



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Canada-US relations on the eve of Prime Minister Trudeau's visit to Washington

by Ferry de Kerckhove
February, 2017

POLICY UPDATE

CANADA-US RELATIONS ON THE EVE OF PRIME MINISTER TRUDEAU'S VISIT TO WASHINGTON

by Ferry de Kerchove
CGAI Fellow
February, 2017



CANADIAN GLOBAL AFFAIRS INSTITUTE
INSTITUT CANADIEN DES AFFAIRES MONDIALES

Prepared for the Canadian Global Affairs Institute
1600, 530 – 8th Avenue S.W., Calgary, AB T2P 3S8
www.cgai.ca

©2016 Canadian Global Affairs Institute
ISBN: 978-1-988493-20-6



On the eve of Prime Minister Trudeau's first visit to Washington, the first question that arises is whether the "feel good but", which characterized the Canada-US relations in the past as befits "sleeping beside the elephant", may be out by the window in this day and age under the new US administration. Three senior Cabinet Ministers went to Washington to gage the "new" place. There is a lot of legitimate apprehension in Canada about what the US Commander in Chief wants to do in, for, or against the world and, of course, more specifically, in North America. It is tempting to run each of the key issues underpinning the relationship and projecting what might they look like in the short to medium term.

A UNIQUE RELATIONSHIP

If one forgets Canada's 1812 victory against the US and the burning of the White House when we were still under the yoke of the British, our histories are that of "frontier development", complex trade relations based on conflicting models and allegiances, identity defining participations in wars overseas, and common abiding commitment to democracy, rule of law and human rights. While there have been many seminal events in our joint histories, such as the 1909 International Joint Commission, the 1940 Permanent Joint Defence Board, and the 1941 Hyde Park agreement, real friendship - not devoid of competition - only started being enshrined in the early 1920's. But the real defining moment, when Canada finally got over its "absorption fright" came with the signing of the Free Trade Agreement, the founding father of NAFTA and, in fact, of many of the contemplated, now partly or totally deflated, trade agreements like our CETA, TTP and TTIP.

I will not attempt to contrast the American Melting Pot and the Canadian Community of Communities/multiculturalism models, but there is no doubt that despite the FTA and NAFTA, economic integration has not/not brought a "fusion" of Canada within the US. I would say quite the contrary. The FTA has united Quebec with the rest of the country and has clipped the wings of separatism. But, as President Trump laments for the US, we in Canada have also lost many manufacturing jobs over time. That is called globalization. Of course, our Prime Minister will underscore that Canada does not share the protectionist approach taken by the President of the US. But he will also submit that while globalization may have created much growth in wealth, it has also fostered such levels of inequalities that it has become a major social problem - worldwide. But Canada does not believe that the protection of old-technology jobs is the answer to that social problem. Rather, we believe that we need to take advantage of globalization to absorb and integrate changes in technology to the benefit of those who no longer have access to the "hewer of wood and drawer of water" jobs that made Canada.

SO WHAT?

Very simple: there is not a single more important element in our relationship than the "Beyond the Border Initiative". Why? A few figures suffice:

- a) Canada and the US share the longest secure border in the world – no longer undefended!



- b) 400,000 people cross the Canada–US border daily.
- c) Over \$2 billion in goods and services cross the border every day.
- d) 18,500 trucks cross Windsor-Detroit border each day.
- e) Nearly 9 million US jobs depend on trade and investment with Canada.
- f) Canada is the top export destination for 35 US states.

The 2011 initiative aims at facilitating every single aspect of the daily conduct of business through intelligence sharing, preclearance and pre-inspection in all transportation modalities, cross-border law enforcement, however touchy an issue from a sovereignty perspective, and the protection of critical infrastructure and tackling cyber security. Basic stuff, but absolutely critical. And one of the results will be the Gordie Howe International Bridge between Windsor and Detroit. Now if that is not a symbol of who we are to one another, I don't know which is!

Regarding the renegotiation of NAFTA, reassuring words were spoken by various members of Mr. Trump's team. Yet there remain too many unknowns to sort out in one meeting. What could the conditional approval of Keystone entail in NAFTA compensations? We started exactly where we should: we might be worried but we will entertain a "fair" review of NAFTA. After 20 years, one needs servicing on any engine, including an engine of growth! And there are things where US pressure would actually be good for Canada, including on clarifying and simplifying rules of origin and even revising the dispute settlement mechanism, provided it does not mutate into a "US bullying mechanism". As suggested by former Prime Minister Mulroney, the US would do us a great favour in forcing us to slowly get rid of our managed trade in agricultural products, or our liquor boards' monopolies. Such pressures might force Canada to get rid of all or most of its interprovincial barriers to trade.

The US and Canada must come to clearer terms on energy and resources, including ensuring that major energy investments such as Keystone no longer become dependent on Presidential approval. We need a "final deal" on softwood lumber, the bane of free trade. No more managed trade, please, Mr. President! We need to establish a limitation on the ability of investors to directly sue governments, which is an infringement on governments defining national interests. But Canada might have to reduce even further existing restrictions on foreign investment! On the other hand, free trade and Buy America are an antinomy, including on government procurement. Maybe the US should give a good look at the CETA as a model of updating. Labour mobility rights between our countries should be enhanced rather than diminished. This is why we are, in a way, less concerned about the direct impact of changes between our two countries – as suggested by Wilbur Ross himself, but more by the potential indirect impacts of what the US will want to impose on Mexico. Fair trade demands fairness across the board... Canada still has not forgotten the "Nixon shock" of 1971 and the imposition of a 10% tax on all US imports and the "Super 301".



BEYOND THE TRADE WATERFRONT

There will be the inescapable salutations to our common purpose through the two World Wars, the creation of NATO, the Canadian incontrovertible support for the US in Kuwait and in Afghanistan, and in the fight against terrorism. Yet, the debacle in the second Iraq war when Canada decided not to join was also a seminal moment in our relationship, as it marked a breakdown in western solidarity and, Afghanistan notwithstanding, the beginning of US retrenchment, as evidenced in Libya – leading from behind, Syria – the red line on chemical weapons, and Mr. Trump's "America first". On the other hand, in the fight against Daesh, despite our change from aerial bombing to Special Forces training, we remain on the same page. Mr. Trump needs to understand this.

But President Trump's pronouncements on such issues as Iran, Russia, Brexit, the MEPP, immigration, leave Canadians bewildered. Canada was not a participant in the negotiations on the Iran nuclear deal but the present government does not see it as a "bad deal". In fact, fears exist that its demise would inevitably turn to Iran's advantage, as the other parties would not follow the US lead and Iran would already have seen enough "cash" back not to feel under pressure on the nuclear side – although I would argue that Iran would think twice before re-engaging in a military nuclear program. Canada is not opposed to a re-engagement with Russia but certainly not starting from a point of moral equality and ignorance of the foe we are dealing with. 1.5 million Canadians have hailed from Ukraine over the past century and a half, and we are not ready to put their fate in the balance. While Brexit is none of our business, we have always felt that a united Europe was not just good for Europe but for the world and it needs unity more than ever in these disruptive times. On the MEPP, it is unfortunate that President Obama did not focus more on delimitating the Israeli-Palestinian border rather than on settlements, as the former would have resolved the latter. But the most recent articulation of the US position on settlements is even weaker. Mr. Trudeau will skirt the immigration Executive Order issue as Canada has already demonstrated where it stood through the outpouring of support for the stranded visa holders, notably those requiring medical attention. Again, the famous "wall" debate with Mexico has had most Canadian decision-makers shaking their heads while maintaining a discrete distance.

AND WHAT ABOUT THE MILITARY RELATIONSHIP?

Of course, the United States is Canada's most important ally and defence partner and our relations are solidly grounded in joint training exercises, personnel exchanges, strategic policy discussions, and operational cooperation. The consultative architecture is rock solid and translates into a combined defence plan within a tri-command framework. Canada is also a key partner in US efforts to prevent and reduce illicit trafficking through detection, monitoring, and tracking drug traffickers. Maritime interoperability between Canadian, US, and Mexican forces in response to regional maritime threats has gained from the creation of North American Maritime Security Initiative.



Canada and the US have always considered NATO as the cornerstone of the trans-Atlantic security and their defence relationship and they provide it with an increasingly critical strategic depth. And now we know that in the eyes of Mr. Trump, it may not be as obsolete as to dismiss it.

So much for the positive: interoperability is critical for continental defence and the North American Aerospace Defense Command (NORAD) provides its foundation. But now, with NORAD having a decade of experience in maritime warning, it is time to undertake a reassessment of the maritime domain awareness situation facing both countries, with particular reference to the Arctic, and think of a maritime equivalent to NORAD.

When President Obama said the world needed “more Canada”, he also pointed out that Canada should contribute its fair share on defence. President Trump has been vocal on allies' defence spending and will have no compunction in pressuring Canada in paying more for the defence of our common shore and the US umbrella. Furthermore, Canada has been procrastinating needlessly about joining the US ballistic missile defence. It will not take long for Canada to be “told” to join BMD. In fact, Canada might decide “on its own” to do so in light of growing concerns about Kim Jong-un.

Yet, the uncertainty surrounding the President's foreign policy perspectives affects decisions on defence; hence Canada's delaying the shipping of its promised 600 peacekeepers in Africa until it has a clearer view on where the Americans stand on these peace-making operations. Russia's posture in the Arctic, whose resources represent 20% of its GDP, will pose new defence challenges as President Trump charts an uncertain path with his Russian “friend”. Canada will be looking at this very carefully because our country is very vulnerable on the defence of its huge Arctic territory.

A WORD ON DEFENCE PROCUREMENT:

Canada's 2008 “Canada First Defence Strategy” was an underfunded procurement list. The new government punted the renewal of its fighter fleet for 5 years by deciding to procure 18 Super Hornets to supplement its aging fleet of F-18s. While Mr. Trump lambasted at the cost of the F-35, he clearly recognizes that it will be the aircraft of the “present future”. What may be perceived as Canada's delaying tactics will not sit well with the new administration, all the more so if the cost of the F-35 is brought down significantly by the “deal-maker”. One can only hope that Canada will not stand to lose on the industrial benefits side as it continues to support the development program of the aircraft.

But defence procurement is more than the F-35 and Mr. Trump's protectionist, “Buy-America+” utterances could affect what is a very productive commercial relationship between our two countries in the defence field. Canada-US relations are usually free from linkages across sectors or issues in large part because of the depth and complexities of the relationship. The Trump



approach could reverse that trend, with the US dictating the terms. Defence procurement will be entangled in the broad mix.

Thus, from a broad security perspective, Canada is coming somewhat naked at the table inasmuch as the Trudeau government launched early on a Defence Policy Review – yet to be released – without the benefit of either a National Security Strategy or a Foreign Policy review to underpin its choices for defence. Thus, Canada is not fully prepared for some of the key decisions that the new US Administration will inexorably take in terms of forward defence in the five domains of war.

► About the Author

Ferry de Kerckhove was born in Belgium in 1947. He has a B.Soc. Sc. Honours in Economics, an M.A. in Political Science from the University of Ottawa and pursued Ph.D. Studies at Laval University in Québec City.

He joined the Canadian Foreign Service in September 1973. From 1981 to 1985, he was Economic Counsellor at the Canadian Delegation to NATO. In September 1992, he was posted to Moscow as Minister and Deputy Head of Mission. In 1995 he became Associate Chief Air Negotiator, then Deputy Head of the Policy Branch and Director-General, Federal-Provincial Relations in Foreign Affairs and International Trade. He was named High Commissioner to the Islamic Republic of Pakistan in August 1998. In September 2001, he became Ambassador to the Republic of Indonesia. He was also accredited to Timor Leste.

In September 2003 he joined the Faculty of Social Sciences at the University of Ottawa as a Canadian Center for Management Development Diplomat in Residence. In 2004 he became Director General, International Organizations. In July 2006, he added to his responsibilities the function of Personal representative of the Prime Minister for Francophonie. In 2008 he was named ambassador to the Arab Republic of Egypt.

He retired from the Foreign Service on September 23d, 2011. He is a Senior Fellow at the Graduate School of Public and International Affairs, Faculty of Social Sciences, University of Ottawa, a Fellow of the Canadian Global Affairs Institute, and a Member of the Board of the Conference of Defence Associations Institute. He is the author of the CDA Institute's Strategic Outlook for Canada 2016. He is a former board member of WIND Mobile Canada. He is President of Ferry de Kerckhove International Consultants Inc.

► **Canadian Global Affairs Institute**

The Canadian Global Affairs Institute focuses on the entire range of Canada's international relations in all its forms including (in partnership with the University of Calgary's School of Public Policy), trade investment and international capacity building. Successor to the Canadian Defence and Foreign Affairs Institute (CDFAI, which was established in 2001), the Institute works to inform Canadians about the importance of having a respected and influential voice in those parts of the globe where Canada has significant interests due to trade and investment, origins of Canada's population, geographic security (and especially security of North America in conjunction with the United States), social development, or the peace and freedom of allied nations. The Institute aims to demonstrate to Canadians the importance of comprehensive foreign, defence and trade policies which both express our values and represent our interests.

The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

In all its activities the Institute is a charitable, non-partisan, non-advocacy organization that provides a platform for a variety of viewpoints. It is supported financially by the contributions of individuals, foundations, and corporations. Conclusions or opinions expressed in Institute publications and programs are those of the author(s) and do not necessarily reflect the views of Institute staff, fellows, directors, advisors or any individuals or organizations that provide financial support to the Institute.