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HOW DO CANADIAN PROVINCES AND U.S. STATES VIEW THE IMPORTANCE OF THEIR RELATIONSHIP WITH THEIR CROSS-BORDER COUNTERPARTS?

David Peterson

I thank you all for being here a quarter to nine in the middle of the hockey playoffs on a Friday night. There is no way you would ever get a Canadian group in the middle of the hockey finals on a Friday night at a quarter to nine, and I must say, I am intimidated by the quality of this audience. There is nothing I say that someone here could not say a lot better or more knowledgeably and so I stand here asking myself what my qualifications are to be here. It is, like Caesar going into he Cleopatra's bedroom; he knows what he has got to do but how do you make it interesting. The answer is, I must be very frank.

Mr. Blanchard was supposed to be here tonight. Last year Mr. King phoned me and asked me to speak at this conference. I said, “I will come if Mr. Blanchard comes.” Mr. Blanchard was here last year because he was peddling his book; an author will go anywhere and give a speech for free just to peddle his book. So I said, “You get Mr. Blanchard to come and I will come.” Well, Mr. King got Mr. Blanchard to come. This was about six months ago. We were going to do a dog and pony show because Mr. Blanchard was governor at the same time I was premier and we developed a very close relationship. As many of you know, Mr. Blanchard has decided to run for governor. There is a black caucus meeting in Detroit tonight that he had to attend, so he has chosen to be there rather than here. Mr. Blanchard sends his profound apologies. I will get back to this relationship. I think it speaks to some of the issues at hand tonight.

The question on the table is “How do Canadian provinces and the U.S. states view the importance of the relationship with their cross-border counterparts?” The answer is, this relationship is important. That is my speech. A simple question to which there is a simple answer.

If you will allow me, I am just going to add a few perspectives from a Canadian point of view, from a provincial point of view, from Ontario's point of view, and from my point of view. I hope I can add insight from my own background, having been deeply involved with some of these issues.

* Peterson bio.
I want to tell you a little bit about Ontario. Donald Creighton, one of many great historians in Canada, called Ontario the great commercial center, the commercial empire of the St. Lawrence. Creighton wrote many, many years ago, but he almost presaged the kind of economic relationship that is developing around the Great Lakes today.

I also want to tell you just a little bit of the history of Canada because there are profound differences in the way Canada and the U.S. solve problems and there are differences in the kind of powers the provinces have and the powers that the U.S. states have. These differences impact the relationship between Canada and the U.S.

Canada is a unique federation. It is arguably the most decentralized federation in the world. It is very hard to understand the Canadian federal system on the basis of an understanding of the U.S. federal system.

Canada has devolved a great deal of powers into the provinces and Canada is unique in the sense that sense Canada is the only federation where one piece is so significant. Ontario represents forty to fifty percent of virtually ever statistic you want to mention in Canada. It has a very dominant role in Canada. We have our biggest neighbor to the east, Quebec, whose dominant culture has a different language. This presents problems for us in everything we do and is part of the Canadian fabric. I would say (parenthetically) that the capacity of Canada to deal with the French language majority in the province of Quebec is one of the great moral/political questions we deal with constantly. It is always at the core of debate.

We also have the situation in Canada where we have three provinces, Ontario, British Columbia and Alberta, and the rest are takers, three givers, seven takers, if you like. This puts pressure on our federation as well. The way Canada developed, from John A. McDonald, was with protectionist policies. The national policy favored central Canada. It tended to concentrate all the wealth in central Canada and led to a lot of grievances across our country. Our country is highly polarized in many ways. Ontario, you can argue, was the beneficiary of confederation, the beneficiary of the national policy.

A sense of regionalism developed across the country, except in Ontario. Nobody says I am an Ontarian. People say I am a westerner, I am a British Columbian, I am a Maritimer, I am an Albertan or I am a New Foundlander. Nobody says I am an Ontarian. From Ontario’s point of view, what serves Ontario well, tends to be what serves the country well. That, of course, has created a lot of problems as we have gone forward.

Do not underestimate the power of Ontario in economic terms. If Ontario was a separate country, and I am not advocating separation, but if it was, it would have the eleventh largest Gross National Product (GNP) in the world,
and is quite capable, as they say, of going it alone. Obviously, my analogy
does not hold up if you include the states of California and New York. To
give you a sense of its relative size, Ontario has the fourth largest budget in
North America. U.S., Canada, California, and then Ontario. California has
times the population of the Province of Ontario.

So there is much more power in the hands of the provinces and much
more power in the hands of the executive council because we do not have a
separation of powers that you have in the U.S. in the executive and legisla-
tive branches, so it gives us easier and faster decision making in Canada in
many respects. I just wanted to point that out to you. You have probably
discussed these matters before, but it is important to understanding the dif-
ferences, at least from Canada's point of view.

There is also, I think, another important element in understanding Cana-
dians. I do not want to be superficial about this, but Canada was built on
compromise. We have not had the great war of independence or the great
civil war, fought on great moral issues, where we were prepared to send our
sons or daughters to war to die for principle. We have always, kind of,
worked it out. We get the great politicians who say, “Follow me, I will com-
promise.” It is not always a very compelling kind of a message. We only
went to war once, the War of 1812, and we beat you guys, at least we tied.
We stormed the White House.

Again, our relationship with the U.S. has always formed the backdrop to
Canadian politics. It is one of the reasons we formed the nation in 1867.
There were three reasons articulated.

The first reason was defense.

The second reason was to form a common market across our country,
which has still not formed, if you want to know the truth, after all of these
years.

The third reason was a broad vision, to create a country from sea to sea.

You can never discount the importance of the relationship between Can-
da and the U.S. The relationship between Canada and the U.S. is the most
important trade relationship in the world.

The reality of this relationship is constantly an issue for us as Canadians
in a small country that imports a very high percentage of its culture across
the borders. We import a higher percentage of our culture than any other
country in the world, and there are no natural barriers to restrain it. The logi-
cal progression of events unchecked with absolute open borders, with free
trade and complete importation of culture is that Canada will become the
fifty-first state. You must understand this essential fact to understand the
national debate in our country, because it is a deep debate, it is a profound
debate. There is no necessary unanimity. Free trade is not an easy thing to
accept. There have been wonderful economic benefits. However, I think it is important to remember, at this point at least, Canadians are not Americans and do not want to be Americans. We are seeing this invasion of U.S. culture, which is arguably the dominant culture in the world today of the strongest nation, arguably, in the history of the world. It is a culture that is profoundly changing the world that we are living in, much more than anything the politicians do, much more than anything that lawyers do and much more than anything the academics do.

I recognize there is an inexorable pull, because where the power goes the money goes, and where the money goes the powers goes, and even though there has never been a bigger trade relationship, I would argue, probably there has never been a bigger economic dependence relationship than Canada has with the United States today, and from Canadian's point of view, we are a little bit vulnerable. If you were issuing a prospectus as a company and you had to put all the risk factors, if you were doing eighty-six percent of your business with one customer, you would say that is a high-risk proposition.

We heard earlier a number of statistics that are stunning in their size and their import. I just want to add this. We are dependent in Canada for two million jobs in exports to the U.S. That is a very, very big number. Thirty-eight percent of our GNP depends on exports to the U.S. That makes the U.S. important. Two percent of the U.S. GNP is in exports to Canada. This dependency ratio is not exactly equal.

It raises major questions of sovereignty. There has been a gradual erosion of sovereignty. It is has been happening for a long time. We control far less of our destiny now than we used to. There were some ill fated responses with FIRA and the national energy program, a lot of things that in the long term were counterproductive, but do not blame Canadians if they are a little bit sensitive about their independence.

I guess we want it both ways: We would like the economic benefits, but at the same time we want to keep our individuality.

So, again, let me say that there are core values that are important to Canadians. However, these values may change. I do not think that the passionate nationalism that we have had historically exists with nearly the same intensity today. Our province has changed. We are getting a different leadership today that views the world differently than the historic leadership, who viewed their responsibility to other provinces as well as to, shall we say, foreign nations, i.e.: the U.S., differently than in the past. Today’s leadership is very pragmatic.

For example, a book called "Heartland to North American Region/State" traces the evolution from Ontario being the kingpin of Canada, the center of Canada to being part of a region/state that includes Ohio, the U.S., and
Michigan, and a number of the Great Lakes regions, because the truth is, if you were redrawing the map, and you blanked out history, you would never draw the map the way it is drawn today. There are too many artificial barriers. You would have a Great Lakes state, around the greatest set of fresh water lakes in the world and arguably one of the most powerful economic units in the world. You could do the same thing for the west and Maritimes. History does not always take practical consideration into account.

I talked earlier about Ontario's role in the confederation. Ontario has always played a major role in keeping our fragile country together. I think the tradition that I came from said, "Look, Ontario is the biggest and richest, Ontario has to play a role in keeping the country whole, and if that means making concessions to Quebec on language issues or to the west by buying their coal, even at a little inflated price over what could come out of Appalachia to keep them happy, yes, you do things like that from time to time, because if you lose focus to that Canadian ideal, that ideal will follow the natural economic lines, our sovereignty will recede more and more and make our country less unique, and something we are proud of."

I am not a protectionist. I am not trying to throw up a whole bunch of barriers. I am trying to sensitize my U.S. friends, particularly, to a country that is not the same.

The worst insult you can give a Canadian is to say we are the same as Americans. As much as we respect our great neighbor and as much as I acknowledge it is the greatest nation in the history of the world, we do not want to be there. We want all the good things. We want our own uniqueness as well.

Recently this tradition has been changing. Leaders today have started saying that Ontario is not being treated well compared to the other provinces and have in many ways not put the effort into the national agenda that past leaders have done in terms of tending the Canadian ideal which embraces diversity, different languages, different religions and pride in the fact that we have created this wonderful mosaic in peace and in harmony, an example to the world in so many ways concerning respecting differences.

For example, Michael Harris, you know, is a very pragmatic political, has very strong views on a lot of subjects. He was quoted as saying in 1999, in a speech to his American counterparts, the governors, "We really see you as very strong allies, more so than many parts of Canada, something far more significant than perhaps my national government understands."

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1 THOMAS J. COURCHENE & COLIN R. TELMER, FROM HEARTLAND TO NORTH AMERICAN REGION STATE: THE SOCIAL, FISCAL AND FEDERAL EVOLUTION OF ONTARIO (Toronto: Faculty of Management, University of Toronto, 1999).
So to my Canadian friends, I would say, "If we do not continue to be mindful and watchful of the issues, if we do not tend our national soul, we will lose it. I do not think it is nearly as strong today as it was some ten or fifteen years ago.

Getting back to my friend James Blanchard, he was in London, Ontario when I was elected in 1975. I did not know him. He was an unknown congressman and I was just elected. I was just a kid. I, essentially, met him when he was the governor and I was a premier. We became very, very close friends. We did a lot of things between Ontario and Michigan in those days. We signed a number of agreements. These agreements were based on a friendship, and I guess, at the end of the day, like so many areas of life, it depended on human relationships and the capacity to make things work together, and finding the common vision as opposed to the things that divide you.

Friendships developed between the Premiers, the Great Lakes Governors, the Eastern Governors and the Southern Governors. We would build relationships, learn ideas from each other and try to solve problems. We would often sit late at night with a glass of brandy and a cigar and talk.

But, as a Canadian, and I go back to my original paranoia, I did not believe then, as I do not believe now, that Canada should be so dependent on one market. We must continue to be outward looking.

One of the most exciting groups I have ever been a part of was the Four Motors of Europe. Ontario became an associate member of that group, and through this group we created a number of alliances with European regions: scientific alliances, educational alliances and business alliances. We had trade missions going back and forth, putting effort into issues that we believed were necessary given the new globalization. This was in the late 1980s, when it was not so obvious that something like the Internet was going to drive the world and when it was not so obvious that globalization was going to occur. It was obvious that the information revolution was going to overtake the world and that the real new wealth of nations was going to be based on brains, not on natural resources. We in Canada were too dependent on natural resources. We had to put effort into the new wealth of nations.

Our thrust was a global thrust, not just a North American thrust. Our relationships with the U.S. were an important part of that thrust, and there was proximity of community of interest and ease of communication that made relationships easy.

In conclusion, let me say that even though there is a sense of friendship and a spirit of cooperation between Canada and the U.S., Canada still has to protect its interests. This tension can be seen in the softwood lumber issue. The softwood lumber issue is a perfect example of the U.S. unwittingly tak-
ing advantage of Canada and Canada giving in on the situation. I do not believe there is a conspiracy to take advantage of Canada, but there is a benign neglect sometimes, and lack of knowledge about Canada. In fact, when you sneeze, we catch a cold, and we must be constantly vigilant of our own interests. I do not say this in anyway lacking charity; I say this as a good friend, but recognizing the dependency of our position.

Ladies and gentlemen, I thought I would just give you a few perspectives of my own and you can do what you like with them. I very much enjoyed being here. Thank you for having me.