Is there a Specifically Canadian Perspective in the World?*

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^{*} Professor Paul Evans proposed this theme to me and I thank him for the suggestion because it gives a new dimension to my thinking. I have focussed on world political economy but very little on Canada's place in the world. I have interpreted Paul Evans' question as concerning Canadian society as a whole in all its diversity. Governments' actions at any time are likely to be determined by conflicting interests and pressures of the moment on specific issues.¹ The perspective attributable to Canadian society is broader and deeper and may be expected to develop and change slowly over time. I shall attempt to address the question in a long-term historical perspective.

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- No. 45 *Is there a Specifically Canadian Perspective on the World?* By, Robert Cox, March 2005.

Two orientations

Historical scholarship shows two conflicting orientations of Canada to the world. They can be represented in geographic terms as an east-west perspective and a north-south perspective. Donald Creighton's work gave a firm basis to the east-west conception of Canada's place in the world. The commercial empire of the St. Lawrence which he wrote about was its first manifestation – the linkage between the production of the great plains of the West, the financial and commercial interests of Montreal and the trans-Atlantic markets of Britain and Europe, tied in also with the commerce of the Caribbean. This perspective though expressed in economic terms was not a product of economic determinism. It was as much political and cultural. It reflected the option that created Canada with a strong central government designed to bind the broad extent of the country together and to defend it against incursion from the rising power to the south. The war of 1812 was as vivid in the minds of Canadians in the years of Confederation as the beginnings of the Cold War are in ours; and at the very time of Confederation the Fenian raids into Canada reinforced that image. The British connection sustained defence of the new country. Trans-Atlantic political and cultural ties as well as economic relations were vital to post-Confederation Canada. This was Sir John A. Macdonald's vision of Canada.

The north-south perspective was at first primarily a matter of economics but it has also had a significant political and cultural component. It emerged violently and abortively in 1849 in a short-lived annexationist movement led by the English-speaking merchants of Montreal who were the fulcrum in the grain trade between Canada and Britain. They were reacting in anger to Peel's repeal of the Corn Laws in Britain which had given Canada a protected market for wheat; and, adding insult to injury, these merchants and their supporters were enraged by the British Crown's endorsement of responsible government which threatened their local political dominance by giving due representation to the French Canadian population. An Anglo mob in Montreal tossed refuse at the representative of the British

¹International Journal, vol. lxi, no. 3, summer 2004, is a special issue devoted to Canada's grand strategy and strategic culture. The concept of 'strategic culture' is one step removed from explicit government foreign policy. It focuses on the doctrines broadly accepted in official circles which inform foreign policy. My approach is one step further removed, looking at the historical context in which Canadian society confronts the world.

² Originally published in 1937 as Donald G. Creighton, *The Commercial Empire of the St. Lawrence*, 1760-1850,the book was reissued in 1956 with the revised title *The Empire of the St. Lawrence*. A Study in Commerce and Politics (Toronto: Macmillan).

monarchy and burned down the parliament buildings. Four of the principal English-language newspapers of Montreal supported annexation to the United States. Nothing much survived of this petulance.

It was, however, in the 1890s that union with the United States gained a more sophisticated intellectual status thanks in part to the efforts of an Englishman, Goldwin Smith who had settled in Toronto. Goldwin Smith had been Regius Professor of Modern History at Oxford where he expounded the liberal economic views of Cobden and Bright and contested ecclesiastical dominance in the university. A family tragedy, the suicide of his ailing father, interrupted his life in England and he resurrected his career across the Atlantic as one of the leading lights at the newly founded and secular Cornell University in upstate New York. From there he moved to Toronto where he married a wealthy widow, settled in The Grange, which after his death became the Art Gallery of Ontario, and animated an influential political and literary circle. He may have been the first to play the role of the public intellectual in English Canada.

In the British liberal tradition he was anti-imperialist, mainly because of his profound belief in Manchester School economic liberalism. He argued that Canada's natural economic flow was north-south, the various regions of Canada complementing the corresponding regions in the United States. His anti-imperialism led him to flirt with a movement of young Ontario men of the 1870s called 'Canada First' which vaguely envisaged Canadian independence from Britain. But reflection on the Canadian condition convinced Goldwin Smith that Canada would not be viable as an independent country because French Canada had never been absorbed into the North American mainstream. Even though as an anti-imperialist he joined with the French Canadian nationalist leader Henri Bourassa to oppose Canadian participation in the Boer War, he thought of French Canada as a priest-ridden obstacle to liberal enlightenment. Union of Canada with the United States - commercial union as a first step - would, he argued, both remove the artificial restraints of protectionism and lead to the assimilation of Quebec into North American society.

Goldwin Smith saw union between Canada and the United States, economic if not fully political, as the next step towards his vision of the future.³ His ideas were influential within the Liberal Party of Canada. The espousal by the Liberals of

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³ His views on Canada-US relations are spelled out in Goldwin Smith, *Canada and the Canadian Question* (Toronto: Hunter Rose & Company, 1891).

reciprocity in the election of 1911, one year after Smith's death, was consistent with this vision. The Canadian electorate rejected reciprocity and the Liberals. The experience was salutary. The Liberal Party continued, but more cautiously, to nourish the north-south perspective. The young Mackenzie King's personal experience of losing his own seat in 1911 was a cautionary lesson.

Goldwin Smith had a grand vision of a union of the Anglo Saxon peoples – a practical if not necessarily a political union. We should see this in the context of the racial theories of late 19th century Europe - theories of the comte de Gobineau and Houston Stewart Chamberlain, for example. He believed that unity among the Anglo-Saxon peoples - the United States, Britain and the British colonies of European settlement – could benefit the world by achieving dominance and spreading its civilization. There is an eerily contemporary ring about this. The economic theories of the Manchester School that he propagated have evolved into what we know today as the doctrine of neo-liberal globalization. The destiny of the union of Anglo Saxon peoples, purged of its more explicit racialist implication, is manifest today in a mission conferred upon certain people of the West to spread their vision of civilization. Smith can be read as an early exponent of what Michael Ignatieff calls 'Empire Lite' - an imperialism that propagates democracy and human rights - and as forerunner of the Bush-Blair alliance to spread Anglo-Saxon style democracy into the Middle East and Central Asia.

In the 19th and most of the 20th century the Conservative Party of Canada maintained the east-west perspective; the Liberal Party cautiously nourished the north-south view of Canada in the world, working towards Canada's independence within the Commonwealth and closer relations with the United States. Party alignment of these two orientations became confused in the 20th century. Pierre Trudeau as Liberal leader pushed for an east-west policy seeking to increase Canadian trade with the European Union so as to minimize economic dependency on the United States. Brian Mulroney departed from traditional Conservative policy by embracing the Reagan administration and the free trade agreement, an orientation that has been reaffirmed by the new Conservative Party of Canada. Today it would seem that the predominant view of the business and political elites in Canada is that closer integration with the United States is either desirable or inevitable. Those Canadians more removed from political and economic power generally do not share that perspective. Opposition in Canada to continental integration comes predominantly from civil society.

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⁴ Michael Ignatieff, Empire Lite: Nation-building in Bosnia, Kosovo and Afghanistan (Penguin Canada, 2003)

Among historians, Harold Innis has best explained how economic interests consolidated the north-south reality with the increasing salience of minerals, forest products and newsprint in Canada's exports, all moving southward to market in the United States. The 1930s was the critical period for this shift in the balance of staple exports.⁵ The different regions of Canada that produced these staples became tied economically to southern markets and so became more impatient of central government control. The economic consequences of the north-south orientation tended to weaken the federal power in Canada and to devolve more power to the provinces. The central power in Canada had been created as a political accord between the Francophone elite in Quebec and Anglophone elites in the rest of the country – the bargain between Macdonald and Cartier. The dominance of the north-south perspective accentuated the sense of political and economic distinctiveness of all the regions. It also left Canadians more open to cultural penetration from the United States.

Innis was alive to the complexity of these influences. He was no simple economic determinist. His study of the staple trade in forest products led him to newsprint, which led in turn to the influence of the press and concentrations of the press in the hands of press lords, which then led him to study the relationship between modes of communication and the development and decline of civilizations. He drew upon the knowledge of his colleague at the University of Toronto, Charles Cochrane, whose philosophical history of the merger of Classical thought with Christianity⁶ is one of the great achievements of Canadian scholarship; and Innis in turn inspired another colleague, Marshall McLuhan, in his development of the theory of communications.⁷

The two world wars reinforced the original east-west perspective in the Canadian mentality as Canadians identified

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⁵ See for example his essay 'Economic trends in Canadian-American relations' and 'Great Britain, the United States and Canada' in Harold A. Innis, *Essays in Canadian Economic History*, ed. By Mary Q. Innis (Toronto: University of Toronto Press, 1956) pp. 233-241, and pp. 394-412. In the latter essay Innis encapsulates the transition from British imperialism to American imperialism: 'Canada moved from colony to nation to colony' (p.403).

⁶ Charles Norris Cochrane, Christianity and Classical Culture. A Study of Thought and Action From Augustus to Augustine (Oxford University Press, 1944).

 $^{^7}$ Harold A. Innis, *The Bias of Communication* (University of Toronto Press, 1951).

with the struggle in Europe. The wars also strengthened Canadians sense of independence as a nation. In both wars, the United States was a latecomer participant that by and large did not impinge upon Canadians' east-west picture of the world. The opposition to war in Quebec was unrelated to any north-south identification; it was rather a rejection of what many French Canadians perceived as a residue of British imperialism in the minds of Anglo-Canadians.

The Cold War in the 1950s brought about a wholly new situation. Innis was apprehensive about the balance of power at the end of the war. His concern for civilization trumped his economic analysis. He saw the only hope for Canadian autonomy as lying in Canada participating in the development of a Third Force independent of both the United States and Russia.⁸ But the East-West ideological and geopolitical cleavage of the Cold War made the United States into the leader of the West. In this new Cold War definition of an East-West relationship Canada, during almost four decades, became increasingly integrated into that North American centre of the West. Following upon and growing out of the Cold War, the onset of globalization, rather than opening Canada to the whole world, intensified pressure for integration into the economic and military centre of the post-Cold War world – the United States. The north-south perspective came to dominate in Canada.

The fall of the Berlin Wall, the collapse of the Soviet Union and the coming to independence of the erstwhile satellite countries of Eastern Europe only strengthened the structures erected in the West during the Cold War. These structures remained and expanded their functions – the NATO alliance, the intelligence services, and the economic and financial structures that were built around the central position of the United States as leader of the West. This confirmed the north-south orientation of Canada. Economic, financial, military and intelligence structures bound Canada into the geo-political and geo-economic sphere of the remaining hyper-power.

The structure of world power

Thinking ahead, in order to contemplate Canada's position in the world it is necessary to shift the focus first, to the broader picture of world power relations and in particular to the position of the United States in relation to the rest of the world; and secondly, to the evolving nature of Canada within this complex. An exclusive Canada-US focus will obscure the risks and opportunities inherent in the broader framework. Taking these two crucial dimensions of the situation into consideration – the

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⁸ Innis, 'Great Britain, the United States and Canada', p.411.

United States in relation to the rest of the world and the evolving nature of Canadian society – I see Canada reaching a tipping point in its north-south orientation; I see a revivified and renovated eastwest perspective pointing the way towards Canada's global potential.

At the beginning of the 21st century, there is no overall dominant structure of world power. There are three rival configurations of power, none of which is able on its own to establish a legitimate world order, but all of which participate to greater or lesser degree in determining how that order may evolve.

The first is what is often called the 'American empire', or now simply 'Empire'. It differs from the imperialism of the 19th and early 20th centuries that meant direct political and administrative control by European powers and by the United States of overseas territories - and in the case of Russia, overland territories. The new 'Empire' penetrates across borders of formally sovereign states to control their actions from within through compliant elites in both public and private spheres. It penetrates first into the principal allies of the United States but also into many other countries where US interests wield influence. Transnational corporations influence domestic policy in countries where they are located; and economic ties influence local business elites. Military cooperation among allies facilitates integration of military forces under leadership of the core of 'Empire'. Cooperation among intelligence services gives primacy to the security concerns of the imperial leadership. The media generalizes an ideology that propagates imperial values and justifies the expansion of 'Empire' as beneficial to the whole world. Economic systems of the component territories of 'Empire' are restructured into one vast market for capital, goods and services. In the imagined future of 'Empire' the 'hard power' of military dominance and economic coercion is both maintained and transcended by the 'soft power' of attraction and emulation.9 'Empire' constitutes a movement towards

⁹ The concept of 'soft power' comes from Joseph S. Nye, Jr., Bound to Lead: The Changing Nature of American Power (New York: Basic Books, 1990) p. 32, which he defines as 'intangible power resources such as culture, ideology and institutions' or those aspects of a dominant power that are attractive to people beyond its borders. Nye was arguing against the thesis that American hegemony was in decline as a result of the rising costs and waning usefulness of military power. 'Hard power' includes military and economic coercion capability. The former Canadian Minister of Foreign Affairs, Lloyd Axworthy, appropriated the concept of 'soft

- convergence in political, economic and social practices and in basic cultural attitudes a movement tending to absorb the whole world into *one civilization*. Its governing principle is unity and homogeneity.¹⁰
- The second configuration of power is the Westphalian interstate system that was inaugurated in Europe in the 17th century and spread throughout the world during the era of European dominance. The sovereign state, though weakened, remains a hardy structure. Sovereignty has a dual aspect. One aspect is the autonomy of each sovereign state in the society of nations. The other is the authority of each state within its own territory and population. Both aspects are protected by respect for the principle of non-intervention in the internal affairs of other states. Both external and internal sovereignty remain a defence against absorption into 'Empire'. The two fronts on which the residue of the Westphalian world confronts the impact of 'Empire' are, first, the defence of the inter-state system and its creations, international law and the United Nations; and secondly, the strengthening of the bonds linking citizens to political authorities. These protect national autonomy in economic and social organization, and thus, by extension, sustain a plural world of coexisting cultures and civilizations. The governing principles of the Westphalian world are pluralist diversity and a continuing search for consensus.
- The third configuration is what is often called 'civil society' or perhaps more specifically the 'social movement'.¹¹ This exists

power' in his pursuit of 'human security' through such projects as the land mines treaty as a primary goal of Canadian foreign policy.

Two recent books discuss the emergence of this latent force. Martin Shaw, *Theory of the Global State. Globality as an Unfinished Revolution* (Cambridge University Press, 2000); and Michael Hardt and Antonio Negri, *Empire* (Harvard University Press, 2000). Shaw focuses on the political and institutional aspects of the emergence of the 'global state' in a spirit of benign inevitability. Hardt and Negri look more to cultural and knowledge aspects and to a dialectic in which the 'multitude' – a post-Marxist name for all those subject to power – will ultimately overcome 'transcendence' whether in the form of God, the state, or 'Empire'. The liberal imperialist perspective of Michael Ignatieff that justifies 'Empire' as the enforcer of moral law and human rights has been referred to in fn 4 above.

¹¹ The term 'civil society' is conventionally used, e.g. by Adam Smith and Hegel, to refer to all organized activity outside of the state. This would include organized economic interests. Indeed, private economic interests were what the originators of the term had principally in mind. Here, I limit the application of 'civil society' to those organizations that rally

both within states and transnationally. This configuration of forces has defended the environment and women's rights. It has mobilized for peace and to combat poverty. It has been especially active in recent decades initially as a movement for an alternative to the economic globalization of transnational corporate power and then as a direct confrontation of 'Empire' in the popular mobilization against the Anglo-American invasion of Iraq. It has also, in the form of so-called 'people power' provoked 'regime change' in the Philippines, Serbia, Georgia and Ukraine. 'Civil society' differs from both 'Empire' and the state system in that it functions as a decentred network rather than as a disciplined hierarchical structure. Modern information technology in the form of the Internet and the cell phone has helped it to develop and to mobilize for action. This loose flexible character is a strength in being able to bring together a diversity of groups around some central issue. It is also a weakness by making it difficult to articulate a clear programme of action because of this very diversity; and also by leaving the movement open to disruption by agents provocateurs or to being co-opted by well-financed and well organized state or ideological interests, either national or foreign. 12 The social movement is inherently opposed to the centralizing and homogenizing force of 'Empire' but is always vulnerable to being subverted or manipulated.

Behind and below these three rival configurations of power lies a covert world including organized crime, so-called 'terrorist' organizations, illegal financial circuits, intelligence operatives, arms dealers, the drug trade and the sex trade, and sundry religious cults. This covert world functions in the interstices of the three overt configurations of power. Some of its component elements, like 'terrorist' networks, conspire to subvert and destroy

people outside of the state for social, political or cultural objectives, hence the alternative term 'social movement'. Business interests are, of course, powerful. In the context of evolved capitalism, I regard them as included within an expanded concept of the state as the aggregation of political and economic power.

Regis Genté and Laurent Rouy, 'Dans l'ombre des "revolutions spontanées" in Le Monde diplomatique, January 2005, p. 6, discuss the role of organizations like the US National Democratic Institute, the International Republican Institute and the Open Society Institute of George Soros, all aligned with US foreign policy, in contributing financial and organizational aid to the popular movements in Serbia, Georgia and Ukraine.

established powers. Other components, like organized crime, are parasitical upon established power and live in symbiosis with it. The covert world is always present in some measure. Its expansion signals trouble for the established order – a loosening of confidence in the security that established order is supposed to ensure for people in general.

The three configurations of power in the world today overlap geographically. They are not confined by boundaries. They have points of geographical concentration but are in contest everywhere asserting rival claims to legitimacy, while the expansion of the covert world, in both its subversive and parasitical aspects, undermines legitimacy everywhere.

The future of 'Empire'

It is easy to accept the phenomenon of 'Empire' as the main fact about the present state of world affairs; but it is important to look critically at its origins and prospects. The analogy is often made rhetorically with Rome – the United States as the new Rome. The aura of Rome's empire endured for a thousand years far outlasting the decline of Roman power. Barbarian armies invaded the Roman Empire not to destroy it but to merge with it and take power within it. Spiritual forces from the Middle East penetrated throughout the empire and took the institutional form of Rome in the Catholic Church. The successor political authorities invoked the legitimacy of Rome.

The parallel doesn't work for America. American power has provoked an affirmation of difference on the part of other peoples. They do not strive to merge into a homogenized imperial whole. They prize their own distinctiveness. US influence had a benign quality, often welcomed abroad, in the decades following World War II. It is now regarded abroad with great suspicion. American values do not now, if they ever did, inspire universal endorsement as a basis for social and political life. Once widely admired, if not emulated, they have become more contested and more ambiguous. The terms 'democracy' and 'liberation' have become transformed to mean open markets and military occupation. Even the seductiveness of American material culture turns to irony. Much has been made of America's 'soft power': that America's appeal to others may be stronger than the 'hard power' of military and economic coercion. The relationship between 'hard power' and 'soft power', however, has been inverse rather than complementary. The aggressive application of 'hard power' in the last few years has dissipated the gains American 'soft power' made in the post World War II era.

The American 'empire' may appear as the predominant military and economic force in the world. It is less stable and less durable than first appears. US unilateralism and its use of 'coalitions of the willing' in impatience with opposition by the

majority of states and peoples has divorced the exercise of American power from the legitimacy of universal consent. The American public's sustained support for US military intervention abroad is dubious. The ability of American forces to construct viable administrations in occupied territories has become very doubtful.

After the 9/11 attacks, a US President, the legitimacy of whose election was questionable, gained a new instantaneous legitimacy through the patriotic rallying of the American people behind his proclaimed 'war on terror'. That regained domestic legitimacy was put in question internationally following the successful military campaigns in Afghanistan and Iraq, as the justifications given for the invasion of Iraq were discredited, as the ability of the United States to sustain a long occupation became questionable, and as the vision of grateful 'liberated' peoples faded.

'Empire' may be a fantasy for a certain US political elite which is not shared unequivocally by US military leaders anxious to conserve their forces, nor by the public at large with little taste for an extended aggressive war and long-term occupation abroad, and which American corporate power would prefer to achieve by other than military means.

The economic power behind 'Empire' is another thing. Like Rome, America sucks in the resources of the empire beyond its shores. The massive and prolonged US trade deficit measures the extent of American consumption of foreign production. The US trade deficit – and the burgeoning budget deficit that the would-be imperial regime of George W. Bush is running up – is financed by a flow of foreign capital into the United States. This economic edifice rests upon the 'structural power' of the US dollar as the principal world currency, the global predominance of American financial markets, and US control of the international economic institutions. The status of the dollar as world currency gives the United States, as a debtor country, the unique privilege of being able to borrow from foreigners in its own currency which means that any depreciation of that currency will both reduce the value of US debt and increase the competitiveness of US exports.

'Structural power' in global finance has enabled the United States to shape the global economy by influencing other states to bring their economic practices into conformity with an American concept and practice of global capitalism and by adopting a common way of thinking about economic matters, what in French is called *la pensée unique*. (The English term 'neoliberalism' fails to capture the irony of the French.)

US structural power in finance rests ultimately upon confidence – confidence in the value of the US dollar and in the

capacity of the US economy to be the motor of a global economy. But confidence, like legitimacy, is a fragile thing. A major factor that tests the confidence underpinning US 'structural power' in finance is the debtor position of the United States. In the Bretton Woods era following World War II, the United States was the principal source of credit for the rest of the world. During the period from 1977-81 the United States transformed itself into the single largest consumer of credit, while first Japan, and then China, took the place of the United States as the single largest source of credit for the rest of the world. Any threat of withdrawal of that credit and flow of capital by the Asian countries could precipitate crisis.

The use of US 'structural power' as coercion to shape foreign economies has generated resentments that dissipate American 'soft power'. In the East Asian crisis of 1997-98 the United States managed the crisis in such a way that European and American firms were able to buy up Asian assets at fire sale prices

Eric Helleiner, States and the Reemergence of Global Finance. From Bretton Woods to the 1990s (Ithaca: Cornell University Press, 1994) pp. 13-14, 183-185; and Randall D. Germain, The International Organization of Credit. States and Global Finance in the World Economy (Cambridge University Press, 1997) pp. 78, 110-111. Commenting on rumours that the US Secretary of the Treasury might be behind a policy of allowing the dollar to decline on world markets, The Economist of May 24, 2003 wrote: 'The brutal reality is that, with a current account deficit of around \$500 billion a year [Note: by 2005, \$600 billion], America needs to attract quantities of foreign money. The risk is that, if foreign investors believe the Bush team is intent on pushing the dollar down, they will become much less keen to hold American assets. That, in turn, could punish stock and bond markets.'The Economist's worries had a precedent in the stock market crash of 1987 that followed upon the Reagan administration 'talking the dollar down' in the hope, to cite Helleiner, 'that this would both devalue the US external debt and prompt foreign governments to begin expansionary policies that would help reduce the US deficit without requiring the United States to arrest its growth' (p. 184). Private investors began to pull out of US investments that led to fears for an uncontrollable collapse of the dollar. The policy was checked by the Louvre agreement of February 1987 in which the United States agreed to defend the dollar in concert with foreign central banks and to reduce its budget deficit which was seen as the cause of the trade deficit. Japanese investors continued to reduce their US investments. By mid-October, when unexpectedly high US trade deficit figures were published, stock markets, beginning in Tokyo, collapsed around the world. The Economist repeated its warning in the issue of October 30, 2004, days before the reelection of George W. Bush as President, pointing out that foreign investors were no longer financing US investment and hence future productivity gains but were now financing consumption and government borrowing. America's current account deficit in the autumn of 2004 was almost twice as big as at the time of the 1987 crash, so the fall out in markets could be larger.

while Asian populations suffered economic disaster. ¹⁴ It shook Asian confidence in the benign nature of US hegemonic power and reinforced the determination of Asian governments to obstruct the buy-out of national economies. Such an experience gives pause to other financial powers to consider how to construct their own 'structural' independence from the unilateralist tendencies of US financial dominance; and also to devise the means of inducing the United States to control its own massive trade and budget deficits – to subject itself to the same kind of 'structural adjustment' the IMF has forced upon many poor countries. ¹⁵

China has become the new focus for Asian economic regionalism. Both China and Japan have been diversifying their trade and capital flows towards other Asian countries as a hedge against too much dependence on the US market. China, Japan and other Asian countries have been intensifying their discussions towards trade and monetary integration and towards building an institutional structure to sustain it.¹⁶ There has been a growing

¹⁴ Chalmers Johnson, *Blowback. The Costs and Consequences of American Empire* (New York: Henry Holt, 2000) pp. 221-229; Joseph E. Stiglitz, *Globalization and its Discontents* (New York: Norton, 2002) pp. 89-132; also Philip S. Golub, 'Imperial politics, imperial will and the rise of US hegemony', *Review of International Political Economy*, vol. 11, no. 4 (October 2004) pp. 763-786. Michael Richardson, 'West snaps up Asian businesses' in the *International Herald Tribune*, June 20-21, 1998 wrote: 'As East Asia's economic and financial crisis deepens, Western companies are buying Asian businesses at a record rate to increase their strategic presence in the region and outflank rivals, especially from Japan, executives and analysts say....The fight for corporate advantage in Asia is a part of a global competitive fight that is intensifying in many key industries...Concern that Asians will lose control of their economic destiny has already been voiced by officials and other critics of foreign takeovers in a number of East Asian countries, including Malaysia, Thailand and South Korea.'

¹⁵ On this theme see Eric Helleiner, 'Still an extraordinary power, but for how much longer? The United States in world finance.' In Thomas C. Lawton, James N. Rosenau and Amy C. Verdun, *Strange Power. Shaping the Parameters of International Relations and International Political Economy* (Burlington, Vermont: Ashgate, 2000) pp. 229-248; also David P. Calleo, *Beyond American Hegemony. The Future of the Western Alliance* (New York: Basic Books, 1987). Susan Strange compared U.S. and Japanese financial power in 'Finance, Information and Power', *Review of International Studies*, 16, 3, July 1990, reproduced in Roger Tooze and Christopher May (eds), *Authority and Markets. Susan Strange's Writings on International Political Economy* (Basingstoke: Palgrave, 2002) see pp. 78-85.

sense of Asian identity among the countries and peoples of the region, which strengthens an emerging plural world in contrast to the *one civilisation* approach of US unilateralism.

Chinese financial policy, together with that of Japan and other Asian countries, by continuing to purchase US treasury bills, has allowed the United States to continue its policy of deficit financing not only of domestic consumption but also of its military expansion and 'war on terror'. Chinese central bank officials have recently sent some not so subtle signals that they may be reconsidering the policy of holding a preponderance of US assets. If Asian central banks were to dump US dollar holdings in favour of euros and Asian assets the dollar would plunge dramatically below the moderate decline of late 2004 and interest rates on US government debt would rise sharply, dampening US growth and threatening a stock market crash. Is

¹⁶ Personal correspondence from Gregory Chin, November 23, 2004. In the year 2000 a group of Asian countries including China and Japan agreed to create a virtual Asian monetary fund independent from the IMF to safeguard against a future Asian currency crisis like that of 1997. The arrangement was agreed at Chiang Mai, Thailand, and is known as the Chiang Mai Initiative. China has been under pressure from the United States and European countries to revalue the yuan with a view to allowing these countries to decrease their trade deficits with China. China now has a trade surplus with the United States and Europe and deficits with Japan and the other Asian countries. It seems unlikely that China will succumb to this pressure which would work against China's need to create more jobs and risk domestic social instability. Robert Mundell, Nobel prize winner for economics who has been recently in China, is skeptical about a revaluation of the yuan, suggesting that China will more likely move cautiously towards convertibility. National Post, December 3, 2004.

¹⁷ James Kynge, Chris Giles and James Harding in Financial Times, November 23, 2004, reporting an interview with Li Ruogu, deputy governor of the People's Bank of China who rejected blame from Washington that China's high yuan was responsible for the ballooning US trade deficit, throwing the blame back on American economic habits. Significantly, he made this comment at the leadership summit of the Asia-Pacific Economic Cooperation forum in Chile. On November 26, 2004, Chris Giles in the Financial Times quoted Yu Yongding, a central bank committee member and a respected professor of economics, as saying that China had cut its holdings of US government debt. Professor Yu said he was just quoting data from the Federal Reserve supplied to him by a friend at a foreign investment bank, but the statement provoked a fall in the dollar. Giles also reported that the deputy governor of Indonesia's central bank had said it might reduce its dollar reserves if the US currency continued its recent decline. 'Investors have taken the comments as a signal that the Chinese and Japanese central banks might also be reconsidering their asset holdings'.

In Europe, the adoption of the euro, the establishment of the European Central Bank, and the prospect of further integration of European financial markets are *de facto* steps towards independence from the rule of the dollar and towards the consolidation of a plural world in finance. The split between what Donald Rumsfeld called 'Old Europe' and the United States over the war in Iraq and the overwhelming opposition to the Iraq war in European public opinion, including in those European countries that joined the 'coalition of the willing', has entrenched a sense of the distinctiveness of European identity in the European consciousness. Money, the euro, is its symbolic expression. Of course, the weakness of the euro area, as of Asian regionalism, lies in the lack of a central political authority. Yet in both Asian and European cases the movement is sustained and is impelled forward by the experience of US unilateralism.¹⁹

The state system

The state system, though weakened, is a more durable structure than 'Empire'. It is more firmly anchored in historical memory and in the rituals and habits of diplomatic intercourse. It is severely challenged by 'Empire' but is self-consciously resisting its own demise. Where it has been weakened is when the United Nations, which has been the institutional embodiment of the state system in our time, has either been seen to have become an agency

¹⁸ Although China has gained this degree of 'structural power' in finance, political caution may well deter any such strike against the dollar. The Taiwan issue is uppermost in Chinese government thinking. China has been facilitating US negotiations concerning North Korea and would not want to provoke a military confrontation over Taiwan; but Chinese 'structural power' in relation to the dollar is unquestionably significant. Chinese economic penetration in Latin America – in particular in trade, investment and diplomatic influence with Brazil – was underlined in the context of the APEC conference in Santiago, Chile, in November 2004. See Willy Lam, 'China's encroachment in America's back yard' in *The Jamestown Foundation, China Brief: A Journal of News and Analysis*, November 24, 2004, Volume IV, Issue 23.

¹⁹ In its analysis of the dollar's decline, *The Economist*, in its issue of December 4, 2004, concluded that 'If America continues on its profligate path, the dollar is likely [to be dislodged from its role as the sole reserve currency]. But in future no one currency such as the euro, is likely to take over. Instead, the world might drift towards a multiple reserve-currency system shared among the dollar, the euro and the yen (or indeed the Yuan at some time in the future).'

of American power²⁰ or has been deemed 'irrelevant' by US pursuit of unilateralism and the mobilizing of ad hoc coalitions outside of the United Nations. The strength of the United Nations lies in a perception that no single dominant power can control it, that its decisions depend upon a process of consensus in which all powers have a voice, even if not in practice an equal one. When the seriousness of that process of consensus seeking falters and a dominant power shows its inclination to act alone or with willing others outside the UN framework, then the United Nations becomes the plaything of abandoned and ignored less powerful countries.

An imbalance in the state system arises when one 'hyperpower' has overwhelming military and economic clout and other powers lack credible capacity for collective military action and financial independence. The reactivation of the United Nations – and more broadly of the process of multilateralism – will depend upon overcoming that imbalance. It can happen only when the major states acquire effective military and economic capacity, underwritten by financial independence, to act in concert with others; and upon the United States coming to play a role as one state power among others, albeit the most powerful one. Current projects for reform of the United Nations can only become effective if a balanced power relationship is re-established in the real world.

Canada in the world

How does Canada respond to this evolving composite of power relations in the world? In the first place, we have to recognize that Canada has become a functional part of 'Empire'. The Canadian economy's current dependency on trade with the United States places deference to US global interests at the top of any Canadian government's concerns. NATO and NORAD, creations of the Cold War, have gone a long way towards integrating Canada's limited military capabilities and intelligence services into a North American structure. The creation by the United States of NORTHCOM, the US northern command,

²⁰ That perception emerged during the Clinton presidency and Madeleine Albright's tenure as Secretary of State. It appeared in the US veto of the candidacy of Boutros Boutros Ghali for a second term as Secretary-General of the United Nations, a reappointment supported by all members of the Security Council but the United States; and the subsequent election of Kofi Annan as the candidate favoured by the United States. US dominance in the United Nations was also evident in the inability of the United Nations, reflecting US and also French reluctance, to act to prevent the genocide in Rwanda. In contrast, the refusal by the Security Council to endorse the invasion of Iraq by US and British forces can be seen as a *prise de conscience* of the danger to the United Nations of succumbing to overt US unilateralism.

announced unilaterally by Secretary of Defence Donald Rumsfeld in April 2002 as having jurisdiction over the whole North American region, heightens the pressure on Canada and also Mexico to deepen military integration. The proposed missile defence shield adds to the pressure. So does the pressure from the 'war on terror' for integration of intelligence services, police and border controls. Since the end of the Second World War the North-South orientation has intensified in terms of economic interests and of those institutions most closely connected with national sovereignty.

Some Canadians have taken the next step in their own minds: the so-called 'big idea' of a strategic bargain in which Canada would agree to a continental security perimeter in return for secure access to the US market.²¹ This 'big idea' so far has inspired a following in some Canadian business and political elites. It has little or no resonance with the Canadian public. It would in practice mean that Canada's relationship to the rest of the world would be determined in Washington; that Canada would have the status of a US protectorate. It might be good for business – for *some* business – but a compact between two unequal parties is never very secure; and alignment with US policies could limit opportunities in expanding markets and in hearts and minds in the rest of the world.

As a counterweight to absorption into 'Empire', Canada's policy has stressed support for the United Nations; and hopes for the United Nations lie in the reconstruction of an effective state system. This is realpolitik for a middle power. Recognition of sovereignty within a community of nations is a shield against the dominance inherent in a one-on-one unequal relationship. Canada now has a special stake in affirming its sovereignty in the Arctic

²¹ See Wendy Dobson, 'Shaping the future of the North American economic space: a framework for action', C.D. Howe Commentary (April 2002) and commentary by Kim Richard Nossal, 'Defending the 'realm'. Canadian strategic culture revisited.' International Journal, lix, 3 (summer 2004) pp. 503-520. Christina Gabriel and Laura Macdonald, 'Of borders and business: Canadian corporate proposals for North American "Deep Integration", Studies in Political Economy 74 (Autumn 2004), pp. 79-100, analyses the influence of Canadian corporate interests towards continental integration. The authors also show how business interests have been cautious towards embracing the 'big idea' for fear of provoking opposition in a Canadian public suspicious of merger with the United States. Daniel Drache, Borders Matter. Homeland Security and the Search for North America (Halifax, N.S.: Fernwood Publishing, 2004) gives a wide ranging survey of all the issues inherent in the Canadian-US border including trade and security and the political hesitations surrounding them.

that, with global warming, may become a major world-shipping route. Canadian sovereignty in the Arctic would be conceivable within the context of the state system and international law. It would be illusory within a North American security perimeter controlled by the United States.

Canadian government policy has adjusted to an uneasy balance among the economic interests engaged in trade with the United States, the ethical commitment in civil society to peace and global fellowship, and the middle power *realpolitik* defending national sovereignty through multilateralism. Underlying the dilemma of continual adjustment of foreign policy to maintain balance among these divergent concerns is the longer term historical choice between the east-west and the north-south orientation of Canada. The emerging balance of world power is forcing a fundamental rethinking of Canada's position in the world; and the growing diversity of Canada's multicultural reality and the ethos it generates influences how Canadians see their future role.²²

In its multicultural society, Canada has become a microcosm of the whole world. That has not always led to peaceful relationships among Canadians. Global conflicts have been rekindled within Canadian society – the conflicts over Palestine and Kashmir for example and the civil war in Sri Lanka – which have sometimes broken into violent acts. The Air India bombing was undoubtedly the worst case but there are others of lesser magnitude. The fact that in Canada these become domestic conflicts gives Canadians direct awareness of the larger world. The multicultural nature of society becomes a stimulus in the laborious task of working through the complexities of the state system; and it is a deterrent to embracing a simplistic 'one right way' view of things.

Two metaphors have for a long time contrasted American and Canadian societies: the melting pot and the mosaic. American society absorbs immigrants and infuses them with the 'American dream' – with common expectations, aspirations and behavioural norms. In Canada, perhaps inspired by the founding compact between French and English, new immigrant groups have been more likely to retain their cultural identity to become part of a larger society that has been described as a 'community of

²² Will Kymlicka, 'Marketing Canadian pluralism in the international arena', *International Journal*lxi, no. 4 (autumn 2004) discusses the applicability of the Canadian 'model' of multiculturalism in other countries and concludes that there are practical limitations to its universal adoption. I am less concerned here with the exportability of a Canadian 'model' than with the influence of the experience of multiculturalism on how Canadians view the world, how Canadians can see the world as a realm of coexisting cultures and civilizations.

communities'.²³ Or so the mythology of North American settlement would have it: the American melting pot and the Canadian mosaic.

About forty years ago, John Porter, an outstanding Canadian sociologist, published a book with the title The Vertical Mosaic²⁴. Its message was that immigration has created a class structure in Canada with the old established British and French groups on top and more recent immigrant groups layered below. More recently, the class structure aspect of ethnicity and culture has been attenuated by the fact that individuals within virtually all ethnic groups within Canadian society have achieved membership in circles of economic and political power; and, particularly since the Trudeau years, the ethos of multiculturalism has been generalised as a salient feature of Canadian identity. This has become the norm in urban Canada. Vancouver, Toronto and Montreal are in their different ways communities in which different cultural groups live side by side and to an increasing extent mingle with and borrow culturally from one another without merging.

This is as true of French Canada as of English Canada. The history of Quebec nationalism is one of transformation from an ethnic to a geographic and multicultural form. In the early 20th century French Canadian nationalism appeared as an offshoot of European racial theories. The basic text was the abbé Lionel Groulx's La naissance d'une race, published in 1919.25 A residue of that ethnicity-based nationalism was evident in Jacques Parizeau's explosion of frustration blaming the loss of the sovereignty referendum on 'money and the ethnic vote'. The generation of Lionel Groulx's students, coming to maturity in the 1930s and 1940s, absorbed the more secular views of then contemporary France and, in religious matters, the reforms of the Vatican II Council. They were the generation of the Quiet Revolution in Quebec of which the centrepiece was the state, l'état du Québec, not race or religion. Haitians and francophone Africans - and also Anglophone Quebecers willing to merge into a francophone entity

²³ I think this was Joe Clark's term.

²⁴ John Porter, The Vertical Mosaic. An Analysis of Social Class and Power in Canada (Toronto University Press, 1965).

 $^{^{\}rm 25}$ The book was a publication of lectures given by the abbé Groulx at Laval University in 1918-19.

– are now recognised participant members of a putative Quebec nation.

A coexistence of cultures, not by assimilation to one standard model, but for the mutual enjoyment of diversity, is the emerging form of the pan-Canadian idea. This is the domestic counterpart to the geopolitical evolution of a plural world. When we ask if there is a specific Canadian perspective on the world we are asking how domestic multiculturalism fits with the geopolitical complex of 'Empire', state system and the social movement in global civil society.

Values

In assessing this 'fit' economic interests and a realist concern for national sovereignty are juxtaposed to the evolution of social values. Values are a product of history. They change over time. Often changes in the real meanings of values are obscured by language. The same words – freedom, democracy – obscure changes in the meanings they cover. The actual content of values derives from people's attitudes and behaviour that give meaning to the words rather than from the words themselves.

Civil society in Western Europe has by and large come to imagine that Europe as a whole has transcended former conflicts among European nations, accepting cultural diversity while remaining somewhat suspicious of centralizing authority. In this thought, consensus is to be achieved through a cautious elaboration of transnational European law and institutions. Furthermore, the emerging European entity and its component national entities tend to envisage *world* political order in similar fashion as the search for consensus and the elaboration of *inter*national law. This is not just a matter of moral preference. It is the interest of the European entity and of its component parts to shape world order in this manner so as to preserve the autonomy of Europe and of European states in world politics.

In Asia, the emergence of a collective sense of an Asian identity has to overcome even more searing recent experiences, notably the trauma inflicted in China and Korea by Japanese imperial expansion in the 1930s and 1940s, the violence suffered by the Chinese Diaspora in parts of South Asia in the post-World War II period, the war in Vietnam and the continuing conflict over Kashmir in the Indian sub-continent. Yet a growing common sense of Asian identity, sustained by a surging regional economy and stimulated by resentment against past imperialisms and recent experience of economic coercion, gives Asia the potential of becoming a world power centre conscious of its difference from

other regional identities. Asians, like Europeans, are bound to reject the *one civilisation* view of the world.

The United States, meanwhile, has been moving in an opposite direction, towards a unipolar concept of world power in which the United States has emerged from the global conflicts of World War II and the Cold War as the paragon of economic, social and political order with a mission to transmit its values and its order to the rest of the world, both for the benefit of other peoples and to ensure the security of its own way of life. In part, this evolution in American values has been encouraged by the collapse of Soviet power and the vision that this has left the American way as the 'end of history' beyond which no fundamental change is conceivable. In part, it arises from the domestic power shift within the United States from the northeast, with its historic links to Europe and European thought, to a southwest more susceptible to the idea of American 'exceptionalism'²⁶ and more impregnated by the certainties of Christian fundamentalism as to the absolute and evident nature of good and evil.

This conviction of being the bearers of an exceptional historic mission is expressed in the paradox that combines an atavistic cultural isolationism with a messianic expansionism defending the purity of one's own culture while aiming to convert those of other cultures. It has led American leadership, with public acquiescence, to refuse to ratify the Kyoto accord on environmental protection, the treaty to abolish the use of landmines, and the International Criminal Court. American 'exceptionalism' affirms in practice that the United States is not a state like all the others and that American officials, the agents of this special responsibility, cannot be subject to other than US law. There are two fundamentally different visions of world order: one American, the other common to Europeans, Asians and much of the rest of the world. This is not just a matter of governments with different policies. If it were so, one could just wait for some realignment towards consensus as governments change. More serious is a long-term trend in the way people think about themselves and about the world. Government policy ultimately finds its support – its legitimacy – in the foundational worldview of popular culture.

The recent presidential election in the United States, which was played out largely on the theme of values, suggests that

²⁶ Seymour Martin Lipset, *American Exceptionalism: A Double-Edged Sword* (New York: W. W. Norton, 1997).

there is a fundamental bifurcation in American society: that there is a central core – in what Americans call the 'heartland' – that embodies American exceptionalism; and a periphery running through the northeast, the region of the Great Lakes and the west coast, where people's values may correspond more closely to those of Europeans and also of Canadians.²⁷

There is, to be sure, in America, a residue of the idealism of the civil rights, anti-Vietnam war, feminist and environmentalist movements of the 1960s. But the dominant trend has been away from that, turning a back on both the contesting idealism of the 1960s and the much earlier civic engagement that de Tocqueville saw as the salient characteristic of American democracy during his visit in the mid-19th century. This leads to a rejection of the openness to change, flexibility and diversity that some other industrial societies have begun to embrace.

In the balance of world forces, western Europe is weakened by its military posture relative to the United States and in the long run by demographic decline; but European values are strengthened by the fact that the idea of a plural world is congenial to people in other parts of the world and their governments - to Russia which like Europe is threatened by demographic decline, and to China and India and other Asian countries with growing populations and resentment against the universalist pretensions of America. Latin Americans see themselves as reluctant members of an American empire. American unilateral commitment to Israel in the conflict over Palestine has antagonised more than just the Arab and Islamic world. Beyond the way these sentiments are reflected through the state system, the mobilized global social movement has articulated opposition to the vision of 'Empire'. The concept of a plural world has behind it an accumulated 'soft power' in confronting the 'hard power' of military and economic pressure.

²⁷ On US and Canadian values, see Michael Adams, *Fire and Ice. The United States, Canada and the Myth of Converging Values* (Toronto: Penguin Canada, 2003).

²⁸ Alexis de Tocqueville, *De la démocratie en amérique*, 2 vols (Paris: Gallimard, 1951). The American sociologist Robert D. Putnam has suggested that civil society in the United States has lost much of the spirit of association once noted by de Tocqueville as its salient characteristic. He sees this as being replaced by non-participation in group activities and a privatizing or individualizing of leisure time. He calls this a decline of 'social capital' which refers to networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit. See Putnam, 'Bowling alone: America's declining social capital', *Journal of Democracy*, 6:1 (January 1995).

The choice

It is a trite commonplace to end a lecture by urging that we are at a moment of critical choice; but there are especially good reasons for reflecting on Canada's future course at the present time. The problem of choice has been forced upon Canada by the way George W. Bush's America confronts, not just Canada, but the *world* today.

The recent presidential election demonstrates that the basic values, attitudes and interests embodied in the US government today represent an enduring historical reality that cannot be considered accidental or the result of electoral fraud. This is the real American majority that we face and that the rest of the world faces. True, it differs from the America many of us know personally from our contacts in the great universities, in the northeast and the west coast and in the region around the Great Lakes. That America, now on the margins rather than the core, remains a precious friend. We need to stay close to it, to encourage it not to be tempted to fold into the new mainstream in a disabling compromise, hoping to regain something of its erstwhile influence; but we should not be under any illusions as to its ability to reverse the present course in the near future.

A popular view articulated from some positions of power and influence in Canada is that realism dictates acquiescence in the current US policies towards the rest of the world through increasing economic, military and intelligence integration with the United States – the 'big idea' I referred to. Anything else, we are told, would be pure romanticism. This is a very short term and limited concept of realism – let us call it 'opportunistic realism'. A valid realism has to take account of historical trajectories in the United States, in the rest of the world, and in the evolving nature of Canada – we can call this 'historical realism' by contrast.

The United States remains the dominant military and economic power in the world. The balance in US power has been shifting towards reliance on military, police and intelligence capability, while continuing massive current account and budgetary deficits put in question the continuing structural power of the US dollar in world finance and with it global economic stability. The continuing pursuit of current US policies, both military and economic, is testing foreigners' confidence, while the United States has to rely on foreigners, mainly Chinese and Japanese, to prop up the dollar. At the same time military power is demonstrating the limits of its usefulness. US military power can trash a country but cannot govern a country; and the effective establishment of client regimes is problematic. As the United States relies increasingly on military power it loses the influence of the 'soft power' that was so effective around the world in the

decades following World War II. Despite its overwhelming military and economic power – and very largely because of the way this power has been used – the United States is becoming less of a power than it used to be in its capacity to influence and guide others.

Meanwhile, power, particularly economic power, but also the 'soft power' of respect and emulation, is emerging in other regions, notably in Europe and in Asia. The euro is poised to challenge the international role of the dollar or to be a refuge from a diminishing dollar; and trade and financial cooperation within the emerging Asian economic region puts Asia increasingly on a par with the United States and Europe.

Canadians should reflect now upon the historical options in their history: the east-west and the north-south orientations. The north-south perspective, pushing towards the so-called 'big idea' in which Canada would be enclosed within a North American strategic and economic bloc, would limit Canada's horizons to one of the three main centres of world power at a time when that centre, the United States, was distancing itself in action and values from much of the rest of the world. Clinging to it would be an act of isolationism inconsistent with the outlook of most Canadians and inconsistent with Canada's potential role in the world.

The east-west perspective, which was inherent in the foundation of this country, opens Canada to the world. Originally, it looked primarily to Britain. The British imperial link is long gone. Pierre Trudeau tried unsuccessfully to hedge economic dependence on the United States by expanding trade with the European Union. It may have been premature. Europe's progress, despite the costs of absorbing East Germany and the other countries of Central and Eastern Europe – and now possibly Turkey – into the European Union, is difficult for the present but promising for the future. The euro is becoming stronger in relation to the dollar. But the bigger opportunity for Canada lies now in Asia.

To adopt the east-west perspective as guideline for Canada's relation to the world does not mean de-linking from the United States. It would mean a shift in emphasis towards Europe and Asia. Obviously, those interests in Canada that have become dependent on the US market would be vocal in their demands and complaints, and they are big interests. Some of them have cause to regret their degree of dependency – softwood lumber and beef, for instance. Those who take the initiative to exploit the Asian and European markets would be less vocal in complaining and more quietly active in exploiting new opportunities. There would be some pain along with hard work and compensating satisfaction in the shift.

More to the point, revival of the east-west perspective corresponds to the emerging nature of Canadian society. Multicultural Canada wants to immerse itself in all parts of the world and be part of the experience of the world's developing diversity. Most Canadians, I am confident, honour their various cultural traditions while rejecting confinement in rigid custom. If the global issue is freedom as George W. Bush proclaims, then Canadians are making themselves *really* free – free to be different.