robert Lovett, Washington, 8 March 1948, *Foreign Relations of the United States 1948*, 9, p. 406.

10 U.S. Congress, Sen. Ex. Doc. num. 23, 31st. Cong., 2nd. Sess. (1851); Sen. Ex. Doc. num. 112, 32nd. Cong., 1st. Sess. (1852).

the point that U.S. policy towards Canada “should be differentiated, even sharply and radically, from that pursued towards European countries and the world in general.” In a note to Charles Hilles, private secretary to Taft, Pepper observed that “the reciprocity agreement is desirable for geographical and other reasons which do not apply to Argentina, Australia, China etc.”<sup>11</sup> This conceptualization remained a prominent feature of U.S. thinking as policymakers became aware of the vast store of natural resources in the northern part of the continent. In 1913 Canada accounted for 13% of U.S. raw material imports; by 1950 this had risen to 27% -a larger increase than any other supplier country. By the 1930’s background experts such as professor W.Y. Elliott of Harvard were preparing reports on longterm strategies to secure access to these continental resources.<sup>12</sup> By 1935 Pierre De L. Boal, the U.S. Charge in Ottawa, coined the phrase “a special contiguous country economic regime.”<sup>13</sup> Implicit in such phrases were the ideas expressed by John Adams, Benjamin Rush and Albert Gallatin in the 1820’s, Andrews in the 1840’s, and Pepper, Davis and Osborne in 1910 that contiguity and the north-south grain of the continent ought to guide U.S. policy.

The goal of disengaging Canada from the empire and the notion that geographical contiguity ought to tie Canada into the U.S. economy were present from the earliest days of the republic. By 1910 these had been transformed (if only briefly) into a self-conscious policy in the minds of Pepper and other experts working in the Taft administration. By the 1930’s and 1940’s they had become the stuff of routine remarks in diplomatic correspondence. But to describe the main features of the U.S. response to Canada only in these terms obscures as much as it clarifies. The biggest single impact that the U.S. had on Canada was not by means of policies proposed by the likes of Andrews and Pepper but was by means of tariffs. In a revealing comment on this bedrock reality Canadian Prime Minister Arthur Meighen, as he summed up the challenge of governing Canada, observed that the tariff was of overriding importance. “Give me control of the tariff policy of the United States for a period of ten years and I can do more for the welfare of Canada than I could do for it

11 Charles H. Pepper to Charles D. Hilles, 19 June 1911. Taft Papers. Vol. 399, c543; Pepper to W.H. Hoyt, 28 March 1910, DSDF 1910-1929, Box 5774, RG59, NA.

12 W.Y. Kiljot. to John D. Hickerson, Cambridge. 27 February 1933; Elliot to President Roosevelt, Berkeley, 2 July 1935, DSDF 1930-1939, Box 3178, Box 3181, RG59, NA.

13 Pierre De L. Boal to Secretary of State Cordell Hull, Ottawa, 14 June 1935, FRUS 1935, Vol. 2, p.51.



as Prime Minister.”<sup>14</sup> In 1886, 44% of Canada’s exports went to the U.S.; by 1921 the figure was 46% and, after a dip in the 1920’s and 1930’s, it rose to 38% by 1945 and to 68% by 1982. The first U.S. Minister to Canada pointed out in one of his early reports that U.S.-Canadian trade had doubled every ten years since 1880.<sup>15</sup> In these circumstances the tariff level set by U.S. administrations had a major impact on the performance of the Canadian economy. However, the tariff levels with respect to Canada were barely influenced by the State Department until Secretary of State Cordell Hull’s reciprocal trade program began to have a limited impact in the 1930’s. As William Culbertson, for many years head of the Tariff Commission, noted in 1937, “our tariff rates are a product of regional and political compromises and not planned and coordinated in the national interest.”<sup>16</sup> In 1911 James Bryce, while British Ambassador to the U.S., had pointed out that the simplest way for the U.S. to achieve its aims of breaking Canada’s empire ties and gaining access to northern raw materials would have been to unilaterally drop its tariff barrier with respect to Canada.<sup>17</sup> But political considerations in Congress worked against longterm U.S. strategic interests in the case of Canada. Some policymakers such as Secretary of State James Blaine had hoped that a tough tariff stand would force Canada into being more accommodating. Blaine explained to President Harrison in 1891 that “we do not want any intercourse with Canada except through the medium of the tariff, and she will find that she has a hard row to hoe and will ultimately, I believe, seek admission to the Union.”<sup>18</sup> But Blaine and his protectionist colleagues were proved wrong. High tariffs hindered the achievement of U.S. goals by helping to provide fertile ground for the persistence of imperial sentiment and imperial economic ties. It took the twin shocks of depression and war in the 1930’s and 1940’s to undermine the unproductive tariff stance and prepare the ground for the “comprehensive policy” identified by Andrews as far back as 1857 and sketched by Pepper in 1910.

14 Pierre De L. Boal to John D. Hickerson, Ottawa. 15 April 1933, DSDF 1930-1939, Box 3179, RG 59, NA.

15 William Phillips Memorandum, Ottawa, 27 March 1929, DSDF 1910-1929, Box3, RG 59,NA.

16 William S. Culbertson, *Reciprocity: a National Policy for Trade* (New York, 1937), p. 93.

17 James Bryce to Earl Grey, 25 February 1911, FO 800/3334, Public Record Office, London.

18 Secretary of State James Blaine to President Harrison, 23 September 1891, In Charles Tansill, *CanadianAmerican Relations 1875-1911* (New Haven, 1943), pp. 435-436.

Beginning with the Reciprocal Trade Agreement of 1935, running through the Ogdensburg Agreement of 1940, the Hyde Park Agreement of 1941 and its successor arrangements, and culminating in the Free Trade Agreement of 1988, U.S. policy was dedicated to the encouragement of economic integration and facilitating the common exploitation of the continental market and continental natural resources.

This final U.S. approach towards Canada was solidly in place by the late 1940's and early 1950's. A confidential policy statement on Canada prepared in 1951 summed up the State Department's position. The first objective was to ensure recognition in both the U.S. and Canada that a special relationship exists by reason of "geographical proximity, cultural and social similarity and economic and military interdependence." The U.S. should work to remove as many barriers as possible. "The best integrated use of North American resources in people, materials and culture," continued the report, "can only be achieved if obstacles to their free flow across the border are kept to an absolute minimum." Coordination of the two economies was at the root of this integrative process. The trade and fiscal difficulties experienced by Canada in the late 1940's and the crisis in Korea had "created a powerful impetus in the direction of further integration, including large orders for critical defense materials such as nickel, zinc and copper..."<sup>19</sup> Two years later the U.S. Ambassador to Ottawa, Stanley Woodward, noted the accelerating pace of the steps "towards closer integration of economic policies between our two governments." The cooperation on military procurement and production begun during World War II had "paved the way for closer coordination in these fields than ever before enjoyed in time of peace.. The past two years have witnessed rapid expansion and close integration of the economies of the United States and Canada... Vast new natural resources of oil, iron and other essential materials have been discovered and are being developed... and the U.S. mobilization base has been extended to some degree into Canada."<sup>20</sup>

While giving first priority to further integration and coordination based on "geographical proximity" the State Department experts were well aware (after the 1911 experience) of the danger that too aggressive pursuit of such assimilationist goals might lead to a backlash of Canadian nationalism. Julian Harrington, when U.S.

19 Policy Statement on Canada (Green Booklet), Department of State, 19 March 1951. DSDF 1950-1954, Box 2773, RG 59, NA.

20 Stanley Woodward to Secretary of State, Ottawa, 13 January 1953, DSDF 1950-1954. Box 2773. RG 59, NA.

Minister in Ottawa, prepared a special report in 1949 on "The Development and Character of Canadian Nationalism" which sketched out how the U.S. should deal with this aspect of the relationship. He made the case that Canadian nationalism was a complex phenomenon because of differences between Quebec and the rest of Canada and because of enduring regional tensions. These factors hindered the development of "a positive national spirit" but, warned Harrington, the beginnings of such a modern nationalist spirit could be detected in reactions to "Canada's increasingly marked orientation towards the United States." "The nationalists," continued Harrington, "worry particularly over cultural and economic penetration by [the U.S.]" Harrington thought that this nascent nationalism "does not seem so far to have penetrated beyond the intellectual, artistic, political and governmental circles" to the great mass of ordinary people.<sup>21</sup> Nevertheless the State Department took the development of an anti-American Canadian nationalism seriously and the 1951 policy statement was emphatic on the need to avoid slights to Canadian sovereignty. "It is our policy," the report ran, "to avoid meticulously any action which might be construed as an infringement of Canadian sovereignty or a disposition to ignore or override legitimate Canadian interests...As a matter of policy the Department should be continually alert to detect and ward off any proposals which might wound Canadian susceptibilities."<sup>22</sup>

These warnings by American officials in the late 1940's were prescient. Through the 1950's the economic integration went on apace and was accompanied by widespread U.S. influences on Canadian society and culture. During the 1960's and 1970's a formidable Canadian nationalist reaction took place spearheaded on the political front by the New Democratic Party (successor to the Cooperative Commonwealth Federation which had worried U.S. embassy people in the 1940's). A range of countermeasures was undertaken to protect Canadian cultural, educational and business institutions from further U.S. influence. The content of radio and television programming was regulated and in 1973 the Foreign Takeover Review Act was passed in an attempt to monitor the impact of U.S. ownership of Canadian companies.<sup>23</sup> But in the midst of this

21 Julian Harrington to Secretary of State, Ottawa, 5 July 1949, DSDF 1945-1949, Box 5884, RG 59, NA.

22 Policy Statement on Canada 1951. op. cit.

23 J.L. Granatstein, "The Course of Canadian-American Relations since 1945." In Charles F. Doran and John H. Sogler eds., *Canada and the U.S.* (Englewood Cliffs, NJ, 1985), pp.45-68; Norman Hillmer ed., *Partners Nevertheless. Canadian-American Relations in the Twentieth Century* (Toronto, 1989) provide reliable commen-

reurgent Canadian nationalism, which incorporated some of the traditional Canadian fear of U.S. expansion in the nineteenth century, the main objectives of U.S. policymakers continued to be met. Canada's attempt to diversify her imports and exports by means of Japan and the European Community did not alter the fundamental reliance on the U.S. The signing of the Free Trade Agreement in 1988 and the subsequent victory of Brian Mulroney's Conservative Party were effective proofs of the success in U.S. policy in spite of the nationalist movement in Canada.

## II

Canada entered the free trade agreement with the U.S. because there were no economic options left. In the nineteenth century following the creation of confederation, the Canadian economy was able to grow because in addition to the U.S. market (in spite of U.S. tariffs) Canada was expanding westwards and Canada had access to British capital at a time when Britain was the leading economic power in the world. With the decline of Britain in the post-1918 years, the slowing down of internal expansion, the failure of Canada to break into the EEC and Japanese markets in any dramatic way in the 1960's and 1970's and 1980's, Canadians were left with no option but the U.S. In spite of all the nationalist tradition stretching back to the loyalists who had fled to Canada from the American revolution and kept alive during much of the nineteenth century in the face of perceived threats from the expanding U.S., even Canadian Conservatives, associated in the past with anti-American tariff policies, saw no alternative, if Canada was to remain a prosperous power, to closer ties with the U.S.

Mexico finds itself in a similar predicament. In the nineteenth century nationalist governments spumed U.S. trade advances because these were correctly seen as devices for the U.S. to gain control of Mexican resources. Mexico preferred to rely on internal growth with the help of capital from more distant threats. In more recent years state capitalism has been the preferred solution. But as the end of the century approaches, Mexican policymakers, like their Canadian counterparts, are being brought to the realisation that the patterns of world trade and geography leave them no alternative but closer ties with the U.S. In both cases this economic reality raises fundamental questions to do with nationalism and economic autonomy. The fear is that these closer ties will erode the ability of Canada

tarles on the relationship and the Impact of nationalism In the post-1945 period.

and Mexico to control not only their own economies but also their cultural life and their posture in world affairs. There are three lessons from the Canadian case which address these concerns.

The first and perhaps the most important lesson is that economic matters should be kept as distinct as possible from other aspects of the relationship. Looking back at the way in which Canada disentangled herself from British tutelage between 1918 and the 1950's while she gravitated towards the U.S., the striking thing is that economic integration was accompanied by intimate cooperation in the defense area which led many Canadians to lament Canada's loss of ability to pursue a foreign policy significantly different from that of the U.S. To be sure, the tremendous pressures resulting from the Second World War and then the Cold War were the basis for this linkage but many Canadian commentators have pointed out that the military and defense ties were entered into without enough thought given to longterm consequences for Canada. To give the government of Mackenzie King due allowance, the desperate circumstances at the beginning of World War II seemed to provide none of the alternatives that academics writing in their studies a generation later could propose so easily. Britain seemed on the verge of a German invasion, the possibility of German control of the North Atlantic and direct threats to Canada were real. Acting in this setting, Mackenzie King signed the Ogdensburg Agreement with President Roosevelt in 1940 which committed Canada and the U.S. to a permanent alliance for the defense of North America. As Pierrepont Moffatt, the U.S. Minister in Ottawa, pointed out at the time, the longterm consequences of this declaration were not fully appreciated. The agreement, he noted, "came at a time when circumstances forced every Canadian to approve it rather than at a time when it was adopted just because it was the wisest thing to do and Canadian opinion could freely debate its merits and reach this satisfying conclusion."<sup>24</sup>

The agreement led to comprehensive integration on the defense front, including joint production arrangements, and was followed after the war with the establishment of the North American Air Defence Command with its headquarters in Colorado. These close ties with the U.S. periodically led to anguished debates and occasional crises, particularly when Canadian nationalists claimed that the close ties prevented Canada pursuing an independent foreign policy. The tensions were at their most acute in the 1960's during a period of powerful nationalism in Anglophone Canada. The U.S.

24 Pierrepont Moffatt to John D. Hickerson, Ottawa, 22 August 1940, Hickerson Papers, Reel 5, NA.

response to Prime Minister John Diefenbaker's refusal of full cooperation during the Cuban missile crisis and the unwillingness of former Nobel Peace Prize winner and Diefenbaker's successor as prime minister, Lester Pearson, to be critical of U.S. policy in Vietnam were taken by nationalists as evidence that the defense ties had become so close that Canada was in effect unable to work free of U.S. influence. This picture of events is too one dimensional and recent Canadian scholarship has pointed out ill-considered actions and policies on the Canadian side.<sup>25</sup> Nevertheless it remains true that for the fifty years since Ogdensburg the benefits brought about by Canada's closer economic ties with the U.S. have always been tangled up with the question of Canada's autonomy on the world stage. Lesson number one then for Mexican policymakers is to avoid at all costs the linking of economic integration with foreign and defense policies. Canada's position in 1940-41 made such an approach well nigh impossible but Mexico has more room for manouever. The current world conditions following the collapse of the Soviet empire and the emergence of several centers of economic power should make this approach attainable for Mexican leaders. But Canada's experience emphasises the need for vigilance - keep economic and defense/foreign policy matters apart whenever possible.

Within the economic realm it is essential to watch closely to make sure that the grand strategic plans posited by U.S. negotiators are not subsequently undermined by sectoral or special arrangements that might work against basic Mexican interests. The Canadian experience warns that the goals of State Department experts and officials which might be agreed upon as mutually beneficial to Canadians or Mexicans and the U.S. are often amended by powerful lobbies. The so-called Reciprocal Trade Agreement of 1935, in spite of Secretary of State Hull's rhetoric about good neighbourliness, was severely curtailed by U.S. lobbies. President Roosevelt himself backed the New York dairy interests to ensure that limitations were placed on the import of dairy products and Canada's biggest export commodity, grain, was not even listed because of anticipated complaints from the U.S. farming interests suffering from the depression.<sup>26</sup>

A dramatic example of the interplay of special interests and State Department strategic planning occurred with the St. Lawrence

25 Robert Bothwell, Ian Drummond and John English, *Canada since 1945. Power, Politics and Provincialism* (Toronto, 1981), p. 205.

26 Francis Sayre Memorandum of Meetings at White House with President Roosevelt. Phillips, Grady, Sayre, DSDFI930-1939, Box3181, RG 59. NA.

seaway. It was opened in 1951 with much good-neighbourly flourish. But for *many* years the railroad and Atlantic ports interests in the U.S. midwest and on the east coast and privately owned power companies had opposed the seaway. In the end, a well-orchestrated push from the Department of Defense helped convince the Senate to approve the project. It was pointed out that the seaway provided a safer route than the open Atlantic for iron ore being shipped from Labrador to the industrial midwest. The open ocean routes had been threatened by submarine attack during World War II. In addition to this military consideration U.S. officials drew attention to the special situation of the great industrial cities in the upper midwest of the U.S. Assistant Secretary of State Dean Acheson emphasised the unusual position of the U.S. industrial heartland. In testimony before the Senate Foreign Relations committee he pointed out “that alone among the industrial powers the U.S. is unique in having its industrial cities far from ocean transport. In an increasingly integrated world economy there was a need for cheap raw materials to come in and manufactured goods to go out by ocean transport.”<sup>27</sup> In the case of the St. Lawrence seaway, behind the public speeches about good neighbourliness lay these considerations of U.S. national interest not shared with the Canadians. This example illustrates how on the U.S. side there are a range of interests which will be working to obtain their spin on any agreement. None of this is malicious or underhand. It is simply a reflection of the immense size and complexity of the U.S. policymaking agencies and the forces they respond to. It means simply that any agreement is subject to a range of pressures for changes or interpretations which may run against the apparently benign overall plan centering around bilateral cooperation. Lesson number two then is for Mexican policymakers to be vigilant over the details of each stage of the agreement and all proposed implementations of the agreement to ensure that Mexican goals in terms of trade, investment, labor issues and so forth are met. There needs to be a constant awareness that special interests within the U.S. government and within U.S. society and economy will always be at work to tilt the agreement in a particular direction.

The third lesson is less tangible because it concerns, tone rather than substance. There has been considerable debate among Canadian scholars with respect to the role of Mackenzie King, who was prime minister during the critical years from 1935 to 1949 when Canada’s economic and defense integration with the U.S. was

27 Dean Acheson Testimony to Senate Subcommittee on Seaway Project, U.S. Cong., 80th. Cong., 2nd. Sess., Sen. Rep. #810, p. 76.

dramatically, and as it turned out, irrevocably, set in motion. The old view, most closely associated with the work of Donald G. Creighton, is that Mackenzie King gave too much away too fast and too thoughtlessly.<sup>28</sup> Guided by the view that bilateral ties with the U.S. heralded a more independent Canada, in the sense that such relations showed she had finally escaped her colonial past, and beset with rapidly deteriorating military and economic circumstances, King rushed into agreements. Recently, Jack Granatstein has provided a more sober and balanced judgement. His argument essentially is that given Britain's persistent weakness from the Great War through the 1930's and into the Second World War, there was no option for King to follow but closer ties with the U.S.<sup>29</sup> This is a sensible reminder that national leaders do not choose the conditions within which they make decisions and it is difficult in deed to imagine what else Canada could have done in the 1940's but turn to the U.S. However, even acknowledging this hard-headed analysis, there are some features of Canadian behaviour that bear commenting upon and serve as a warning for Mexican leaders eager for closer ties with the U.S.

The point can be effectively illustrated by looking at Mackenzie King's actions in 1935. In the aftermath of his election victory in 1935 Mackenzie King made a surprise visit to the U.S. embassy in Ottawa. The date was October 25th, Canadian Thanksgiving Holiday, and the U.S. Minister was astonished by a visit from Prime Minister King, who had taken office only the night before. Norman Armour could not conceal his surprise in his account to Secretary of State Hull of this extraordinary meeting. The new prime minister, Armour reported to Hull, "insisted on coming to my house to see me although I assured him that I felt it was for me to come to see him." King was extremely friendly. He had, he assured Armour, always been in favour of lower tariffs between the U.S. and Canada. In 1911 he had gone down to defeat on the issue with Wilfrid Laurier; in 1929 he had talked to U.S. Minister Phillips about tariff reductions but the U.S. government had not been interested; that missed opportunity had been followed by the disastrous Hawley-Smoot tariff and the defeat of Mr. King's government. King then proceeded to criticise the Ottawa Agreements of 1932 which had sought to build up a tariff-protected market for the British empire. It was time to break these patterns of conflict between Canada and the U.S. and the 1935 agreement was an important

28 Donald Grant Creighton. *The Forked Road*(Toronto, 1976).

29 J.L. Granatstein, *How Britain's Weakness Forced Canada into the Arms of the United States* (Toronto, 1989).



beginning. Armour continued his account of this remarkable interview, summarising King's remarks on the general state of the relationship and how he, Mackenzie King, anticipated its future direction: "he [Mackenzie King] was himself, he laughingly remarked, accused of being pro-American. In fact they referred to him as the American and with good reason, for so much of his life had been spent in the U.S." The point of all this effusion was clear, reported Armour. "He made it plain that there were two roads open to Canada but that he wanted to choose the American road if we made it possible for him to do so. From every point of view it was important that our attachment should be strong and our relations brought closer in everyway, political as well as economic."<sup>30</sup>

King's fawning stance in 1935 should be understood in terms of his character and the circumstances at the time. He knew what he was doing on that Thanksgiving visit. He was trying to ensure continued U.S. cooperation in dealing with the devastation of the depression. While he believed that closer ties with the U.S. were a sign of the growing maturity of Canada as an international player in her own right rather than as a British dependency, he was also aware of the dangers posed to Canadian nationalism by such integrative policies. In 1947, for example, King ended the free trade discussions because he feared there would be a backlash in Canada similar to 1911. However, in spite of the effort one can make to appreciate how King's mind worked on these matters there is no escaping the conclusion that his honeyed words led U.S. officials to think that things were going so well for them with respect to Canada that they could avoid thinking hard and deep about the Canadian relationship. Under the stress of depression and war the crucial decisions came so easily. Ogdensburg in 1940 and Hyde Park in 1941 (which dealt with defense production and procurement) came without public debate and were negotiated with a Canadian leader who since his last return to office in 1935 had assured his U.S. counterparts he was anxious to take Canada down "the American road." King's tone throughout these years made it too easy for U.S. leaders and officials to avoid questioning the consequences within Canada of the policies being pursued. Lesson number three is that Mexican leaders and officials should always make clear to U.S. counterparts the difficulties of any chosen route for society and politics within Mexico. There needs to be an unremitting articulation of Mexico's national interest. In the case of Canada this aspect was so muted during the crucial

30 Norman Armour to Secretary of State Hull, Ottawa, 17 October 1935, DSDF 1930-1939, Box 3182, RG 59, NA.

years of integration that it was irresistible for U.S. policymakers to assume U.S. and Canadian goals were one and the same.

In conclusion, these are the three lessons for Mexico to be learned from the course of modern relations between the U.S. and Canada. First, to avoid any unthinking linkage between economic and trade matters on the one hand and defense and foreign policy on the other. Clearly, economic relations between states, especially neighboring states, are intricately meshed with general questions of foreign policy. The closer the Mexican and U.S. economies are tied, the more Mexico will have to weigh U.S. concerns in all policy decisions including foreign and defense issues. The point here is not to argue for an abstract or absurd separation but simply to warn that caution should be exercised in letting the benefits of closer economic ties draw Mexico into the kind of formal arrangements that Canada entered into with respect to continental defense. The nationalist reaction to those arrangements and their consequences during the 1950's, 1960's and 1970's complicated the ground for continued mutually beneficial economic cooperation. Second, Mexican negotiators and officials need to remain constantly aware that U.S. regional or sectoral or political interests will always be seeking ways to modify a general agreement in ways that might block reasonable Mexican expectations from the general free trade structure. Third, that the closer collaboration that economic integration is bound to bring should not encourage Mexican leaders to forget the challenge of nationalism. The Canadians allowed the tone of the relationship, especially between 1935 and the 1950's, to become so warm that U.S. officials were anesthetized to Canadian nationalist misgivings to the extent that many of them did not think of Canada as a foreign country at all. While seeking a free trade agreement that will benefit as many Mexican people as possible and assure the possibility of sustained economic growth into the twenty-first century, Mexican leaders should maintain a vigilant and sustained attention to Mexican nationalism as it is expressed in reasoned terms. The events currently transpiring in central Europe and the Balkans and the contemporary problems of nationalism in Canada suggest that nationalism as a force to be reckoned with in human history will be around for a long time to come.