

CANADIAN GLOBAL AFFAIRS INSTITUTE
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Canada and America First: A New Way Forward

by Bernard Etzinger

January 2025

POLICY PERSPECTIVE

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Prepared for the Canadian Global Affairs Institute
Suite 2720, 700 – 9th Avenue SW., Calgary, AB T2P 3V4
www.cgai.ca

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ISBN: 978-1-77397-324-1

40 years ago, the Royal Commission on the Economic Union and Development Prospects for Canada, also known as the Macdonald Commission, presented its report to the newly elected Prime Minister Brian Mulroney. Commissioned by Prime Minister Pierre Trudeau in 1982, the Commission's first recommendation was that Canada pursue a free trade agreement with the United States to foster a more flexible economy, which would be capable of adjusting to international and technological change. Its other recommendations included an elected Senate and greater social and economic equity.

Four decades later, as Canada stares in the face of perhaps its greatest ever set of geopolitical challenges ranging from the election of President Trump, China, Russia, the Middle East, crypto, AI, human migration, and the opioid crisis, could there be a more opportune time to take stock of Canada and its relationship with the United States?

Canada's entire history is in one sense a view through the lens of the U.S. Our country was founded in part out of fear of a U.S. invasion. Over the decades that followed, reciprocity, free trade, and the views for or against it would shape Canada's national identity. Common wisdom stated that Canada needed a strong national government to withstand U.S. influence, and through that view Canada's entire institutional, cultural and global policy framework came into being.

What forty years of free trade has shown us as a country, is that Canada's security and prosperity relies on a strong national government that can act because of its strong and forward-looking relationship with the United States – not despite it.

President Donald Trump's 25% tariff on Canadian goods has sparked fear and fierce reactions in Canada, highlighting the neuralgic shift in the Canada-U.S. relationship under Trump's "America First" doctrine. Canada has been forced to reconcile its self-perception as a close ally with the Trump view of Canada as a weak security link and as a competitor benefiting at America's expense. This growing tension underscores the urgent need for Canada to reassess its relationship with its largest trading partner.

Trump's rise to power, although surprising to many Canadians, is rooted in post-9/11 economic nationalism and security concerns that has reshaped U.S. priorities over the past two decades. Now, with the tariffs looming, Canada faces the full impact of America First. Historically, Canada has been viewed as a reliable neighbour, but under Trump, it has come to represent a country that gains more than it contributes, because it has lagged in key areas of enforcement and security. This shift threatens Canada's sovereignty and interests, necessitating a strategic reassessment.

However, Trump's coming presidency has exposed vulnerabilities in our current management of Canada-U.S. relations especially if our political institutions cannot rally around a coherent Canadian policy response beyond responding to the current tariff threat with retaliation and intense advocacy of U.S. national, state, local and business leaders to try to convince them of the folly of high tariffs.

Under Trump, Canada can no longer take comfort in an American view of Canada that is comfortingly fuzzy, or distractingly blurry. Canada is now part of a worldview, one that categorizes countries as either adversaries or those benefiting disproportionately from the U.S. In this context, Canada is viewed as a country that gains without giving enough in return. This perception is a significant challenge, and pushes Canada to confront how it sees itself, its sovereignty and its place in global affairs.

Back in 1982, fresh off the Quebec sovereignty referendum of 1980 and in the throes of the then majority Parti Québécois government in Quebec City, and in the midst of western fury over the National Energy Program, the Macdonald Commission was launched. 42 years later, the fault lines in the Canadian federation once again lie vulnerable to seismic shifts not only in Quebec, but now too in the West. A new national effort is required for Canada to respond to an existential moment that is domestic, bilateral and global in nature that brings Canadians together to look ahead and work together.

While it is unlikely to imagine this government having the mandate, energy or time to conceive, launch and manage such a national conversation, there is a group explicitly referenced in that report of 40 years ago, whose independence and purpose as the chamber of sober second thought, could lead this conversation: the Senate of Canada.

The Senate's Foreign Affairs and International Trade Committee could lead this conversation, bringing together experts and all interested parties to take that look ahead and consider new ideas, ones that would address foundational issues in the federation that hinder the ability to generate wealth, prosperity and security for Canadians.

And without a reconciled, forward-looking relationship with the United States, these foundational issues risk our future as a country, no matter the work of the Team Canada approach currently underway.

What could a new Canada relationship with the U.S. look like? There is an old saying in the F1 racing world that says to finish first, you must first finish. For Canada, America First, means that we must deal first with America. And as Team Canada argues against tariffs, it's clear to many that the status quo is also not an option.

Such a national conversation could acknowledge that the status quo could benefit from a more coherent and strategic approach to trade, immigration, defence and currency that enables Canada to take full ownership of its sovereignty, limiting the ability of future administrations to raise the rent at will - like with a 25% tariff.

A critical centrepiece of this framework is the creation of a shared customs and immigration perimeter with the U.S., addressing interconnected challenges in immigration, security, and economic disparity. This customs and immigration perimeter would take its place alongside the energy perimeter that has been in place since the enactment of Canada-U.S. free trade back in the 80s.

Immigration and America's Role as Canada's Wall

Canada's immigration system, historically praised by many for its selectivity and humanitarian focus, relies heavily on the U.S. as a buffer for migration. It benefits from, but yet ignores the fact that the U.S. acts as Canada's wall historically absorbing all migration from its southern border. Incidents like the Roxham Road influx expose the vulnerabilities in Canada's immigration system.

A shared immigration framework would address the issue by creating a policy where Canada aligns asylum, security, and residency criteria through a perimeter-based approach. This collaboration would allow Canada to take on greater responsibility and demonstrate a willingness to take this American issue and work to make it a centrepiece of bilateral cooperation.

The Decline of Canada's Continental Defence

Canada's role in continental defence has atrophied, drawing harsh criticism from NATO allies. In today's world of cyberattacks, drone warfare, and hybrid threats, this decline is unsustainable.

Canada must not only increase its defence spending but also commit to a more strategic role in North American security. Expanding NORAD's mandate to include cyber, land, and sea defence in the Arctic would restore Canada's role as a key security partner. Additionally, committing to ballistic missile defense (BMD) would signal Canada's commitment to its own defence and broader continental security.

Economic Disparity Along the Border

The economic divide between Canada and the northern tier of northern U.S. states is visible to any Canadian crossing the border. While Canadians along the border enjoy relative prosperity, counterparts in the U.S. often face economic hardship. This disparity fuels a sense of economic exclusion, particularly in Trump's strongholds.

Canada can mitigate these tensions by fostering stronger and even unilateral economic integration with U.S. states. Measures like tax incentives and cross-border labour mobility would create job opportunities and strengthen ties between Canada and the northern U.S. This collaboration would ease economic frustrations, promote mutual prosperity while counteracting isolationist policies, and addressing key policy priorities such as our own labour shortages.

Pegging Canada's currency to the US dollar

It's estimated 66 countries have pegged their currencies in one way or another to the U.S. dollar. As well, there is the European Union euro zone, which includes 20 countries. There are 180 currencies worldwide.

40 years ago, no one had heard of or much less conceived of crypto. Whatever one thinks of crypto, today there are over 25,000 cryptocurrencies, of which 40 have a value of at least $1 billion.

It is unclear how national and crypto currencies will co-exist over the longer term, but it's not inconceivable that crypto will surpass individual currencies in value and use. It is not inconceivable that the Canadian dollar could be one of those currencies.

In 1976, the Canadian dollar maintained a more or less a 1 to 1 relationship with the U.S. dollar. The electoral shock of the Parti Québécois saw the beginning of a roughly 25% discount in the value of the Canadian dollar vis-à-vis the U.S. dollar.

In a sense, by the time Canada-U.S. free trade arrived on the scene to eliminate bilateral tariffs, the low dollar served to reinforce the argument that cheaper exports meant more jobs - and it was one that convinced nationalists in Quebec that free trade was in their interest too.

But cheaper exports from Canada, while supporting lower prices in America, has been identified by US protectionists as an unfair advantage. Enter Donald Trump, and all of a sudden, it is Back to the Future with a 25% tariff.

Canada has consistently declared that its monetary policy is hands off from its political leaders, as an independent monetary provides precisely the economic flexibility the Macdonald Commission had identified as necessary for Canada's success.

But what is the point of this approach if its net effect simply aggravates our largest trading partner? If 66 other countries peg their currency to the U.S. dollar, should we? And should that peg be transparent and predictable, and rise over time so that in a period of say 10 years, the Canadian dollar could eventually be pegged to par according to a published schedule, prescribed by law?

Currency traders, knowing the future value of the Canadian dollar over time was enshrined in law, would create conditions where they would hold more of Canada's currency, intrinsically raising its value in an age of crypto uncertainty. The peg would also serve as a fiscal anchor for future Canadian governments, serving to stabilize a spending environment still suffering from the hangovers of quantitative easing. Since free trade back in 1984, the Canadian energy market has operated as both a perimeter and a U.S. dollar zone.

Owning Canada's Sovereignty

To navigate the existential challenges posed by Trump—and future U.S. leaders with similar policies— Canada must take full ownership of its share of the relationship. By addressing

American concerns and strengthening its national security, economic resilience, and immigration policies, Canada can assert its sovereignty while reestablishing its role as a key bilateral partner. Failure to act could result in further erosion of Canada's autonomy or worse, with its future as a country.

We have a choice. We can continue to be renters. Or we can take ownership. Canada's best path forward is to own its sovereignty, assert its interests, and remain an indispensable partner in North America. A new way forward with currency at par, robust customs and immigration perimeters, taking their place alongside our now 40-year-old energy perimeter, with integrated, shared defence and economic priorities, is a pathway to a Canada-U.S. relationship that leads rather than follows. Canada can secure its future and ensure that it remains a confident, independent partner in a global landscape that will continue to be shaped by America's worldview.

Whatever one believes is the way forward in the Canada-U.S. relationship, and whatever the longevity of the Trump administration's policies, America First is not going away. A national conversation could provide a path forward and a way for future governments to manage our complex domestic, bilateral and international environments and come out stronger with a greater capacity to create wealth and create that more equitable society called for in the Macdonald Commission.

About the Author

Bernard Etzinger *is a former Canadian diplomat with assignments in New York, Silicon Valley and Washington, DC, where he served as head of the press office spokesperson to Ambassadors Kergin, McKenna and Wilson. Upon his return to Canada, he was the senior executive leading communications in two federal government departments, before taking on a role as the Chief Communications Officer for The Ottawa Hospital, one of Canada's largest hospitals*

Canadian Global Affairs Institute

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The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

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