NATIONALISM AND CONTINENTALISM: THE TRUMP CHALLENGE IS BRED IN THE CANADIAN BONE

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Canadians have hotly debated relations with the United States in just about every decade since Confederation. It's a staple of our national conversation.

We joined together as a country in the wake of their civil war, their Fenian raids, and their 1866 abrogation of a 12-year-old Reciprocity Treaty that had sparked an extraordinary boom north of the 49th.

At least half-a-dozen of our elections (and arguably more) – 1891, 1911, 1930, 1962–63, 1988 and now 2025 – have revolved around dealings with our only land neighbour (and, in earlier times, Great Britain as well). Trade policy usually served as the trigger, but defence issues have also figured prominently.

For significant chunks of time, either the nationalists or the continentalists have been the ascendant force in Canadian politics, their debates often framed as starkly existential choices between sovereignty and prosperity. (The internationalists rarely provoke the same heights of emotion, perhaps because all Canadians are internationalist in one way or another.)

Donald Trump brings greater menace and chaos to this familiar tableau. He has turned the Canada of 2025 into an angry and anxious place but, at least for now, a more united one. The sharp sense of betrayal felt over his tariffs and "51st state" trash talk has lit a fire under nationalism while sending continentalists scurrying to the sidelines.

The question now is how long and far will the nationalistic anger burn and whether it is more likely to lead to shutting options down or opening new possibilities. History shows that when Canadian nationalism gathers steam, its policy

vapour tends to last a decade or more. Channeling its animal spirits will be a major task for our leaders.

Nationalism can, of course, be a force for good or bad. On the positive side of the ledger, it fosters national identity and solidarity. On the negative side, it has an historical habit of mutating into protectionism and populism or, even worse, jingoism, nativism and irredentism.

Canada's periodic displays of nationalism have, like the country itself, generally expressed themselves in moderate terms. But they have been highly consequential to our politics, nonetheless.

In the years following the 1866 abrogation by the U.S. Congress of the Reciprocity Treaty of 1854, Canada's first prime minister was among the many pushing Washington for some form of reinstatement. It was not to be, and so John A. Macdonald eventually pivoted, as we would say today, toward the protectionist and immensely popular National Policy with which he remains identified today. His National Policy was not, however, an unmitigated success story. In a fashion similar to recent years, the late 1800s were characterized by the Canadian economy falling further and further behind the U.S. juggernaut.

It took until 1891 for the real showdown to occur between the reluctant but now fully engaged nationalist and his free-trading Liberal opponent, Wilfrid Laurier. The aging prime minister campaigned as the 'Old Man' defending the 'Old Policy.' If you didn't get the anti-continentalist drift, he threw in the 'Old Flag' (Union Jack) for good measure.

Macdonald prevailed in a closely fought contest, sending an enduring message for future party leaders of all stripes: nationalism packs a more powerful political punch than continentalism. By the time he became prime minister in 1896, Laurier had tempered his continentalism, at least for a time, in favour of a nation-building form of nationalism.

How to reconcile Canada's nationalist versus continentalist impulses without straying too far in either direction is a storyline that repeats itself every generation or so. Mackenzie King quietly and effectively pursued continentalist policies from 1935 forward. But when his government considered a free trade agreement in the 1940s, the unhappy history of past efforts still rang in his ears. As with conscription, it would be free trade if necessary but not necessarily free trade.

The formal deed was finally done by Brian Mulroney a century after the 1891 election. Commentators still aren't settled on the lessons of the 1988 free trade election: on the one hand, Mulroney won a Parliamentary majority and secured approval for his continentalist approach; on the other, he could only muster 43 per cent popular support and was lucky the Liberals and New Democrats split the nays.

What is perhaps more telling is how the most unabashedly continentalist prime minister in our history conceived of free trade through a nation-building lens rooted in openness. Its raison d'etre was not just to sell goods to the U.S. but to deliver shock therapy to a moribund Canadian business sector and force it to become, as demonstrated best by the wine industry, globally competitive.

The nationalist-continentalist debate is almost always nuanced in that Canadian leaders know they must pay attention to both the political mood of the moment and the longer-term performance of the economy. Voters treasure their sovereignty and their prosperity. Our attitudes resemble that famous witticism about the desire of sovereigntists for an independent Quebec within a strong and united Canada.

When Canadian nationalism does well up, like today, it generally enjoys a long shelf life. At the turn of the 20th century, successive U.S. administrations treated Canada similarly to today's tariffs and territorial designs. Teddy Roosevelt's bullying in his successful prosecution of the 1903 Alaska Boundary dispute led one historian to write that "the ruthlessness of his actions left a heritage of Canadian bitterness."

The bitterness left an after-taste that contributed to the defeat of Laurier's second attempt at free trade in the 1911 election. Even a decade later, Canadians were in no mood.

The same long tail materialized when Canadian nationalism was stoked by Richard Nixon's imposition of tariffs – more politely called import taxes – in 1971. With the U.S. at war in Vietnam and reeling from a spate of domestic assassinations, Canadian public opinion was already in an anti-American mood.

Pierre Trudeau, who harboured a lifelong antipathy toward nationalism of all kinds, would, like Macdonald before him, quickly come to appreciate its political potency. Even though the Nixon tariffs lasted just four months, they spawned a good decade worth of initiatives, such as the Foreign Investment Review Agency, the creation of Petro-Canada, a clutch of Canadian content regulations and, ultimately, the divisive National Energy Program. Yet in the tradition of nuance, Trudeau did not abandon continentalism altogether. The Auto Pact provided a model for his government to enter into quiet negotiations with the U.S. in 1982 aimed at creating four similar sectoral agreements.

Of course, the best-known response to Nixon's shock came with the Trudeau government's 1972 Third Option paper, one of the most famous pieces of non-policy in the country's history and a rallying cry even two generations later. It is largely remembered for its call to reduce reliance on Canada-U.S. trade by diversifying exports to Europe and Japan.

It is, in fact, badly mis-remembered. The Third Option constituted more than a single fix. The first option was to maintain the status quo with the United States and the second to double down and deepen integration. The preferred third option consisted not just of trade diversification but the adoption of an industrial strategy to strengthen the Canadian economy so our goods and services would be in greater demand everywhere.

Which brings us to the present. Canada's new Liberal government led by Mark Carney, in partnership with provinces, business, labour and others, will need to channel the current nationalistic wave into concerted acts of nation-building. Our inspirations lie in such past achievements as rural electrification, the near-instant creation of wartime defence industries and the post-war nation-building trifecta of the Trans-Canada pipeline, the Trans-Canada highway and the St. Lawrence

Seaway alongside construction of new mines, new dams, new campuses, new suburbs and more. We didn't vent; we built – abundantly.

Today, we find ourselves in need of a renewed building blitz. Donald Trump has reminded us of the folly of having 77 of 100 export eggs in a single basket and that the best people to rely on are ourselves. There are three ways to grow our economy: at home with such measures as lowering internal trade barriers and developing and attracting talent; in the world through diversifying our export mix, both in terms of markets and products, and; on the continent by securing as much access as possible to the nearby and dynamic U.S. market.

To succeed, Canada will need to pursue a two-track strategy. Track 1 consists of the medium-to-long-term need to reduce our dependence on U.S. markets. Meanwhile, Track 2 requires us in the short-to-medium term to protect Canadian workers and businesses by retaining as much access to U.S. markets as can be reasonably secured.

Here's where the nuance comes in. Our neighbour's proclivity for arbitrary measures must be reconciled with our inescapable geographic location atop North America. We must defend access to continental markets even while seeking to diversify into new ones, the latter being more politically and less economically compelling.

One way or another, fortifying Canada will require attracting massive investments from domestic and foreign sources, something Canada has not been good at in recent years. A new case for capital has to be developed.

In the early going of Trump 2.0, our political leaders over-indexed on calls to impose dollar-for-dollar retaliation and threats around such leverage points as electricity, oil, potash and critical minerals. The media forecast the ballot question in the April 2025 federal election as who could best "take on Trump" – not deal with Trump, manage Trump, come to terms with Trump, even get the better of Trump. Fighting became as important as winning.

Now strategy and political adroitness must kick in. The country is well served to the extent current nationalist sentiments contribute to resilience for the rough waters ahead. But to the extent they may constrain political leaders from necessary policy compromises, disappointment lies ahead. As with past Canadian leaders, the new Liberal government will need to reconcile the nationalistic mood by putting nation-building in an open Canada at the heart of our tariff response. That means getting behind the modern equivalents of seaways and highways, pipelines and DEW lines – AI and IP. The point is to prevent the welcome outbreak of pride and patriotism from becoming a blocking agent, such as with foreign investment in the 1970s, but rather an accelerant to getting things done.

The reason we study the past is to help us make better decisions in the present. Fortunately, we have 16 decades of experience to draw on.