

# Free Trade

## —Destruction of Canadian Sovereignty

By Frances Russell

The following speech was given at the Winnipeg Outlook Collective's Annual Fundraising Supper on Nov. 29, 2007.

**B**rian Mulroney's Conservatives described the free trade agreement they signed with the United States in 1987 as "a desirable loss of sovereignty."

How sweeping IS the loss of Canadian sovereignty?

The treaty means that all Canadian law, federal and provincial, is subservient to FTA/NAFTA. The opposite is true for the U.S., whose law remains supreme. Canadians have learned this, bit by bit, through scores of successful American challenges to Canada's promised "secure access" to the U.S. market. When the Americans want to close their doors to our products, from lumber to hogs to beef to strawberries to potatoes, they just close them and there's nothing we can do.

The treaty means that Canada, alone among all oil-producing countries of the world and alone among all the major industrialized nations of the world, has no national energy policy—none. Due to the FTA's infamous Article 605A, the proportional energy sharing clause, Canada now finds itself in the ludicrous position of being unable to cut back its exports of oil and gas to the U.S. unless it cuts its own consumption by the same amount.

To fully appreciate the breathtaking folly of FTA/NAFTA, let's take a look at the numbers. Until free trade, the National Energy Board, which operated as a public watchdog, had to ensure that Canada had 25 years' supply of its non-renewable energy before exports could flow. No more. With free trade, the NEB was moved from Ottawa to Calgary and its mandate kept in step, changing from

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securing Canadians' interests to securing the interests of the United States and Big Oil. Canada, alone among energy-exporting nations, has no studies on its own security of supply and, alone among developed nations, does not even maintain a 90-day energy reserve.

The result has been catastrophic for Canadians. In 2004, Canada exported 70 per cent of its oil and 56 per cent of its natural gas production to the United States. Although Canada is a net exporter of oil, it still imports 40 per cent of its requirements—850,000 barrels a day—to meet 90 per cent of Atlantic Canada's and Quebec's needs and 40 per cent of Ontario's. Gordon Laxer of the University of Alberta's Pembina Institute warned MPs examining the Security and Prosperity Partnership, or Deep Integration, last summer that Canada doesn't have the pipelines to meet eastern needs, although five more export pipelines are in the works.

Laxer was cut off by the Conservative committee chair after noting that the U.S. has a national energy

policy that emphasizes self-sufficiency, energy independence and security of supply, and Canada does not.

The ramping up of oil sands production and the construction of massive new pipelines—all for the U.S. market—has turned the Canadian loonie into a petrodollar, twisting our economy out of shape with devastating effects on our manufacturing sector. What it is doing to the environment is a topic for a whole other speech.

U.S. Vice-President Dick Cheney's 2001 National Energy Policy said that Canada's tar sands are "a pillar of sustained American energy and economic security." In 2005, U.S. politicians were outraged by a relatively small Chinese investment of \$225 million in the tar sands. It prompted U.S. energy analyst Irving Mintzer to make this telling comment: "The problem with the Chinese is that they don't know that the Canadian oil is ours. And neither do the Canadians."

Nor can the public take solace in hoping our politicians didn't expect or intend this. Not only did they expect and intend it, they boasted publicly about it.

Peter Lougheed, the Alberta premier who led the crusade against Pierre Trudeau's nationalistic National Energy Policy of the early 1980s (remem-

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ber the bumper stickers saying, “let the eastern bastards freeze in the dark”) led the Canadian big business delegation that helped the Mulroney government hammer out the final FTA text in Washington. He has exulted over and over again about the FTA’s previously mentioned Article 605A. So has Sen. Pat Carney, Mulroney’s international trade minister.

Here’s Lougheed: “The biggest plus of this agreement is it would preclude a federal government from bringing in a National Energy Program ever again. You can’t do it because you can’t have a made-in-Canada price.”

Further, Lougheed said, the treaty will prevent Canada from ever again setting energy prices that discriminate against the U.S.

And here’s Carney: “Critics say the problem with the [treaty] is that under its terms Canada can never impose another NEP on the country. The critics are right. That was our objective... If the Americans promise not to block our energy exports, we promise in turn not to turn off the tap on energy supplies shipped under contract.”

At the time the original FTA was signed, U.S. trade representative Clayton Yeutter was exultant, too. “The Canadians don’t understand what they’ve signed. In 20 years, they will be sucked into the U.S. economy.”

Now that we know that almost half of Canadians are totally dependent on offshore unstable sources of oil at the same time that 70 per cent—and rising—of Canadian production goes south, that bumper sticker about eastern bastards freezing in the dark could turn from ugly threat to even uglier reality.

Energy was the most egregious act by our corporate elite and the Mulroney government. But there’s more.

Last year, Canada’s new Conservative government told Canadians it had finally won “peace in our time” in softwood lumber. We’ve now learned that the “peace” is turning into the peace of a cemetery for Canadian lumber firms, even before the petrodollar status of the loonie and the U.S. sub-prime mortgage meltdown began shutting down much of Canadian industry.

The terms that Stephen Harper accepted force Canadian provinces to petition Washington before they can make any changes to their forest policies. As one retired senior Canadian trade official says, “the U.S. will only stop harrasing our softwood lumber exports when the provinces finally give up and agree to privatize [that is, sell to American multinationals] their forests.”

Then there’s the famous Chapter 11 terms. FTA/NAFTA has gone where no other international trade agreement ever dared tread. Trade has always been a government-to-government affair. Infamously, FTA/NAFTA established the precedent that when a corporation feels aggrieved by the behaviour of another government, it can sue the government directly. Canada has experienced two of these lawsuits. One forced Canada to abandon its ban on MMT, a dangerous additive to gasoline that can damage the developing brains of children. Another, by United Parcel Service, effectively tried

to have Canada Post abolished because its ability to deliver mail to every post-box in Canada hamstrung the ability of UPS to penetrate the Canadian market. The UPS suit failed before a secret—and it is always secret—NAFTA panel. We don’t know why. And if they had succeeded, we wouldn’t know why, either. Nor could we appeal. We would have just lost our postal service or paid huge damages or both.

Because we’re Winnipeggers, let’s talk about the Canadian Wheat Board. Ronald Reagan had the wheat board at the top of his list of unfinished business after the FTA went into effect in 1989. The U.S. has targetted the Canadian Wheat Board, not once or twice, but 11 times, using every tool of trade litigation in its book. Each time, it has lost—and then launched another case. The Americans have ceased for now, confident that Canada, under Stephen Harper’s Conservatives, will kill the CWB on its own.

Soon it may not need to bother. Once Harper gets his majority, it’s gone. And Canada’s farmers will lose the edge the wheat board gives them in international markets for growing the hardest, best wheat in the world. Instead, American multinationals—like Archer Daniels Midland, upon whose board Brian Mulroney sits—will capture the Canadian bonus by blending Canadian wheat into inferior American varieties and likely shipping it to market through their terminals and their ports.

Looming on the horizon is the even more terrifying issue of bulk water sales and wholesale diversions to the U.S. Canada’s world image as the home of 20 per cent of the world’s freshwater has been demolished by scientists and environmentalists in recent years. In fact, Canada already faces a water shortage in many areas, and the situation will become dire as climate change dries up the glaciers and the western rivers they create, likely within the lifetime of our children.

Even Lougheed, of all people, is speaking out about water. Water was in the original free trade agreement as “ice and snow.” Here’s Lougheed again, and remember, he was there when the final text was negotiated: “At some stage of the game, in four or five years, Washington is going to read the small print, interpret the FTA and think they have a claim over our fresh water. It’ll be a huge issue. It’s coming.”

All it takes is for one province to commence a bulk water sale or diversion, and NAFTA’s infamous one-way door slams shut. Automatically, all Canadian water becomes a trade commodity. If you think that’s worrisome, consider that Ottawa, again during the Mulroney era, officially abandoned any interest in creating a national water policy because of fear it would tread on provincial toes.

And recall that former U.S. Ambassador Paul Cellucci never missed a chance to urge Canadians to sell Americans their water. Documents and secret sessions revealed by the Council of Canadians prove that water is a huge part of the Security and Prosperity Partnership, or Deep Integration, now being negotiated in secret between governments and corporations. ♦