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Discussion following the Remarks of Professor Mel Watkins

Discussion

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Discussion Following the Remarks of Professor Mel Watkins

QUESTION, Professor Henry King, Jr.: Professor Watkins, do you suggest any change in the present Canadian perspective, or should it maintain the status quo?

ANSWER, Professor Watkins: I have not just been speaking of my own perspective. It's the position of the trade unions, of the CLC, of the New Democratic Party: that Canada ought not to move further with integration of the Canadian and U.S. economies. Their position is that it should, instead, try to define a set of policies which would reduce Canada's dependence and make it more self-reliant. This is not a novel idea, there has been a lot of thought and writing done on it; proposals in support of it have been put forward by the Labor Party as well.

I'm a pluralist; I don't want nations to disappear. I'm concerned with whether Canada will have any real existence if further integration happens. I don't mean to say Canada will cease to exist politically, but one can't separate economics from politics. I'm concerned that if there is further economic integration it will lead to a lessening of Canada's ability to pursue its own policies. Interest rates are an example, where we're told we can not control interest rates because these roll across the border from the United States. If the U.S. mismanages its economy, Canada's interest rates increase and unemployment increases, yet we have no control over it.

COMMENT, Mr. Philip Trezise: I have never been one who thinks that Canada is a colony of the United States, but over the years the two countries have become closer in economic and other ways. Ever since the reciprocal trade agreements, the GNP of Canada has grown along with that of the United States. Canadians are better off than they would have been without the closer integration with the American economy.

It's not just an economic relationship, it's a political one as well. But, I don't think anyone can make the case that there has been a lessening of freedom for the average Canadian during the evolution of this relationship. We have prospered together and could prosper further under free-trade. Canada does not have to accept this idea, nothing is being pressed upon it by the U.S. I just don't understand what Professor Watkins is so concerned about.

ANSWER, Professor Watkins: What I am saying is that there is a limit to the relationship between two sovereign nations. I think the kind of integration that would come with free-trade goes beyond that limit.

The relationship between the two countries has, in general, been a benign one—but there have been problems.

In the 1970's Canadians became more nationalistic. Why? Because President Nixon brought in a surcharge and Canada was not given an exemption as was expected. In the 1980's Canada is faced with a very serious unemployment problem which can't be solved with the methods used by the United States. And, if Canadians understood that unemployment cannot be dealt with through trade policy, there would be less talk of further integration with the U.S.

COMMENT, Mr. Simon Reisman: Integration has to be looked at in a wider sense. One has to look clearly at the relationship between enhancing Canadian trade, improving the industrial base, and shipping into a market of over 200 million—which for Canada is like shipping into the world. Integration into this trade market would give Canada world-class industries, world-class skill and world-class respect.

It is the insecurity with our trade position that is affecting Canada's independence. With weak industry, unemployment, and uncertainty about market access, we have to ask the United States for special considerations—that is when our sovereignty is affected. If we had access to that market, on a secure basis, we could exercise independence in its true sense. Any movement away from that goal of greater integration of the two countries' markets will impoverish the country and destroy the independence it now has.

COMMENT, Mr. Peter Suchman: Professor Watkins' views are based on the premise that either the status quo is maintained or one of the proposals made is adopted. But the viewpoint of American trade policy is that it never stands still—there is movement, either forward or backward. There is a great thrust for protectionism in the United States at present. It is not a question whether Canada can maintain its present relationship with the U.S., but rather where will the relationship go now—forward or backward.

This conference is about whether we go forward sectorally (or comprehensively), or whether Canada, and perhaps the United States, develops a more autarkic economy. If that happens though, Canada will be the loser, not the U.S. The U.S. will lose, but it is large enough to sustain the loss, Canada is not.

ANSWER, Professor Watkins: I don't claim to have answers to all the problems involved in the Canada-U.S. relationship. But I am trying to pose questions which are not usually looked at. If Canada builds its economy based on the United States' lead in free-trade and the U.S. then changes its policy, Canada is going to be in trouble. I think Canada should not place itself in a vulnerable position like that and that it should become less dependent on the U.S.

There is 11% unemployment in Canada today. That economic crisis is not going to be solved by a free-trade agreement, but by protecting

Canadian jobs. The first obligation of the government is to provide a decent standard of living and jobs for its citizens. A protectionist policy may be the only way of doing that, especially if the U.S. begins to follow that path.

