

ENGAGING OBAMA

Derek H. Burney

A former Canadian ambassador to the United States, Derek Burney sees the arrival of Barack Obama as an opportunity to renew Canada-US relations, starting at the top. "The key question that now confronts Canada's government," he writes, "is this: What does Canada want out of the US-Canada relationship — a relationship that is the lifeblood of the Canadian economy and the foundation of Canada's security — and how forcefully are we prepared to press for change" — on recovery from the recession, trade, energy, the environment, managing the border and mutual security.

L'ancien ambassadeur du Canada aux États-Unis Derek Burney voit dans l'arrivée au pouvoir de Barack Obama l'occasion de renouveler au plus haut sommet les relations canado-américaines. « Le gouvernement canadien doit aujourd'hui répondre à la question clé des attentes qu'il entretient à l'égard d'une relation vitale à notre économie et sur laquelle repose notre sécurité, soutient-il, tout en s'interrogeant sur notre capacité réelle de favoriser le changement. » Un changement qui doit toucher la relance de l'économie, le commerce, l'énergie, l'environnement, la gestion frontalière et la sécurité de nos deux pays.



The election of Barack Obama as American president and his immense popularity in Canada give our government considerable room to manoeuvre as well as to plan more strategically how to harness relations with the United States to Canada's advantage. The deepening economic recession makes it even more essential to move matters to a higher level of creativity and commitment. Carleton University published *Blueprint for Engagement with the new Administration* and presented it earlier this year to the Prime Minister and the Leader of the Opposition. (Copies were sent to all members of Parliament.) The objective was to provide a body of research that would reflect bold, new thinking and a more inspired approach to managing Canada's most vital relationship.

For Canadians, dependent on good relations with the United States for both their prosperity and their security, it is critical that they offer ideas that resonate with the new administration and the Congress and serve Canadian interests at the same time. For most of the last decade, Canada-US relations have suffered from a lack of focus and purpose — problems compounded by a lack of resolve and, on occasion, a determined detachment by Canada's leaders about the importance of the US connection and about the best way to make it work to Canada's advantage. Over the past three years, Canada-US relations have recovered, becoming what can best be characterized as "correct," but in the global and bilateral context in which Canadians now find themselves, correct will not get the job done. Canada needs more productive relations, inspired by a bold and

confident leadership determined to make the best of Canada's unique position next door to the United States and Canadians' long-standing — and mutually beneficial — economic and security relations with their southern neighbour. The rewards of commitment are clear; the price of neglect is incalculable.

The key question that now confronts Canada's government, therefore, is this: What does Canada want out of the US-Canada relationship — a relationship that is the lifeblood of the Canadian economy and the foundation of Canada's security — and how forcefully are we prepared to press for change?

Canada confronts a number of key challenges in redefining its relationship with the United States. The first is to engage the United States at the highest level in order to drive systematically a mutually beneficial agenda. This has to begin at the top and involve the two political leaders. Trust, respect and personal relations are essential to securing the attention and engagement of America's leaders on issues that matter to Canada, and the lead needs to come from the Prime Minister. History demonstrates how this approach has worked to our advantage. It also demonstrates the limitations of a more tentative approach.

The most urgent challenge must be to chart a concerted path to economic recovery, not by lurching into protectionism but by strengthening the heavily integrated nature of our two economies. Efforts to stimulate must be synchronized, particularly in the auto sector.

The cross-border flow of goods and services exceeded \$700 billion in 2007, the equivalent of more than half of Canada's GDP. The United States absorbs roughly four-fifths of Canada's exports and supplies nearly two-thirds of its imports. The Canadian market, in return, takes up more than a fifth of US exports and provides a sixth of its imports. Canada is a larger market for US goods and services than all 27 countries of the European Union combined.

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This is a foundation for future growth, not by osmosis but with strategic thinking and creative initiatives.

As part of a more coherent recovery strategy, Canada and the US need to address the growing congestion along our border. This is where concerns about economic growth and security intersect. We urgently need a more healthy balance between legitimate security concerns and our mutual need for smooth, efficient access across our shared border for people, goods and services.

Border security has become economic protectionism in a new guise. Cross-border trade ground to a halt in the days immediately following the 9/11 terrorist attacks. As a direct consequence of new policies introduced by the Bush administration that include mandatory cargo reporting rules, onerous inspection requirements and fees, and new traveller rules and restrictions, the border has not only thickened but also become increasingly unpredictable. Estimates put the new transaction costs of doing business across the border at between 2 and 3 percent of total trade, i.e., \$15 to \$20 billion annually. The problem is not confined to the US side of the border. Canada's own customs and securi-

ty officials have taken their cue from their counterparts in the US Department of Homeland Security by beefing up Canada's own border inspection and regulatory procedures. Wholesale reform of antiquated border surveillance should be the goal, using new technologies and pilot Gateway projects as the means to that end.

The second challenge is energy and the environment. The North American energy market is one of the

most deeply integrated in the world. Canada is the largest supplier of crude oil and petroleum products to the United States, supplying 2 million barrels a day of crude oil and 2.4 million barrels per day of total petroleum products. On a regional basis, Canada is the key supplier of oil to the Rocky Mountain and Great Plains/Midwest regions of the United States. Canada is also the principal foreign supplier of gas and the only foreign supplier of electricity to US customers. There was much talk during the US election campaign about enhancing US energy security by privileging new and existing sources of production within the continental United States. Much of this rhetoric has more than a residual echo of the protectionist energy policies of half a century ago. "Green protectionism" is still protectionism masquerading under the trend of the day. Canada has to ensure that its energy supplies are treated the same as those of the United States so that the two countries do not have another "softwood lumber" problem on their hands in the near future.

The third challenge relates to the defence relationship, not only in North America, but around the globe. Canada and the United States have

developed an intense and mutually beneficial defence relationship that has evolved to meet their joint interests during the Second World War, the Korean War and the Cold War. Geography ensures that Canada will always occupy a unique role in US strategic and defence considerations. Canada and the United States share a continent, and neither country can mount a credible defence of the homeland without the active support of the other. US and Canadian commitments to the defence of North America are thus matters not of altruism but of vital national interests. Its evolution, however, has not kept pace with the security challenges of the past 20 years. The

"longest undefended border" has unfortunately become a dated cliché. The two governments should, for example, explore ways to broaden the scope and command structures of existing partnerships, as some have argued, to secure the North American perimeter on land, sea and air. (For one thing, this might alleviate some of the thickening of our internal border.)

Not surprisingly, the basis for a productive partnership in solving economic problems lies in persuading US leaders with ideas and commitments that Canada is, and will remain, a reliable security partner. Additionally, in the words of the University of Calgary's David Bercuson, "Americans don't expect Canada to be a military superpower, but they do expect Canada to do as much as a wealthy and advanced democracy can do to help the United States defend itself and the democratic world. This is no more than Americans expect of their European allies. President Obama will want the same from Canada; if his administration is disappointed, it will not go out of its way to accommodate Canadian needs in other areas." Our commitment and sacrifice in Afghanistan give us unique credibility and relevance in Washington and should be a catalyst

for new strategic approaches to North American defence and to global conflict issues where we have common concerns.

Finally, Canada needs to assert pragmatic stewardship — in concert with the United States — in the Arctic. This can be done without resolving the issue of who controls navigation in Arctic waters. Canada claims ownership over the waters of the Northwest Passage, while the United States takes the view that these

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are international waters and open to all ships. Despite these conflicting claims, as well as others pertaining to the Beaufort Sea, Canada and the United States have cooperated on security matters in the North, and the US government has not objected to measures that Canada has taken to monitor and control shipping in Arctic waters. The opening of the Northwest Passage and competition for energy resources will increase interest in the Arctic. Russia has already dropped its flag on the seabed at the North Pole and is pressing its claims on the Lomonosov Ridge, which runs from Russia across the North Pole to Canada and Greenland. There is a similar issue with respect to the Alpha-Mendeleev Ridge between Russia and Canada. Don McRae concludes that “Canada has a substantial Arctic coastline that carries with it significant rights to the resources of the waters and seabed off that coast. It is a major Arctic player. It is time for Canada to stop worrying about losing Arctic sovereignty and act instead as an Arctic leader, giving voice to the indigenous peoples of the North and engaging the United States in forging a new partnership among Arctic states

to act as responsible stewards for this unique and fragile environment for the benefit of all Arctic peoples.”

In pursuing these objectives, Canadians need to be mindful of a number of obstacles that they confront in their dealings with Washington.

The first is the combined constraint of wariness on the Canadian side of the border and indifference on the US side. One of the biggest challenges for anyone trying to prescribe a

relationship for Canada with the United States is to separate the emotional or psychological undercurrents in Canada from common sense. Relations between countries are driven by a combination of interests and sentiments. This is only normal. Canadians reflect a wide range of sentiments about “America” — from a clear sense of power inferiority to more than occasional spasms of moral superiority — and with a hodgepodge of often contradictory impulses in between. But the balance between interests and sentiments is often out of kilter. The fact that most Americans have a generally benign view of things Canadian — that is, those who think about Canada at all — only compounds the challenge of finding common ground. In Canada, it takes political courage to climb over the emotional constraints and there are few rewards for those who do. It is often easier to “keep a safe distance” or, worse, for Canadians to measure their significance by the manner or frequency with which they differ from Americans.

Canadian sensitivity about the United States is more than offset by American indifference or inatten-

tion to Canadian concerns. Part of this indifference flows from the US role as a superpower. From the perspective of Washington’s political leaders, Canada is a peaceful neighbour. Any problems between the two countries are relatively minor and flow largely from the application of domestic policy decisions rather than from foreign policy considerations. In their view, such problems are the proper purview of technicians and need not take up the time of leaders preoccupied with far more intransigent issues, from nuclear

proliferation to peace in the Middle East. Indifference also flows from the sheer size and energy of the United States. Americans by themselves occupy a very large space and acknowledge little room for “others.” Convincing US leaders

that Canada matters and that Canadian issues are important is, therefore, a major challenge and requires action at many levels but must be led persistently by the Prime Minister.

The second is the impact of congressional politics on Canadian interests. Following his convincing victory, President Obama will enjoy a high level of political legitimacy and clout, at least for a time. As US political analyst Ron Brownstein points out: “Obama attracted a higher share of the vote than all but one Democratic presidential nominee since World War II and produced Democratic House and Senate majorities larger than Republicans ever enjoyed during their years of control from 1994 to 2006.” As a result, during the first year or so of his presidency, he will have the heft to push his agenda with a heavily Democratic Congress. Nevertheless, having solid Democrat majorities in Congress may be little comfort. The unique separation of powers in America inevitably trumps notions of party loyalty: in America, “all politics is local.” Obama’s major battles will be with the Democratic barons of Congress, powerful committee chairs who share



Jason Ransom

Prime Minister Harper and President Obama on a parliamentary staircase on their way up to the Prime Minister's Office. Canada-US relations, writes Derek Burney, start at the top of the stairs between prime minister and president.

his party label but traditionally put their own positions and interests above all other considerations. The selection of Rahm Emanuel as chief of staff suggests that Obama knows this and is prepared to play hardball with his own. Time will tell whether President Obama will, like Jimmy Carter, be overwhelmed by the enormous challenges he faces — domestic and global — or will, like Franklin Roosevelt, use an unprecedented crisis to transform the role of govern-

ment with a new spirit of confidence and bolder global leadership.

The third obstacle is the lack of institutions — formal and informal — to manage Canada's relationship with the United States. Although there has been a proliferation of networks at the local (i.e., province-to-state level), at the lower levels of the federal bureaucracy and even with business (the North American Competitiveness Council, for example), there is a dearth of institutions

at the highest levels of government. Such institutions are needed to engage political leaders and focus the work of government officials on both sides of the border.

Many of the problems in Canada-US relations are *sui generis*. They do not concern Mexico. The addition of Mexico as a partner could, on some issues, complicate pragmatic solutions. This is especially true on matters of defence, border security,

the environment, Arctic development and regulation — issues that are of limited concern to Mexico or in which Canada's national interests are arguably more closely aligned with those of the United States than with Mexico's. Indeed, trilateral meetings of the heads of the three governments may have contributed to high-level neglect or inattention to key bilateral issues and concerns by all three. Giving greater and more consistent

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attention to the bilateral relationship does not preclude doing more trilaterally where it makes sense to do so, but Canada needs to place the priority where it belongs. Canada's motto should be "Trilateralism when necessary, but not necessarily trilateralism."

The sequence of events in Canada and the United States since last fall has provided the two countries with new or renewed leadership as well as an urgent need to rethink their relationship. There is stronger recognition that it is in the mutual interest of both countries to place Canada-US relations on a more sustainable and inspired long-term footing commensurate with the reality of deep integration and modern threats to their prosperity and security. The essential agreement is political leadership and commitment.

To give impetus to a more robust bilateral agenda the Prime Minister should, in the first instance, propose to the President that annual summits be reconstituted. These would offer the opportunity for firm direction and for the necessary therapeutic push on both bureaucracies. It has to be top down, to ensure priority attention in both capitals. It will be successful only if it flows from a foundation of mutu-

al trust carefully led and nurtured by the two leaders and with an agenda and goals that are attainable. Canada will have to take the lead on this with ideas and will have to demonstrate convincingly that what is being proposed carries mutual benefit.

Canada's leadership needs to pursue the challenge of cross-border engagement on a multi-front basis, involving not only the two federal governments but also state, provincial

and private leaders. As useful as the many informal networks linking Canadians and Americans have been in the past, they need now to be upgraded and put to greater use on the basis of an informed and committed leadership at the top that knows what it wants and why. Canadian interests need to be pursued not only bilaterally but also through constructive engagement at multilateral and regional forums. American decision makers and opinion moulders need to become much more aware of Canada and its ability to contribute to American goals and help resolve common concerns.

Some may believe that much of this agenda can be pursued without any reference to the United States. To the extent that this is true, there is no reason to hesitate. If nothing else, it will make clear to US officials that Canada is serious. A number of issues come readily to mind. The government's budget includes proposals to eliminate most-favoured-nation tariffs on industrial inputs. That should boost the competitiveness of Canadian producers and is welcome in its own right. As already noted, the government could also make a head start by aligning many regulatory requirements with those in place in the Unit-

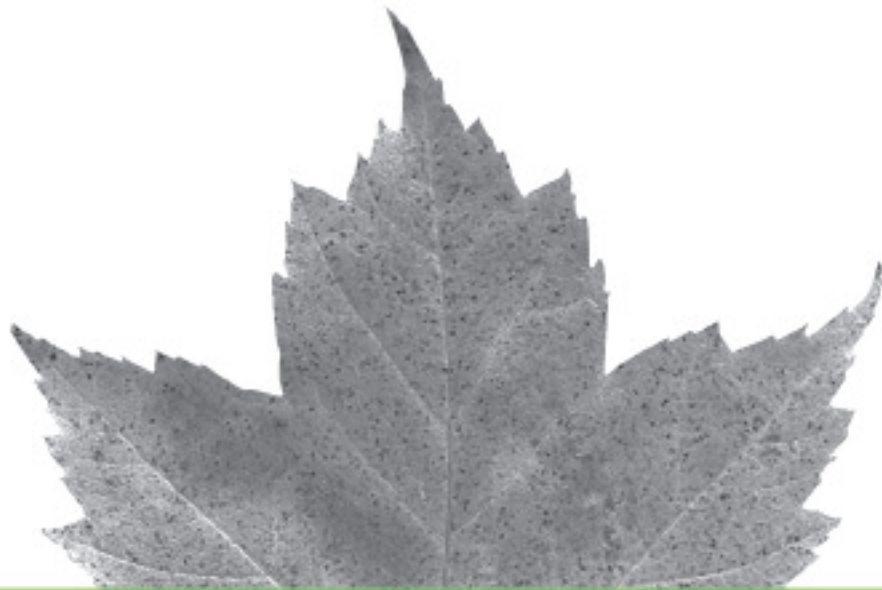
ed States. It could reduce ownership restrictions in sectors such as transportation and telecommunications, restrictions that serve little purpose other than to increase the cost of capital for competitive Canadian firms. It should also reduce the tax burden on firms competing in the global economy. There remains much, room to reduce barriers to the inter provincial movement of labour, goods and services. Harmonizing sales taxes in provinces like Ontario would be eminently sensible as would more inter-provincial agreements like that between Alberta and British Columbia. A truly national commitment would give real value to the Council of the Federation.

Each of these reforms serves Canadian interests by strengthening the competitiveness of Canadian firms in global markets, thus improving the prospect of sustained Canadian prosperity.

President's Obama's February visit was a good first step to a new relationship. It restored the tradition of US presidents making Canada their first international port of call. The two leaders had a constructive discussion and set some clear direction for future collaboration. A new administration in Washington provides a once-in-eight-years opportunity to recalibrate the Canada-US relationship. Particularly at a time of deep economic apprehension and continuing global insecurity, Canadians need bold and inspired leadership determined to make the best of Canada's unique position next door to the United States. The key question is whether the Canadian government has the will to assert and defend Canadian interests and give a persistent commitment to key bilateral and global issues of common interest.

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