Working With and Around Elephants – Managing the Politics of Trade-Commercial Relations with the United States

Paper presented to annual meeting of:
Canadian Political Science Association
University of British Columbia, Vancouver, BC
June 4, 2008

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Conference Draft - Please do not cite without author's permission

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Canada's overwhelming dependence on the United States as the primary market for its exports tends to increase Canadians' sensitivity to U.S. trade policy actions which affect them adversely. Arguably, the effectiveness of Canadian trade policies – particularly as they relate to the protection of Canadian access to U.S. markets and the reduction of micro-economic barriers to the greater competitiveness of Canadian industries in international markets – largely depends on understanding the forces that shape broader American trade policies and the domestic political context from which they emerge in order to develop effective strategies for engaging their application to Canada.

This paper compares and contrasts the role and substance of trade and commercial policies in the foreign / international economic policies of Canada and the United States – examining the latter in the context of American policies towards Canada. It notes the evolving balances and interaction among bilateral, regional, hemispheric and multilateral trade arrangements in each country. It examines the institutional arrangements which govern international trade and commercial policy relations in the United States, and considers the implication of these factors for the ways in which Canadian governments engage their American counterparts in this dimension of bilateral relations. It assesses the role of business and other societal organizations in seeking to promote closer economic integration within North America, and the constraints on these agendas posed by ongoing trade irritants and by ideological and political challenges in each country. Finally, it explores emerging challenges arising from the current Presidential election cycle – assessing the challenges of balancing and managing bilateral and trilateral relations with the United States and Mexico, and the broader challenges of engaging U.S. policies at a time of continuing political instability and evolving leadership.

This paper builds on the author's research on Canada-U.S. relations. It is based on detailed reviews of the U.S. and Canadian trade policy literatures, along with extensive interviews with Canadian government officials in Ottawa and Washington carried out between 2005 and 2007.

II. COMPARING TRADE AND COMMERCIAL POLICIES IN CANADA AND THE UNITED STATES

Bilateral trade and commercial policies between Canada and the United States function in very different contexts rooted in their different approaches to the global, hemispheric, North American and bilateral trade relationships. At one level, the trade and commercial relations

[1] The author acknowledges the financial assistance of the Canada-US Fulbright Program in support of a major portion of this research. He also expresses his appreciation to the dozens of Canadian and U.S. government officials, and representatives of business and societal organizations in both countries who generously shared their time and insights in confidential interviews.

between the two countries are characterized by proximity, intensity, and asymmetry. However, these characteristics appear in very different lights to policy-makers, interest groups, and citizens in each country.

The United States is the leading player within the global trading system – albeit one whose role has changed with the emergence of other major economic powers, the industrialization of large parts of Asia and Latin America, and the regionalization of much of the global trading system. The United States remains the world's largest exporter and importer, accounting for about 16 percent of global goods and services trade in 2006. It retains a net surplus in its services trade, which accounts for about one quarter of overall U.S. trade, but has experienced large and growing merchandise trade deficits for some years. (United States, 2008a, 281**)**. However, its economy remains relatively self-sufficient, with goods exports accounting for 8.3 percent of GDP, and imports for 14.4 percent.

These twin realities, which are comparable to those of most other major economic powers, mean that domestic politics play a major role in shaping American foreign economic policies, (Sen, 2003, 119-20). This is particularly true of the sectoral, micro-economic, and related regulatory policies that are central to the management of US-Canada bilateral relations. (Dymond and Hart, 2008; Moens and Cust, 2008.)

Canada has played a disproportionately large role in the politics of the international trading system since the 1940s, with sufficient overlap with American positions in its qualified support for trade liberalization to cooperate with U.S. goals in many areas while using multilateral processes to diffuse the effects of greater U.S. economic power. Canada has generally been able to use these processes to provide selective protection to politically sensitive industries such as its financial, transportation, cultural, and supply-managed agricultural sectors, while gradually accommodating incremental liberalization of trade and investment rules in response to evolving market conditions. (Hart, 2002).

However, Canada's bilateral trade and investment relations with the United States have become the central focus of its broader economic and industrial policies since the mid-1980s. The pursuit of broader economic integration with the United States, initially in the context of the Canada-US free trade negotiations, responded to the four-fold pressures of global economic restructuring on the competitiveness of Canada's economy, fiscal challenges to the sustainability of the Canadian welfare state, growing risks to Canadian businesses from U.S. domestic protectionism – expressed through the exploitation by domestic business interests of domestic "trade remedy" laws, and the emergence of regional trading blocs in other parts of the world, especially Europe, which threatened the competitiveness of Canadian manufacturers often dependent on small domestic markets. (Ibid.)

The Canada-US Free Trade Agreement (CUSFTA) of 1989 addressed these issues by providing tariff-free access to U.S. markets for the vast majority of Canadian exports, with the exception of a few protected sectors (notably "supply-managed" agriculture and cultural industries), security for Canadian energy exports sought by oil and gas producing provinces, non-discrimination ("national treatment") for most businesses of each country operating in the other, and a supranational dispute resolution mechanism intended to provide an alternative to increasingly politicized domestic trade remedy processes. (Goldstein, 2002, 223-28.)

When Mexico entered free trade talks with its American neighbour in 1990, Canada joined the negotiations to protect the gains in its relative security of market access achieved through CUSFTA. The resulting North American Free Trade Agreement, which took effect in 1994, was a combination of trilateral measures affecting all three countries, "dual bilateral agreements", and sectoral opt-outs for each country which entrenched the dispute resolution system as a permanent feature of trilateral trade relations. (Hart and Dymond, 2007; Tomlin, Hillmer and Hampson, 2008, 92-95.)

Both US and Canadian government saw advantages in pursuing parallel negotiations on CUSFTA, NAFTA and the complex multilateral negotiations that led to the Uruguay Round agreements of 1994 and the formation of the World Trade Organization. American negotiators used bilateral and regional negotiations as a way of establishing precedents for the promotion of their global agenda while, Canada sought parallel advantages that would accommodate both export-oriented interests and others dependent primarily on domestic markets.

After 1994, Mexico embarked on an ambitious program of bilateral and regional trade agreements in order to limit its dependence on the United States and enhance its competitiveness as a preferred investment destination within North America. The United States and Canada initially focused on broadening hemispheric trade agreements through the Free Trade of the Americas (FTAA) process during the 1990s. Canada was a strong supporter of the FTAA negotiations, seeing them as a way of avoiding "hub-and-spoke" economic relations with the United States that could place Canada at a potential competitive disadvantage in its terms of access to U.S. markets, and in marketing itself as a location for foreign business investment with unrestricted access to North American markets.[2]

However, when the FTAA process ran aground through a combination of Congressional resistance[3] and the irreconcilable agendas of the two largest powers, the United States and Brazil, the Bush Administration accelerated its program of "competitive liberalization" (Schott, 2004) – pursuing a series of bilateral and regional trade agreements to build alliances aimed at advancing its global and hemispheric trade agendas while rewarding countries that had cooperated with other aspects of American foreign policy – notably the "War on Terror" and the Iraq War.

By contrast, Canada pursued a fairly cautious agenda, focusing its efforts primarily on managing its bilateral trade and investment relations with the United States and engaging in multilateral diplomacy through the WTO – while assigning limited resources to bilateral or regional agreements for trade enhancement as well as investment protection.

[2] More recently, the Harper government has pursued parallel policies of promoting trade liberalization and democratization in Latin America – both as a means of promoting export and investment opportunities for Canadian firms, and suggesting that trade liberalization need not contribute to "harmonization" with American policy standards. (Freeman, 2007)

[3] The Clinton Administration failed to secure Trade Promotion ("fast track") Authority from Congress, a topic discussed later in this paper, thus undermining its capacity to negotiate a viable agreement with other countries. (Klepak, 2003).

This focus was sharply reinforced by the terrorist attacks of 9/11, which resulted in the closing of the US-Canadian border for a short period and a wide range of intensified security measures which appear to have become a more or less permanent feature of U.S. government policy – negating some of the advantages of proximity and reinforcing the challenges of asymmetry in the trade-commercial dimension of bilateral relations. These factors have significantly affected market-driven trends towards further economic integration and the ways in which Canadian governments seek to engage the American political system.

III. TRADE-COMMERCIAL RELATIONS: THE ECONOMIC AND SOCIETAL CONTEXT

Proximity has contributed to the growing intensity and diversity of the bilateral relationship. The United States remains the largest market for Canada's goods and services, and its largest source of and destination for investment capital. Between 2000 and 2005, despite the "loonie's" rising exchange rate against the U.S. dollar after 2001, every Canadian province exported more to other countries – primarily the United States – than to other Canadian provinces. (Hale, 2007a.)

This proximity has contributed to a substantial qualitative change in the nature of the economic relationship, greatly increasing the intensity with which Canadian-based firms function in a North American context. Rather than simply selling finished products (or raw materials) to one another, Canada's manufacturing sector, in particular, has become integrated into cross-border supply chains involving networks of businesses – both related and unrelated. Intra-corporate trade: exchanges between divisions of the same corporate structure, has been estimated at just under 50 percent of bilateral trade in a recent government report,[4] (Sydor, 2007) while intra-industry trade: exchanges (often of component products) among unaffiliated companies in the same sector may account for an additional 20 percent.

These developments have been part of a broader dynamic of economic restructuring involving the geographic dispersion of production functions, and the creation of North American and global "value chains" characterized by specialized production of parts and components that some observers have characterized as "making things together" rather than "selling things to one another". (Dymond and Hart, 2008.) A handful of primary sectors that are exceptions to this pattern, most notably softwood lumber but also including agricultural sub-sectors with restrictive marketing practices or higher levels of state subsidies which have accounted for a disproportionate share of cross-border trade disputes in recent years. (Barichello, Josling and Sumner, 2005; Hart and Dymond, 2007.)

These trends enhance the challenges for governments of managing interdependence while maintaining the degree of political and policy discretion needed to balance competing interests and secure domestic political support for their policies – reflecting the third enduring reality of US-Canada relations: that of asymmetry. Bilateral relations are characterized by asymmetries of size, power, the relative economic importance of the relationship – and of international trade in general – to the governments and citizens of each country, and the relative attention paid to bilateral issues and the impact of each government's actions on its neighbours. Canada is far

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[4] Sydor (2007) estimates infra-firm trade at 34 percent of bilateral trade, with trade among affiliated firms accounting for roughly an additional 14 percent.

more dependent both on international trade and, more specifically, on trade relations with the United States than the other way around – even though it is the single largest trading partner for 38 American states. (See Table 1.) One effect of this asymmetrical interdependence is that large segments of U.S. trade and commercial policies towards Canada are often treated – particularly by Congress – as subsets of the former's domestic policies.

Table 1
The Canada-US Economic Relationship

	United States	Canada	Ratio
GDP ($US billion; PPP)	$ 13,247	1,115	11.9 : 1
Per Capita GDP ($US, PPP)	$ 44,244	34,180	1.29 : 1
Goods Exports (% GDP)	7.8%	31.9%	1 : 2.74
-- to Canada / US (% of total)	22.2%	79%	
Goods Imports (% GDP)	14.0%	28.1%	1 : 2.00
-- from Canada/US (% of total)	16.4%	65%	
Service Exports (bilateral, % of total)	9.7%	55%	
Service Imports (bilateral, % of total)	7.6%	57%	
Two-Way Trade (% GDP)	21.8%	60.0%	1 : 2.75
FDI to Canada/US ($US billion)	$ 246.5	$ 159.0	
-- percent of direct investment abroad	10.3%	42.7%	
-- percent of inbound foreign investment	8.9%	61%	
Current Account Balance: (% GDP)	- 5.7%	na	
– Goods	- 6.4%	1.7%	
– Services	0.6%	na	

Source: Fergusson (2008), 2, 3, 9; United States (2008a),

IV. AMERICAN POLICIES TOWARD CANADA: AN OVERVIEW

The scale and scope of the U.S.-Canada relationship, the challenges of effective policy coordination within both governments, and the practical effects of "intermesticity" largely ensure that "there is no single American policy towards Canada, but rather a number of policies applied at different times". (Mahant and Mount, 1999; Heynen and Higginbotham, 2004:18) This reality is reinforced by the extent and depth of Canadian policy relations with the United States – reflected in the fifteen federal government departments and numerous other federal agencies and provincial governments which possess their own international relations capacities. (Mouafo et al, 2004)

Canadian historians Edelgard Mahant and Graham Mount suggest that U.S. policies towards Canada tend to fit into five broad categories: "exceptionalism", "exemptionalism", "policies towards allies", unilateral and deliberate assertions of American power, and inadvertent effects arising from domestic policy processes. (Mahant and Mount, 1999: 14) In reality, particular policies may combine elements of more than one of these categories.

The first category, "exceptionalism", suggests that American policies towards Canada are distinctive, reflecting either U.S. recognition of the extent of cross-border economic integration or the extent to which U.S. and Canadian-based businesses operate on both sides of the border – reinforcing the extent to which bilateral relations are influenced by domestic political interests.

Canada was only the second country, after Israel, with which the U.S. government negotiated a bilateral trade agreement – although this approach has subsequently become less exceptional. Canada was the first country (and, with Mexico, only one of two) to secure more-or-less binding dispute resolution panels in its bilateral or regional trade agreements with the United States – a process that has been conspicuously omitted from more recent agreements negotiated by the United States. (Belanger, 2006.)

"Exceptionalist" policies are also visible in a wide range of sectoral policies. Changes to U.S. food safety policies, while clearly driven by US domestic interests following the discovery of BSE in cattle herds in both Canada and the United States in 2003, recognized Canada as the first BSE-affected country to be allowed access to U.S. markets as a "controlled risk" with effective domestic safeguards against the contraction and spread of BSE. (Moens, 2006; Becker, 2006; confidential interviews, U.S. government and industry associations.) More recently, following a concerted lobby by U.S. border communities and related Canadian interests, the Department of Homeland Security extended the same recognition to "enhanced driver's licences" produced by American states and Canadian provinces as alternatives to passport requirements when (re-) entering the United States. (United States, 2008b, 48-50).

The second category, "exemptionalism", reflects the tendency of each country (but particularly Canada) to seek, and often receive exemptions from particular policies of the other in recognition of the two countries' interdependence close historical relationship. As with "exceptionalist" policies, such accommodations may be applied unilaterally or reflect the existence of comparable Canadian policies.

The politics of "exemptionalism" are most visible in the fine tuning of micro-economic or regulatory initiatives in the day-to-day activities of diplomats, interest groups, and policy-makers on each side of the border so that Canadian citizens or firms are exempted from the application of restrictive U.S. rules applying to foreigners. As a result, "exemptionalist" policies tend to be visible primarily to policy specialists and diplomats responsible for the quiet negotiation of these exemptions.

For example, major publicly-traded Canadian firms have long had the right to list their shares on U.S. stock exchanges under MJDS[5] securities regulations without having to undergo detailed regulatory vetting by the U.S. Securities and Exchange Commission – although comparable processes have been introduced for other foreign issuers in recent years. More recent examples include Canada's effective lobby to secure an exemption from "entry-exit" rules governing persons entering and leaving the United States across its northern border (Sands, 2007) and the treatment of Canadian hydro-electric exports to the United States in the Energy Bill of 2005. [Confidential interview, Government of Canada]

A third category, policies towards allies, is visible not only in traditional U.S. diplomatic approaches, but in the rapid growth of specialized international networks for the coordination or

[5] MJDS - Multiple Jurisdiction Disclosure System

negotiation both of technical policy and administrative arrangements. The concept of "alliance" is problematic in an international trading system whose major principles include "non-discrimination" among corporate citizens of national signatories to international treaties – although the U.S. State Department issues annual reports on the extent to which other countries cooperate with U.S. policies for the promotion of intellectual property rights and a variety of other policy goals. (For example, see United States, 2008a)

However, it is particularly relevant to a multipolar policy environment in which security issues have become increasingly critical to protecting international supply chains against risks of terrorism and international criminal activities. In recent years, these issues have included the pursuit of enhanced port and container security, air travel security, controls over migration rules and processes, and other policy processes in which national approaches to security are frequently "layered" based on the perceived willingness and capacity of other countries to engage in extensive cooperation with U.S. security practices.

A fourth set of policies may assert American power unilaterally to exploit Canada's relative dependence on U.S. markets for its economic security, compelling compliance or unilateral adaptation in ways that are clearly at odds with national preferences. This category may be distinguished from others in two ways: first, as *force majeure* – a deliberate, unilateral assertion of power that compels Canadian compliance with American policy preferences. Alternately, Canadian policy-makers may negotiate compliance with U.S. policy preferences in ways that admittedly result in sub-optimal policy outcomes in the perceived absence of politically viable alternatives.

Arguably, the 2006 Softwood Lumber Agreement may be considered an example of *force majeure* in bilateral relations, albeit one cloaked by negotiations intended to frame the precise terms of Canadian compliance to American policy preferences. (Hale, 2007b.) Another example, governing the terms of access by Canadian businesses to U.S. defence contracts, is the State Department's International Trade in Arms (ITARs) restrictions on the employment of certain dual nationals by U.S. defence contractors, including those based in Canada. (Leblanc, 2007a, 2007b.**)**

A fifth set of policies, frequently visible in the details of micro-policies with cross-border implications, involves the inadvertent application of domestic American politics in ways that affect domestic Canadian policy choices, often as a by-product of U.S. domestic bureaucratic processes or interest group competition. These inadvertent effects may often be modified or countered by effective advocacy through technical, diplomatic, or Congressional channels. However, their success largely depends either on limiting the politicization of such issues, thereby avoiding of accusations Canadian interference in U.S. domestic political processes, or of changing the terms of domestic policy discussion in the United States.

This survey strongly reinforces Mahant and Mount's contention that there is no predominant American policy towards Canada – even on issues of border management, but rather, a series of policies designed and administered in different contexts. This reality reflects the broad diffusion of responsibility for policy relations with Canada within the U.S. government.

V. US-CANADA TRADE-COMMERCIAL RELATIONS – THE INSTITUTIONAL DIMENSION

A fundamental prerequisite of influencing American trade and commercial policies towards Canada is a basic understanding of the political dynamics and institutional underpinnings of the U.S. trade policy regime:

- reciprocity (rather than "free trade") as the core principle governing U.S. international trade relations;
- institutional segmentation and decentralization of political and administrative responsibility for different aspects of U.S. trade and commercial policies – involving all three branches of the U.S. federal government, and often state-level policies as well; and
- the centrality of interest group politics in the ongoing dynamics of policy-making, legislation, and policy administration – a process reinforced by the relative openness and fragmentation of both political and policy processes and the institutionalization of special interest rent-seeking within American electoral and legislative processes. (Gotlieb, 1991; Goldstein, 2002; Grossman and Helpman, 2002; Destler, 2005.)

These realities apply to an even greater degree in managing the trade-commercial dimension of bilateral relations than in broader political, diplomatic and security relations, leading former Canadian Ambassador Allan Gotlieb (1991, 35) to quip that "in Washington, a foreign power is itself only a special interest, and not a very special one at that".

Reciprocity

The policy of reciprocity – the reduction of barriers to market access for imported goods and services in return for expanded access to (and security within) foreign markets for American goods, services and, in some cases, investment – is the central pillar of modern U.S. trade policy. A key feature of this strategy is the preservation of discretion in the use of "safeguards", including so-called "trade remedy" legislation, to guard against a variety of practices seen as conferring an unfair competitive advantage. (Sen, 2003, 116). Another is the so-called "bargaining tariff" (or regulatory measures with comparable effects) – the use of protectionist measures by Congress as tools to secure reciprocal concessions by foreign countries in international negotiations. (Destler, 2005, 16.)

This outlook leads many American policy-makers to evaluate potential trade agreements either on the basis of their relative contribution to global market access for American exporters, to offset the potential adjustment costs faced by producers serving primarily domestic markets, or on their contribution to other geo-strategic goals. These may include advancing U.S. interests in global or regional trade negotiations, rewarding foreign countries for their support of American leadership in other policy areas – or a combination of both. It may also lead politicians to speak of "enforcing" agreements unilaterally when the behaviour of other countries or foreign businesses is seen to fall short of their political expectations. (Clinton, 2008)

The prospective growth of trade with Canada does not offer significant gains in achieving either set of priorities in comparison with that of many emerging economies. The growth of U.S. trade with Canada has been only marginally greater than the average of that with other industrial economies since 1994, leading Bush administration policy makers to pursue export market growth in other parts of the world – primarily the Asia-Pacific region and Latin America. (United States, 2008a)

This outlook creates significant challenges for Canadian government officials attempting to persuade American policy-makers that closer cooperation with Canada – including the investment of significant political and bureaucratic resources in detailed negotiations – is warranted by the scale of probable economic benefits to the United States. In practice, much of the practical burden for making these arguments must be borne by U.S. domestic groups whose interests happen to coincide with those of their Canadian counterparts.

Diffusion of Power and the Politics of U.S. Trade Policies

The second core reality of engaging American trade and commercial policies is the decentralization of political and administrative responsibility for such policies – distributed through a wide range of executive departments and agencies, Congressional committees, and regulatory and judicial processes that are often far from transparent and may be quite bewildering to the untrained observer.

Gotlieb (1991, 27-28) observes that these realities are rooted in the constitutional separation of powers within the United States, the "sub-separation of powers" among Congressional committees and sub-committees and executive agencies, and the resulting tendency of Congress "to use domestic laws to achieve foreign (policy) goals" – particularly in supporting domestic economic interests. Thus, the politics of trade help to blur traditional distinctions between the workings of domestic and international policy, transforming large elements of Canada-US relations into a series of hybrid, "intermestic" policy relationships in which American policies towards Canada are often subsets of U.S. domestic policies.

Constitutional responsibility for trade policies and commercial legislation is vested in Congress. Congress organizes its functional responsibilities in hundreds of committees and sub-committees organized by functional area of specialization. Although power to initiate tariff changes is vested in the House Ways and Means Committee, dozens of other committees and sub-committees claim jurisdiction over various aspects of trade-related policies – particularly as they relate to overlapping areas of domestic regulation. Legislation governing policy and the appropriations (spending) necessary to implement it generally require separate legislative authority – thus allowing key Senators and Representatives to fine tune, or even obstruct implementation through their respective committees in response to special interests or their own personal agendas. In recent years, these opportunities have been exploited by alliances of U.S. and Canadian interests to block the implementation of several restrictive trade measures harmful to both.[6]

As a result, former Canadian Ambassador Frank McKenna comments that foreign governments must often negotiate with two distinct American governments – the executive branch and Congress, neither of which is a unitary actor. (Novak, 2006; Milner, 1997:4.) Goldstein (2002,

[6] Examples include funding of Country Of Origin Labeling (COOL) rules and successive delays and conditions imposed on the implementation of the Western Hemisphere Travel Initiative passport requirements.

213) observes that the tendency of particular institutions to support more open trade generally increases with the size of its constituency, being greatest with the President, followed by Senators (especially from large coastal states that derive the greatest benefit from trade), with members of the House tending to be the most parochial and protectionist in their interests. “The result is a log-roll in which all interests are accommodated; the cost is a sub-optimal collective policy.”

To impose some order on this process, Congress has delegated the right to negotiate trade agreements to the President, subject to terms defined in enabling legislation.[7] To limit logrolling that forces the renegotiation of international agreements in response to special interest pressures, it may also extend Trade Promotion – also known as “fast track” – Authority (TPA) – to enable the negotiation of trade agreements, within specific policy parameters, subject only to an “up-or-down” vote (without amendments) within 90 days of their formal submission to Congress. Periodic trade bills usually extend TPA for fixed periods – as with the October 1987 deadline for submission of the Canada-US Free Trade Agreement to Congress (Destler, 2005, 346-47; Burney, 2005, 210-20.)

The presence of TPA permitted the negotiation several major trade treaties between 1975 and 1994 – culminating in NAFTA and the Uruguay Round negotiations leading to the formation of the WTO – and again between 2002 and 2007. However, the beginnings of the domestic political backlash against globalization and NAFTA led to the withholding of fast track authority between 1995 and 2002, and imposition of stringent conditions by a divided Congress on President Bush in 2001-02 – reflecting the growing strength of protectionist coalitions within Congress and the American public. (Destler, 2005, 331-42) The Democratic-controlled Congress elected in November 2006 has withheld TPA from President Bush, forcing him to renegotiate two trade treaties and sharply reducing the likelihood of others. The implications of these developments will be discussed later in the context of future U.S. trade policies within North America.

Responsibility for trade and commercial policies within the executive branch of government is fragmented still further. The Office of the U.S. Trade Representative, a cabinet-level position located in the Executive Office of the President, is responsible for coordinating negotiations on international trade agreements – whether multilateral (as in successive rounds of WTO negotiations), regional and bilateral. The sprawling Department of Commerce has responsibility for trade promotion and the administration of trade laws – as well as the negotiation of many technical regulatory provisions under the NAFTA and SPP[8] working group processes. However, Commerce’s four main bureaus -- Commercial Services (trade commissioners and diplomats); Import Administration (enforcing trade remedy laws and other import regulations); Manufacturing and Services (further divided by economic sector and industry); Market Access and Compliance (negotiating and implementing trade agreements) – usually function autonomously from one another so that, as one official comments, “you can work for 30 years in one component of Commerce and not interact much with the others”. (Confidential Interview,). The “Canada Desk”, located in Market Access and Compliance, deals with many aspects of trade

[7] Such agreements are usually submitted to both Houses of Congress as executive agreements, thus requiring only a majority vote of each House, rather than as treaties requiring a two-thirds vote of the Senate. (Grimmett, 2004.)
[8] SPP – Security and Prosperity Partnership.

policies relating to Canada, including advice to business groups and coordination of the "prosperity" dimension of the Security and Prosperity Partnership.

However, other regulatory policies affecting trade are highly decentralized among and within particular executive departments. Commerce officials have relatively little leverage with other departments in promoting broader policy objectives, reflecting the relative weakness of inter-agency processes relating to Canada and the deference generally given to "subject-matter experts" in other departments. (Confidential interviews, U.S. government.).

New regulatory initiatives must conform to rules established by the Office for Information and Regulatory Affairs (OIRA), located with the Office of Management and Budget. These processes are enforceable by the federal courts. Related requirements for consultation and consideration of a wide variety of stakeholder interests provide extensive opportunities for interest groups (and foreign governments) to engage federal regulatory processes – as demonstrated by the long, drawn-out process of reopening the U.S. border to shipments of Canadian beef following the BSE scare of 2003-05, and other regulatory initiatives relating to border management. (Moens, 2006).

Responsibility for domestic trade litigation rests with the U.S. Department of Commerce – subject to review by the U.S. Court of International Trade or, for Canada and Mexico, by bi-national dispute resolution panels formed under NAFTA's Chapter 19 for most trade disputes, and under Chapter 11 for investment-related disputes. Both U.S. domestic legislation and trade remedy rulings are also subject to varying degrees of recourse under WTO dispute resolution processes – although such recourse is uncertain, slow and subject to considerable negotiation and political foot-dragging. (Hoekman and Kostecki, 2001; Hufbauer and Schott, 2005.)

Taken together, these highly complex, varied and often dynamic institutional structures contribute to a kaleidoscopic montage of policies, rules, processes and related political dynamics that require a high degree of specialized knowledge to navigate effectively. The result of these structures is that responsibility for the on-going management of cross-border policies within the Canadian government is highly decentralized, situational and dependent on the development of close working relations between Canadian officials and their American counterparts from cabinet level to working levels of the bureaucracy. (Heynen and Higginbotham, 2004; Higginbotham and Heynen, 2005).

Interest Group Politics

These realities ensure that despite the general commitment of most Presidents and their senior trade policy advisors to trade liberalization – sometimes simplistically described as "free trade" – these policies are open to challenge based on the perceptions of domestic interests either that they place them at a comparative disadvantage, or that foreign countries are taking unfair advantage of the technical details of trade agreements to deprive American businesses and workers of the benefits of greater market access.

These reservations are at the heart of U.S. domestic "trade remedy" legislation whose active use during the 1980s was a critical impetus to Canada's decision to seek a comprehensive free trade agreement with the United States. They are also central to contemporary campaigns by protectionist interests for “fair trade”, i.e. trade regulations based on attempting to ensure that foreign goods and services are produced under conditions comparable to those facing American businesses and workers.

U.S. trade laws have institutionalized elaborate processes for consultation with major economic stakeholders, Congress and state governments in relation to ongoing international trade negotiations. The response of U.S. domestic interest groups to trade policies are typically structured in two dimensions – sectoral, reflecting the relative advantages and disadvantages of particular industry sectors and sub-sectors in global markets and perceived advantages and threats arising from trade liberalization – and cyclical, reflecting periodic variations in economic conditions and terms of trade. The tendency of domestic interests to pursue relief from increased international competition, whether by lobbying for congressional action or by recourse to trade remedy laws, is directly related to levels of domestic economic activity and major variations in levels of imports facing particular industries.

As a result, any Canadian strategy to engage American trade or regulatory policies, whether in the executive branch or Congress, must include provisions for identifying and mobilizing particular interest groups and policy advocates, whether in Washington or “beyond the beltway”, who may engage in parallel lobbying and advocacy activities in their dealings with the executive branch, Congress, and state governments. One veteran Washington observer of cross-border policy notes:

> The government can’t do it alone. It needs the private sector. People on the Hill expect people to come in and talk to them. But they need to do their homework. And it’s helpful if they come in as part of a Canadian-U.S. business coalition. (Confidential interview.)

Hart and Dymond (2007) suggest that growing North American economic integration has significantly reduced recourse to trade remedy legislation against Canada and Mexico in recent years – despite the intense publicity given to the protracted disputes over softwood lumber trade. These figures are borne out by a review of U.S. and WTO data on trade disputes and dispute resolution processes.

The Department of Commerce launched 292 investigations at the request of domestic interests between 2000 and 2006 – or 41.7 per year, but only 15 (or 2.1 per year) against Canada. This figure amounts to 5.1 percent of trade remedy actions – less than one-third of Canada’s share of overall U.S. trade. Only 6 of these investigations resulted in orders to impose new customs duties – mainly in relation to the lumber dispute. (U.S. Department of Commerce, 2006; author’s calculations.) Similarly, American complaints against Canada, amount to only 6.6 percent of its trade actions initiated at the WTO between 1997 and 2006 – less than 30 percent of the average share of U.S. exports to Canada during that period.

However, this is only one dimension of the ongoing game of special interest rent-seeking that takes place in Congress and different parts of the executive branch. The politics of American trade policy – and of a great many related regulatory issues – are a highly competitive arena in which Canadian economic interests, and often Canadian governments, are often engaged. The next section of this paper examines some of the processes by which Canadian interests seek to influence the American political process.

VI. ENGAGING AMERICAN POLICIES TOWARDS CANADA – GOVERNMENTAL RESPONSES

Numerous factors have complicated the trade-commercial dimension of US-Canada relations since the turn of the 21st century. At the level of international trade policy, most important have been the reorientation of American trade policies in response to the stagnation of global and hemispheric trade negotiations and the rise of China – specifically the Bush Administration's pursuit of "competitive liberalization". (Schott, 2004). Combined with American domestic preoccupations with international security, the war in Iraq and the politics of the Middle East, these policies have largely relegated North American issues to the realm of domestic politics.

In this context, three very different, overlapping sets of pressures have emerged that have fundamentally reshaped the context for Canadian efforts to influence American policies towards Canada:

- the growing American preoccupation with Mexico, reflecting demographic and economic shifts towards southern and southwestern states – and away from Canada; (Confidential interviews, government of Canada)
- persistent concerns with increased border security – reflecting both fears of new terrorist attacks in the aftermath of 9/11 and domestic controversies over illegal immigration from Mexico and other Latin American countries that have contributed to the hardening and "thickening" of both northern and southern U.S. borders; (ibid.)
- a growing popular backlash against the trade liberalization and immigration policies of the Clinton and Bush administration as scapegoats in U.S. domestic politics for persistent and growing American trade deficits and the stagnant incomes of many middle- and working class American – particularly as they relate to imports from developing countries and demands for intensified border controls. (Harwood, 2007; Polling Reports, 2008)

The result of "dispersed relations" (Stuart, 2007) on economic (and most other) issues is that bilateral relations are often the product of a series of two- (or multi-) level games involving public and private sector interests on both sides of the border with differing patterns of cooperation, "satisficing", or conflict in which the behaviour of different governmental actors is contingent on the expected response of other key stakeholders. Milner (1997: 8-9) 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".

Coordination, whether formal or informal, may involve behaviour including "mutual enlightenment" over 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. (Putnam and Bayne, 1987, 260; Milner, 1997, 9). The next section of this paper assesses the application of these principles to particular aspects or dimensions of U.S.-Canada relations.

Strategic and Sectoral Initiatives

The federal government may have an evolving strategy for projecting Canadian interests in bilateral and North American economic relations – a process that includes "influencing American policies towards Canada". However, it is not always readily apparent to officials who have responsibility for the implementation of its different components – or to large segments of the "Canada policy community" in the United States. (Confidential interviews.)

Discerning the nature and priorities of such a strategy, to the extent that it can be said to exist, requires moving beyond the rhetoric of public engagement on bilateral or North American issues and engaging a wide range of government officials and policy observers who are actually engaged in these processes.

Arguably, the priorities of Canadian governments, regardless of their partisan complexion, have been fairly consistent since 2001 – even though the means of engagement may have evolved during this period:

a) maintaining Canadian access to U.S markets – particularly in response to the risks of border closings or "thickening" as a result of assorted security measures imposed by the executive branch or Congress and related regulatory initiatives;
b) securing incremental coordination of regulatory and other policy initiatives that affect the efficiency and competitiveness of Canadian businesses and their ability to take full advantage of continuing economic integration within North America;
c) maintaining political and policy discretion in recognition of continuing differences in domestic political and economic systems to address domestic policy requirements and manage the political and economic asymmetries between the two countries, discussed above;
d) cooperating with major business interests with substantial interests in maintaining and enhancing access to U.S. markets, without embracing their proposals for comprehensive negotiations leading to significantly deeper integration; (Pastor, 2001; Dobson, 2002; Manley, Aspe and Weld, 2005)
e) maintaining, where possible, an approach conducive to the bilateral resolution of policy challenges with the United States, in recognition of the very different political contexts for US-Canada and US-Mexico relations, while cooperating with both the U.S. and Mexico in trilateral policy discussion where feasible. (Confidential interviews, government of Canada.)
f) at an operational level, expanding Canada's diplomatic capacities within the United States as part of a more-or-less systematic effort to identify U.S. domestic actors whose interests or policy goals overlap sufficiently with those of Canadian governments to serve as allies in engaging American domestic policy processes. (ibid.)

This strategy has evolved in response to political divisions within the Chretien and Martin governments – particularly over the degree to which they should exploit feelings of domestic nationalism and, in some cases anti-Americanism for electoral gain. Other important factors include domestic political constraints on the appearances of close cooperation with Bush Administration, whose foreign and security policies have been broadly unpopular in Canada and, since 2004, the vagaries of electoral politics and minority government. (Hale, 2005, 2007b; McLellan, 2006; confidential interviews, government of Canada.)

In response to these constraints, successive government have emphasized the development of close institutional relationships below the political radar in both multilateral and bilateral contexts to depoliticize large swaths of trade and regulated regulatory policies. This approach is aimed at facilitating more secure market access for Canadian exporters while maintaining a degree of discretion in shaping domestic policies affecting other economic and social interests. (Heynen and Higginbotham, 2004; interviews.)

Central to the government's strategy have been efforts by senior officials to establish Canada as a cooperative and trusted ally on a wide range of security measures, beginning with the Smart Border Accord of December 2001, which became the basis for a comparable U.S. agreement with Mexico. Building on detailed bureaucratic negotiations during the 1990s, senior cabinet ministers responsible for foreign affairs and security issues have sought to build close relations with their American counterparts, while developing a broad range of binational, bilateral, and parallel national programs – depending on the extent to which policy goals overlap, allowing for joint policy and program development. (Whitaker, 2005; Hale, forthcoming).

Efforts to extend the Smart Border Accord to address a wider range of economic and security issues foundered on the high level estrangements between the Chretien government and the Bush administration over the Iraq War and related issues in 2004. (Interviews, US and Canadian governments.) However, the thaw in bilateral relations after the November elections allowed senior Martin government officials used the Accord as a template for the creation of the trilateral Security and Prosperity Partnership (SPP) process in March 2005. SPP processes, while subsequently criticized for their lack of transparency or broad engagement of legislators or societal actors in all three countries, were designed to provide for annual summits of national leaders and top level policy coordination among cabinet officers of a wide range of bureaucratic and regulatory arrangements that could be managed below the political radar. This approach reflected both the different priorities and relative political weakness of each government. (Ibid.)

Promoting greater American awareness of the benefits of economic interdependence with Canada – both in general and in highly specific geographical and sectoral terms – has become a central focus for Canadian public diplomacy in the United States. The federal government opened eight new consulates in 2004-06 as part of a broad initiative intended to increase the resources available for engaging U.S. domestic interests while coordinating the activities and agendas of different federal departments and agencies involved in cross-border relations. (Hale and Huckabay, 2007; confidential interviews, government of Canada.)

The election of the Harper government in January 2008 contributed to a change in the tone of the bilateral relation, if not to any major policy shifts. (Hale, 2007b.) Most initiatives taken during the past two years have focused on sectoral irritants and the management of ongoing policy risks – primarily lumber trade, streamlining border security, incremental efforts to harmonize trade regulations, food and product safety, and discussions on energy and environmental policies.

Harper made the resolution of the prolonged softwood lumber dispute a major priority of his first six months in office, securing the support of the major lumber-exporting provinces and a deeply divided industry despite the July 2006 agreement's reversion to a "managed trade" process that failed to secure full repayment of $ 5.3 billion in duties collected during the previous five years. (Hale, 2007c.) The new agreement appears to have withstood the first challenge at an arms' length commercial arbitration panel whose creation was a key Canadian condition for signing it. (Chase, 2008; Confidential interview, government of Canada.)

The government's other key diplomatic priority was to secure approval by the Department of Homeland Security (DHS) of "secure", readily accessible alternatives to passports in response to Congressional mandates to implement the Western Hemisphere Travel Initiative (WHTI). These efforts paid off when a coalition of US border community interests persuaded several northern border state governments, led by Washington state, and DHS to accept "enhanced driver's licences" issued by *both* state and provincial governments – subject to their compliance with DHS technical standards. (Hale, forthcoming.)

The 2008 presidential election campaign has focused the Harper government's attention on the growing political backlash against trade relations with developing countries – symbolized by NAFTA and pledges by leading Democratic candidates to seek its renegotiation if elected in November. (Clinton, 2008; Obama 2008**).** These developments will be addressed further in the final section of this paper.

Micro Policy Engagement

The day-to-day activity of managing bilateral trade and economic relations is conducted at four different levels:

- bilateral intergovernmental relations at multiple levels – cabinet, senior departmental officials, and working level contacts of departmental and agency officials in Ottawa with their counterparts in Washington;
- the management of day-to-day relations with the executive branch, Congress, and Washington-based interest groups by the Embassy in Washington;
- networking with state governments, members of Congress, interest groups, and "other persons of potential influence" through Canada's network of 21 consulates "beyond the Beltway"; and
- encouraging complementary cross-border initiatives, with consistent information sharing, by Canadian provinces in dealings with state and regional counterparts in the United States.

Detailed discussion of these different approaches goes beyond the space available in this paper. Stuart (2007) describes these processes as similar to the multiple strands (or extensive bandwidth) of a coaxial cable linking the political processes of the two governments at multiple levels of simultaneous, but distinct communications.

The absence of effective inter-agency coordination on cross-border issues in either government results in the devolution of varying degrees of responsibility for managing bilateral issues to officials of line (or executive) departments and agencies: Industry (and Commerce), Energy, Public Safety (and Homeland Security), Transportation, Agriculture, and so on. The effective management of bilateral policy relations requires an ongoing effort of politicians, senior and working level officials to build close relationships with their American counterparts in order to manage issues at a technical level wherever possible, limit the politicization of disputes, identify political boundaries or "no go" zones, and areas in which political intervention is necessary to resolve log-jams or secure politically and administratively viable compromises on contested issues.

These processes require considerable political and institutional awareness and tactical skills in engaging the very different political and bureaucratic cultures on each side of the border. The open and contested character of American political processes – particularly those involving Congress – ensures that issues that are managed successfully through one electoral cycle may resurface in the next if supported by persistent societal interests or well-placed advocates in Congress.

While these realities can often be exploited to Canada's advantage, they also contain persistent (and highly varied) political risks that require a constant investment in the development of political and policy intelligence, and the cultivation of policy networks and prospective "friends of Canada" as a long-term investment in political goodwill and policy capacity transcending the short-term political horizons of elected officials in either country.

VII. ENGAGING U.S. POLICIES TOWARDS CANADA – BUSINESS AND SOCIETAL RESPONSES

The increasingly "intermestic" environment for trade and economic policies has reinforced the growth of cross-border relations among societal groups – particularly those representing various business sectors, but also environmental groups, organized labour, and other sectoral policy interests. Corporate structures and business interest groups in particular are increasingly organized and networked across national borders, often blurring traditional distinctions between "US-based" and "Canadian-based firms" – although the density of these networks varies widely by industry sector.

These trends are contributing to the growth of sectoral trade strategies that are often complementary, if not fully integrated within North America – as demonstrated by extensive, market-driven cross-border integration in the automotive, steel, chemical, oil and gas, aerospace, and information technology sectors, among others. Several of these industry groups are actively pressuring governments to move towards common external trade policies for their sectors. (Manley, Aspe and Weld 2005; NACC, 2008.) Thirdly, economic integration is contributing to business pressures for improved regulatory coordination within and across national borders – particularly with regard to a wide range of micro-economic and safety and health regulations affecting particular industries. (Schwanen, 2004; Hufbauer and Brunel, 2008; Moens and Cust, 2008).

Interest group networking takes place at a variety of levels – although such networks are often segmented by policy field and economic sector. The horizontal networking of business interests is visible through the regular meetings of business groups such as the Canadian Council of Chief

Executives, which has played a leading role in promoting deeper North American integration in recent years, the Canadian and United States Chambers of Commerce, national manufacturers' associations, and a wide variety of sectoral organizations – particularly those relating to energy and border management. It can also be seen in the creation of special purpose coalitions designed to address particular policy challenges – such as the Coalition for Secure and Trade-Efficient Borders formed to address border management issues after 9/11, and the BESTT coalition of border community and tourist sector interests formed in 2005 to promote alternatives to the WHTI's passport requirements.

Unique among these groups is the Pacific Northwest Economic Region (PNWER), a public-private sector organization spanning the three western-most Canadian provinces and territories, and five north-western American states, which brings together executive, legislative, private sector, societal and academic stakeholders for annual and semi-annual meetings on a wide range of issues.

More formally, horizontal and sectoral business interests have been incorporated into a series of sectoral working groups, some more active than others, under NAFTA and, more recently, the SPP – paralleling the work of sectoral advisory committees that are a continuing feature of trade consultation processes in both the United States and Canada. The creation of the North American Competitiveness Council (NACC) – a trilateral body bringing together a cross-section of business groups and corporate interests in all three NAFTA countries – was intended to provide some degree of coordination and focus to an otherwise diffuse process comparable to similar bodies which advise national governments on trade negotiations.

These initiatives have aroused the never particularly latent antagonism of organized labour and nationalist interests that remain deeply hostile towards the existing structures of NAFTA and other aspects of economic globalization – let alone more far reaching initiatives, real or imagined. (For example, see Grinspun and Shamsie, 2007). While some of these criticisms are somewhat disingenuous, given the rejectionist orientation of some SPP opponents in all three countries, others reflect a legitimate concern over the absence of a broader range of societal voices in a wide range of technical issues that may be addressed in the absence of detailed legislative oversight. The overlap among interest group networks, particularly the Canadian Council of Chief Executives and its network of senior corporate executives, has blurred distinctions between the avowedly incrementalist approaches of Canada's federal government and its varied agencies and the pursuit of much deeper levels of integration sought by some business groups and policy entrepreneurs. (For example, see Pastor, 2001, 2006; Manley, Aspe and Weld, 2005**.)**

Institutions for inter-governmental or inter-agency coordination in both Canada and the United States, let alone across national borders, tend to be highly segmented and decentralized to the extent that they exist at all. (Heynen and Higginbotham, 2004; Studer, 2007.) As a result, neither the U.S. nor Canadian governments possess the capacity necessary to coordinate the kinds of extensive regulatory initiatives championed by some business groups and feared by their ideological opponents.

However, these realities tend to reduce the transparency of policy processes both to many stakeholders and, especially, to broader publics – raising questions of democratic legitimacy and suspicions that such processes are likely to promote the interests of stakeholder groups invited to participate by governments while discounting those of societal and economic groups that are not so favoured. These concerns, which are reinforced in the United States by the continuing ideological polarization of partisan politics in recent years and the stagnant or declining living standards of many lower and middle income Americans, are likely to become a significant barrier to further integration unless new approaches are developed to engage and win the trust of citizens on both sides of the border. (Anderson and Sands, 2007.)

VII. PRESIDENTIAL POLITICS AND PROSPECTS FOR 2009 AND AFTERWARDS

Both Republicans and Democrats are internally divided on trade issues. Presidents of both parties tend to acknowledge the value of strengthening the global trading system – at least, after their election – although the greater weight of unions and environmental activists within the Democratic Party, particularly its congressional wing, tends to make the latter more sceptical of trade liberalization.

The behaviour of congressional leaders of both parties is likely to reflect a mix of partisan considerations, including greater deference on trade issues to Presidents of their own party; the relative impact of particular trade policies and economic conditions on economic interests in their own states and on the principal client groups of Congressional committees or sub-committees to which they provide leadership; and overall economic conditions – being more favourable to trade liberalization during period of economic expansion and less so during periods of recession or slow growth.

The partisan and societal polarization of the Bush years has been reflected in a growing divide over trade policy issues. This trend has been reinforced by a cyclical downturn in the U.S. economy in 2008, the puncturing of the credit bubble of the Clinton-Bush years, and the stagnation or relative decline of incomes among many lower and middle income Americans. These realities suggest parallels with the politics of trade in the 1970s, when growing resistance to the "imperial Presidency" in the aftermath of the Vietnam War combined with the growing importance of non-tariff barriers in international trade to result in a reassertion of Congressional power, the resurgence of (never particularly quiescent) interest group politics as an impetus to protectionism, and an expanding culture of litigation arising from the contested nature of trade and related domestic regulatory policies.

Trade agreements with less economically developed countries, including NAFTA and the Central American Free Trade Agreement (CAFTA) have become symbolic lightning rods for these discontents. Both leading Democratic presidential contenders advocate the renegotiation of NAFTA and a "time out" on future trade negotiations. (Obama, 2008; Clinton, 2008.) Although the likely Republican nominee, John McCain (2008), favours continued trade liberalization, current trends suggest that, if elected, he is likely to have to overcome the reluctance of an adverse majority in both houses of Congress.

These developments pose significant challenges to Canadian governments and trade policies that are substantially greater than partisan differences between the leading Canadian parties. The Harper government has signalled that any reopening of the agreement is likely to result in adjustments to current NAFTA guarantees of security of energy shipments in the events of supply disruptions. (Greenaway, 2008**)** Interestingly, these statements have not triggered any response by oil and gas producing provinces – in sharp contrast to similar warnings in different circumstances by the Martin government.

Ottawa has also launched several "below the radar" processes intended to prepare for a changing of the Presidential guard in Washington – including explorations of options for border management policies. Significant elements of the Canadian business community, including the North American Competitiveness Council, have openly advocated the possibility of bilateral arrangements with the United States on trade, labour mobility, and regulatory cooperation independent of formal NAFTA and SPP structures. (Burney, 2008a; Burney 2008b; Manley, 2008; NACC, 2008, 12; Thompson, 2008) These initiatives have triggered some echoes from business groups and centrist think tanks in Washington (Austin, Dezenski, and Affolter-Caine, 2008; United States and Canadian Chambers of Commerce, 2008)

Several provinces, including British Columbia, Ontario, Quebec, Manitoba, and New Brunswick, have become active participants in U.S. state-led regional greenhouse gas initiatives to develop cap-and-trade mechanisms. At the very least, these initiatives are designed to ensure that Canadian industries are "inside the tent" should the next Congress legislate mandatory requirements or impose trade sanctions on imports from countries whose lower environmental standards are deemed to place American firms and workers at a competitive disadvantage. (Mallaby, 2007; Ivison, 2007)**.**

A broader difficulty will be to develop a mutually beneficial process for engaging these and other issues. Historically, the United States has not initiated comprehensive bilateral negotiations with its North American neighbours, partly out of sensitivity to Canadian and Mexican concerns over power asymmetries, partly due to the recognition of senior U.S. policy-makers recognition that such approaches have limited prospects of success. (Confidential interviews, DOS) It remains to be seen whether this kind of realism will inform North American trade policies under a new administration.

The conventional wisdom in Canadian trade and economic policies is that prospects for further growth in Canada-US trade are largely linked to the prospects of greater regulatory harmonization – embracing a variety of policy fields somewhat distant from traditional notions of trade policy and subject to independent Congressional initiatives, oversight and review. Such initiatives largely overlook the insecurity and defensiveness of Congressional and public opinion in the United States -- and entrenched resistance within Congress to sacrificing its institutional prerogatives regardless of party.

The other major alternative – incremental processes of sectoral policy adjustment, spread over hundreds of small technical initiatives on the model of the SPP – faces the difficulty of sustaining political interest in the White House and elsewhere in the executive branch. However, the design and implementation of broader changes will requires the mobilization of sufficient

Congressional will – and bi-partisan consensus – to secure substantive legislative authority necessary to initiate formal negotiations and avoid the “death of a thousand cuts” resulting from Congressional and special interest log-rolling.

Much will depend on the readiness of Canadian political leaders to identify and take advantage of windows of political opportunity that emerge during the first year of the new administration. Under current circumstances, a bilateral approach combining trade, energy, environmental and border management issues may have the greatest prospect for success, particularly under a Democratic administration, but only to the extent that Canada’s federal government is able to secure the support of a parliamentary majority – a far from certain prospect at present.

However, if the United States is unable to resolve the concerns of its political classes over globalization and related adjustments to societal and environmental policies in cooperation with Canada, it is unlikely to make much progress with either other advanced industrial countries or the rising economic powers of the developing world in addressing these and other pressing policy challenges.

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