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Free Trade is the Pathway to U.S.-Canada Bilateral Success

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By Ambassador David H. Wilkins, Guest Contributor

The U.S.-Canada relationship is a fascinating study in the bounds of friendship. 5,500 miles of shared border, common values, and a staggering volume of bilateral trade—to the tune of \$1.6 billion a day—make ours the best and most prosperous relationship in the world.

And yet, it is a relationship where folks on both sides of the border sometimes tend to take more solace in our differences than in our common ground.

A Canadian newspaper recently summed it up this way: “Canadians have a visceral reaction when Americans try to revoke historic benefits of our proximity. We howl when Americans erect new protectionist barriers or threaten to scrap free trade. We grumble about needing a passport, getting fingerprinted or forced to wait in line to cross the border. We get downright mad at tariffs or other restrictions on our exports. We pride ourselves on how different we are, and at times, we can be downright anti-American. Yet we want Americans to treat us better than they treat all other foreigners.”

When Barack Obama was elected President in 2008, many Canadians assumed that they would automatically begin receiving that special treatment. They hailed the election of a kindred spirit, predicting a new bilateral closeness after the Bush years.

Now with Canada hosting both this summer’s G8 and G20 meetings and setting an agenda which promotes “open markets and trade opportunities” the country might just be longing for those Bush days.

In President Bush, Canada had a fierce defender of free trade and NAFTA. The most divisive trade dispute—softwood lumber—was resolved in large part due to his efforts, and Canada’s oil sands were considered a strategic resource.

But the dynamics have changed considerably.

First came the 2009 “Stimulus Act” and a “Buy American” clause that shut out foreign-made manufactured goods for projects funded by the package.

Deep concerns over the threat of protectionism were raised by those who recall the destructive Smoot-Hawley Act of the 1930s. This measure raised tariffs on imports to record levels. Other countries retaliated, slashing America’s exports and imports by more than half and not only worsening—but prolonging—the Great Depression.

That’s why Canada’s Prime Minister Stephen Harper has called the increase of protectionism “the biggest risk we have to global economic recovery.”

In the wake of “Buy American”, Canadian municipalities initially voted to retaliate. After months of tense negotiations, a bilateral deal was finally reached earlier this year, which did exempt Canadian iron, steel and manufactured products until September, 2011. But the trend toward protectionism in the U.S. appears to be picking up steam.

In April, two Congressmen (a Democrat and a Republican) created a “Buy American Caucus.” This came on the heels of a push by a small group of U.S. lawmakers to withdraw from the North American Free Trade Agreement. Then-Senator Obama was deeply critical of the NAFTA pact during his presidential



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election, pledging to withdraw if Canada and Mexico failed to revamp labor and environmental provisions.

So far the president has not followed through on those threats but some of his fellow Democrats are pushing for an end to NAFTA and other changes in existing trade deals before agreeing to any new ones.

Further complicating the issue for the president is the support of Big Labor. Several major unions (who rigorously support the Democrats) are pushing "Buy American" provisions and endorse the U.S. exiting NAFTA.

Meanwhile, business groups like the U.S. Chamber of Commerce and the National Association of Manufacturers strongly support NAFTA, applauding the economic growth it has spurred while tearing down trade barriers in North America. Since its implementation in 1994, total two-way merchandise trade between the U.S. and Canada has grown by more than 225 percent, and Labor Department statistics show that for almost a decade after NAFTA, the U.S. gained nearly a half-million manufacturing jobs and jobs gained from exports offset those displaced by NAFTA.

And under free trade agreements in general, Census Bureau data reveal the U.S. sold our agreement partners some \$50 billion more in manufactured goods than we bought from them.

Oil is also a concern.

Some Democrats in Congress consider the oil sands "dirty oil" and think the 2007 energy bill should be interpreted to ban the U.S. government from buying fuel extracted from the oil sands.

Canadians also worry about the threat of so-called "green protectionism" or a border tax whereby the U.S. would impose tariffs on imports from countries whose carbon reduction regulations failed to meet ours.

Despite these concerns, the U.S.-Canada relationship remains strong and robust. It counts for much that President Obama is viewed overwhelmingly favorably by Canadians who typically like our bilateral relationship "close, but not too close." This allows Prime Minister Harper's Conservative-minority government to actively engage with the U.S. with the public's support.

For example, Canada is effectively waiting on the U.S. before developing its own comprehensive climate change program. In other times, Canadians would normally resist waiting on the U.S., but the enthusiasm for Obama allows Canada to logically strive for compatible climate regulations.

Lastly, the November midterm elections loom. If current predictions prevail, we can expect a more balanced Congress. This is frankly good news for our bilateral relationship.

A pro-business, pro-open markets Congress is one that looks to enhance its trade with Canada, as well as to expand our free trade agreements globally. And energy-independent minded members will recognize the strategic importance of Canada's oil sands and how fortunate we are that our best friend and trading partner is also our number one foreign supplier of energy.

It's been said, "Fences make good neighbors." When it comes to the U.S.-Canada relationship, the very last thing we need is obstacles standing in the way of what has long been the world's greatest trade relationship. Mutual respect for our countries differences and a rock-solid commitment to open markets and free trade will continue to make the closest of neighbors the best of friends.

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