

COAXING THE ELEPHANT: CAN CANADA BEST SUPPORT MULTILATERALISM BY COZYING UP TO THE UNITED STATES?

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Fostering better relations with the United States is not only in Canada's economic interest, but will promote Canada's sovereignty in the sense that much of Canada's influence in the world derives from our perceived influence with the US. Regaining our influential role with the US will also discourage its unilateralist propensities and encourage it to re-engage with the UN on issues that include the reconstruction of postwar Iraq, where there is an obvious role for Canada. Tom d'Aquino, president of the Canadian Council of Chief Executives, reflects on high-level April meetings in Washington organized by Canada's pre-eminent business lobby of CEOs.

En soignant ses relations avec les États-Unis, le Canada sert évidemment ses intérêts économiques mais il renforce aussi sa souveraineté, dans la mesure où son influence dans le monde découle de la perception internationale de son rôle auprès de ses voisins du Sud. En regagnant l'influence que nous venons de perdre vis-à-vis des États-Unis, nous pourrions en outre les dissuader de verser dans l'unilatéralisme et les inciter à se réengager auprès des Nations Unies sur plusieurs questions, y compris celle de la reconstruction de l'Irak auquel nous pourrions manifestement contribuer de manière importante. Tom d'Aquino, président du Conseil canadien des chefs d'entreprise, offre un compte rendu des rencontres de haut niveau organisées en avril à Washington par un prestigieux groupe de gens d'affaires canadiens.



In the early 1850s, Governor General Lord Elgin went to Washington to drum up interest in a novel idea: free trade between Canada and the United States. The result was the Reciprocity Treaty of 1854, intended to strengthen Canada's economy by bolstering north-south trade flows as a counterbalance to what was then an excessive dependence on trade with Britain. Successful while it lasted, the treaty was ended by the United States in the wake of the Civil War, during which many American politicians perceived Britain as favouring the Confederates.

As ties with the British Empire faded over the years, those with the United States grew more robust, and the question of how close is too close came to dominate Canadian discussions of its relationship with its southern neighbour. Since the Second World War, Canadians have teetered between two alternatives: yielding to geography by focusing on strengthening ties within North America; or resisting the north-south pull by making deliberate efforts to support multilateral processes and to diversify Canada's trade and investment flows beyond the continent.

Multilateral institutions have always been most important to smaller countries. The United Nations is intended to

prevent military aggression; the World Trade Organization performs a similar function in leveling the playing field for commercial contests and constraining the unbridled exercise of raw economic power. Yet today, in a world dominated by the American colossus, the best way for Canada to prevent the unraveling of institutions like the UN may in fact be to reinforce its bilateral relationship with the US.

In the short term, of course, it might seem that it is Canada's relationship with the United States that is unraveling. The war in Iraq, and Canada's decision not to participate directly in the American-led coalition, was accompanied by unusually hurtful and thoughtless rhetoric from political figures in both government and opposition circles. Harsh words appeared to lead to symbolic reprisals: President George W. Bush cancelling a planned visit to Canada, while simultaneously inviting Australian Prime Minister John Howard to his ranch in Texas. But the short-term media furor is obscuring a more fundamental lack of strategic vision and direction with respect to Canada's role in contributing to both the global economy and global security.

The short-term question being asked is whether Canada's decision to stay out of Iraq will damage the interests of Canadian businesses and lead to greater delays and disruptions along the 49th parallel. The longer-term issue, though, is whether Canada should muddle through such crises one at a time, or whether instead it should develop a comprehensive strategy for managing its most important bilateral relationship and preventing such crises. The short-term question illustrates perfectly the need for a more strategic approach.

This is what prompted the Canadian Council of Chief Executives to launch its "North American Security and Prosperity Initiative" in January 2003. In a post-September 11 world dominated by concerns over security, the Council's member chief executives came to the conclusion that the piecemeal approach is simply not adequate.

The immediate consequences of the terrorist attacks of September 11, 2001 included a clampdown at the border and a rash of long lineups that quickly disrupted transborder supply chains and led to factory shutdowns and layoffs.

The quick and commendable response by both the Canadian and American governments was the Smart Border Declaration signed by Deputy Prime Minister John Manley and Secretary of Homeland Security Tom Ridge in December 2001. The resulting 30-point action plan identified a wide range of measures now being implemented that can and will both beef up security and speed the flows of low-risk traffic.

As both Manley and Ridge made clear when they spoke to a meeting of the Canadian Council of Chief Executives (CCCE) in Washington, D.C. on April 7, important progress continues to be made. The border of the future, Tom Ridge added, is not simply a straight line between nations; it is a continuum that includes the airspace

above it, the economic zones and communities that surround it, the international ports of origin that serve it and the network of intelligence and law enforcement professionals who monitor threats, stand guard and administer immigration laws to protect it.

The Council's North American initiative builds on this idea. The goal of reinventing Canada's border with the United States cannot be to replace the straight line between us with a new perimeter, a curved line around the continent. What our goal does require is a complex network of technology and people to create a zone of confidence encompassing the continent, one that might even create the basis for a global system for controlling flows worldwide.

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Once we have assured the basic security of our countries against terrorism, both Canada and the United States have compelling economic reasons for making the mutual border work well. More than 85 percent of Canada's exports cross the 49th parallel, but so does almost a quarter of what the United States sells to the rest of the world, more than it exports to all 15 members of the European Union combined.

The risk to Canada goes beyond the immediate economic damage that would be caused by a repeat of the temporary disruptions in the autumn of 2001. Most new investments by multinational companies will involve operations that must serve customers across North America if not globally. Any per-

ception of a significant risk of future disruption at the border therefore constitutes a powerful reason for locating such investments south of the border, in the continent's dominant market. In short, Canada faces the greatest risk, and therefore has a compelling reason to take the lead in advancing new ideas.

In addressing this formidable challenge, Canada must begin by recognizing that economic and defence issues have become inseparable. This reality forms the foundation for the five pillars of the strategy proposed in the Council's North American initiative: reinvention of borders; regulatory efficiency; resource security; military capability; and the development of new shared institutions.

In addition to building on the Smart Border Action Plan in reinventing borders, the Council's is looking at ways of making the border between our two countries less necessary. Much of the enforcement activity at the border simply reflects differences in regulatory regimes, many of which date to another era and now exist for no obvious reason. Harmonizing regulations would be one way to reduce the border burden, but so would efforts to make our rules more compatible through mutual recognition. Both approaches are already at work within Canada as part of the continuing effort to remove the remaining barriers to the movement of people and goods within our own country.

Regulatory differences are one of the primary factors behind major trade disputes like that over softwood lumber. And because the major bilateral disputes have centred on resource issues, the Council is suggesting that our two countries go one step further and negotiate a resource security pact, one that would extend the principles that now govern trade in oil to other resources including forest products, minerals and agricultural products. Security of supply and security of access should go hand in hand, and recognition of both prin-



AP Photo

US Homeland Security Secretary Tom Ridge and Canadian Deputy Prime Minister John Manley in Washington on April 7

ciples would go a long way toward eliminating the major causes of transborder trade disputes and the resulting costs and delays at the border.

None of this progress, however, is likely to be seen without a clear commitment by Canada to beef up spending on its military capability. Let us be clear: Canada should be pursuing such a course, not because the United States demands it, but because protecting our territory and the well-being of Canadian citizens is the essence of sovereignty. If Canada cannot protect its own territory, the United States may extend its efforts to protect our territory for us as a necessary means of protecting itself. Descending into abject dependency through a lack of will to defend ourselves, however, would be the ultimate loss of sovereignty.

What is more, only by investing carefully in a balance of forces appropri-

ate to our own defence needs can Canada hope to make a meaningful contribution to either continental security or global stability. We pride ourselves on our history of defending democracy and keeping the peace, a record that has enabled Canada to have influence in global affairs beyond the natural clout of its economic capacity. This reputation is quickly fading, and a revitalization of Canada's military capability is needed in order to revive our global influence.

This leads to the final pillar of the Council's strategy, the development of new joint institutions. The Council is exploring not a North American version of the European Parliament, but rather a series of smaller, more focused bodies on the order of the International Joint Commission that manages boundary waters. Such institutions require a certain degree of

delegated authority and autonomy, but their mandate is geared primarily to anticipating and preventing disputes.

Taken as a whole, the Council's strategy falls well short of what some people think of as big ideas: there is no political union, no currency union, not necessarily even a customs union. This approach, however, still marks a major departure from the current incremental approach.

The difference lies not in the details, but in the overall vision. Given the huge number of highly sensitive and interlocking issues on the table and the stakes involved in making the border work well, it would be foolish for Canada to proceed without an overarching strategy. Muddling along is simply too risky.

Even if Canada tries to pursue a comprehensive strategy, will anyone in the United States be interested? The

rhetoric surrounding Canada's decision on Iraq led some commentators to suggest that any attempt by Canada to launch a major initiative would be dead on arrival. The Council's recent experiences, however, suggest otherwise.

As US Ambassador Paul Cellucci noted even as he delivered a stern speech about the genuine hurt and disappointment felt by many Americans, the relationship between our countries is too deep and too complex to be sundered by any single disagreement. And as the Council prepared for its Washington meeting, we received a consistent message from both sides of the border: the political disagreement is all the more reason for us to visit and engage in constructive dialogue. Our goal as business leaders was not to engage in political damage control, but to focus attention on the many ways in which Canada and the United States can and should work together — regardless of the disagreements of the day.

These sentiments were reinforced by our discussions in Washington. In addition to meetings with two members of President Bush's cabinet, Homeland Security Secretary Ridge and Energy Secretary Spencer Abraham, we heard from leading figures across the political spectrum, from James Carville, the outspoken former campaign manager for President Clinton, to Richard Perle, one of the architects of the current administration's policies in Iraq and the Middle East.

Not one American speaker questioned Canada's right to make its own choices on foreign policy or any other issue. Nor did any American suggest that Canadian companies would be penalized because of such a policy disagreement.

The real issue from the American perspective is not one of sovereignty. It is one of respect. As James Carville put it, even close friends have differences of opinion. The key to a maintaining a good relationship, however, is to "disagree without being disagreeable."

And when Richard Perle was asked point blank whether Canadian companies would be excluded from contracts in the postwar reconstruction of Iraq, he said the answer would have nothing to do with Canada's position on participation in the war. Rather, whether Canadian companies would be able to bid on contracts would depend on whether Canada as a country put money on the table to help fund the reconstruction.

In his view, the key issue was not policy, but cash. If American taxpayers foot the entire bill, American companies should get the contracts. If, on the other hand, the international community funds the reconstruction work collectively, international competitive bidding would ensue. In either case, he saw this process as transitional. Soon enough, a new Iraqi government will decide what is in its best interests, and that is highly likely to include open competitive bidding.

What was most striking in the comments we heard was the diversity of opinion within the US on the question of that country's role in the world. From this internal American debate emerged another clear message for Canada.

What the current Administration calls "pre-emptive self-defence," many other Americans see as a worrying lurch toward unilateralism. While fully supportive of the men and women of their armed forces fighting in Iraq, such skeptics believe that the US should not try bring its own order to the world unassisted, because such a task would be dangerous and ultimately futile.

In this view, emphasized by a number of Democratic speakers at our CCCE meeting in Washington, it is vital not to let the US continue to disengage from the UN and other multilateral institutions and processes. And they suggested that Canada could play a critical role as a catalyst for keeping the US engaged multilaterally.

To do this, however, Canada must at the very least maintain a relationship of trust and respect with its closest neighbour. In practical terms, this means set-

ting aside the cheap shots and focusing instead on the genuine sentiments expressed by hundreds of thousands of Canadians in the wake of September 11th. Despite all of our inevitable differences over policy and values alike, we still have much more in common than what divides us, and we need to renew that spirit of empathy going forward.

In practical terms, that does not mean reversing course on the decision to stay out of the war in Iraq. It does mean that Canada should engage in the reconstruction of Iraq, in line with our commitment to supporting the spread of democratic values, whether that process is run by the UN or under other auspices. Canada seems to be edging in this direction on the specific question of Iraq, but more broadly needs to move to the forefront of advancing ideas for a 21st century multilateralism that can cope with new threats as well as old ones.

Closer to home, a Canadian commitment to the reinvigoration of our historic partnership with the US would do more than serve our narrow economic self-interest in keeping the border open for business. By adopting a comprehensive strategy for managing our most important bilateral relationship, we also would be reinforcing Canadian sovereignty.

Perhaps most important of all, by consciously strengthening our ties to the US, Canada could do more than simply minimize the risk of being squashed when the elephant rolls over. In addition, such a course could maximize Canada's potential to coax the US back toward full engagement in the multilateral processes that most Canadians believe offer the best hope of ensuring both global security and global prosperity.

Thomas d'Aquino is president and chief executive of the Canadian Council of Chief Executives. Known until 2001 as the Business Council on National Issues, this nonpartisan organization is composed of the chief executives of 150 leading Canadian enterprises and played a leading role in the development and promotion of the Canada-United States and North American free trade agreements.