



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

# **Managing Trump: The Canadian Response**

by Colin Robertson  
April, 2017

# POLICY UPDATE

---

## **MANAGING TRUMP: THE CANADIAN RESPONSE**

by Colin Robertson

Vice-President and Fellow  
Canadian Global Affairs Institute  
April, 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](http://www.cgai.ca)

©2017 Canadian Global Affairs Institute  
ISBN: 978-1-988493-38-1



Every prime minister has three files resting permanently on their desk, requiring their personal attention: national security, national unity and the Canada-U.S. relationship. For Justin Trudeau, the election of Donald Trump has meant putting the Canada-U.S. file on the top of the pile.

Trump campaigned in punchlines, with a signature blend of bombast, bravado and bullying. His platform was nativist, protectionist and populist. His campaign, featuring big rallies and a minimal ground game, defied the new-age electoral conventions based on data-driven micro-targeting. In its successful capture of the Republican nomination and then the presidency, he defied the pundits, the GOP establishment (including its national security establishment that publicly deemed he would put the nation's security "at risk") and its conservative wing.<sup>1</sup>

As president, Donald Trump continues to be a 'renegade in power'. His tweets have redefined the power of the 'bully pulpit' and his administration's alternative facts and his own truthiness (according the *Washington Post* during his first 91 days in office Mr. Trump has made 417 false or misleading claims).<sup>2</sup>

In as much as President Trump has governing principles, they are about the bottom line and what good they will do for the USA. Whereas previous presidents avoided linkage between economics and security, for Trump they are a natural match. It is all part of the 'art of the deal'.

As he approached his hundred days in office. President Trump took jabs at Canadian dairy, lumber, energy, and threatened withdrawal from the North American free-trade agreement declaring from the White House that "people don't realize Canada has been very rough on the United States.<sup>3</sup> Everyone thinks of Canada as being wonderful, and so do I. I love Canada. But they've outsmarted our politicians for many years, and you people understand that." It was a reminder to Canadians that we do not enjoy any special exemption from the "Full Trump."

While much of Mr. Trump's rhetoric is merely noise, what is dangerous about the noise is the effect it is having on business confidence, both domestic and foreign, and about investment in Canada. If investors think Canada is going to lose its ease of access to the United States, Mr. Trudeau's commitment to create middle-class jobs will not happen.

The Trudeau government's response has been one of careful, calibrated, fact-based engagement. The opposition and provincial governments, especially premiers, are part of the outreach effort, making it a "Team Canada" initiative. Buttressed with local content, the initiative builds on three core messages: Canada is a fair-trade partner and a market that creates jobs for Americans; Canada is a reliable ally; Canadian resources fuel American growth and jobs.

The relationship and managing Mr. Trump is one that Prime Minister Trudeau must manage personally and get right. Canadian prosperity, and his own re-election, depend on it.



## Shock and Recalibration

If Trump's election surprised American pundits, it shocked the rest of the world.

The Canadian briefing books on the anticipated continuity with a Hillary Clinton administration in policy areas like climate change and peace operations were detailed and comprehensive. Beyond-the-border and regulatory co-operation, which had been carried over pretty seamlessly from the Harper government, would be re-branded and rolled forward.



Prime Minister Justin Trudeau had personally worked hard to develop a solid friendship — the media characterized it as a bromance — with former president Barack Obama. There was every expectation that, while the relationship would be different, there would still be more alignment than not with President Hillary Clinton. But it was not to be.





The briefing books on Trump were short and as much speculative as concrete. At the first cabinet meeting after the U.S. election, which lasted three times longer than the hour scheduled, half of the cabinet was either in denial or suffering from post-traumatic stress disorder. Another group saw this as a political opportunity to position the Trudeau Liberals as the champions of progressive liberalism (something that Vice President Joe Biden would encourage when he visited Ottawa in December) and become the counterpoint to Mr. Trump, relying on the anti-American DNA embedded in every Canadian.<sup>4</sup>

The sensible quarter, which included the prime minister, his principal advisors, and the shrewd and able Canadian Ambassador to the U.S. David MacNaughton, recognized that while confrontation might make partisans feel good it is politically stupid. Governments that ran against the incumbent U.S. administration — John Diefenbaker, Paul Martin and Stephen Harper — did not get re-elected.

The cabinet and Liberal caucus were reminded that members who doll-stomped (Carolyn Parrish in the Martin government<sup>5</sup>) or cabinet ministers who dissed the administration (a feature of both the Martin and Harper governments) would serve neither party nor national interests.

### *The Game Plan: Messaging and Engagement*

The Trudeau game plan can be divided into three phases. In the first phase, prior to Trump's inauguration, was to assess the implications of his victory for Canada and to gain access to the Trump team.

Part of this phase included quiet, discreet engagement using the most senior advisors, including former prime minister Brian Mulroney. The emphasis was to find convergences for future policy co-operation.

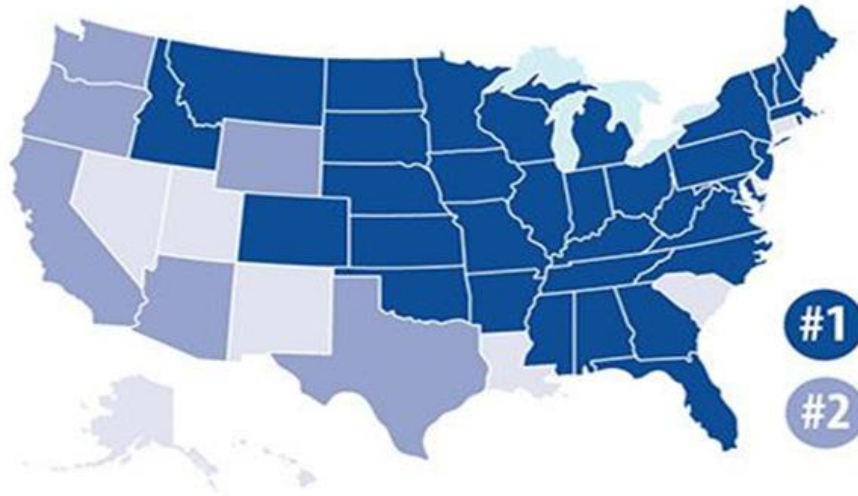
The second phase began after the Inauguration, when the outreach became more public. Ministers met with their counterparts in Washington with a focus on the shared agenda of jobs and rebuilding the middle class, and Prime Minister Trudeau met with President Trump. Importantly, this outreach also included visits to Capitol Hill to see the congressional leadership on both sides of the aisle.

Three core messages underlined the outreach:

- Canada is a reliable ally and security partner;
- Canada is a fair and trusted trading partner. Canada is the main market for most U.S. states, especially those Trump won. U.S. trade with Canada generates nine million jobs. More than trade, it's making things together through supply chains to our mutual advantage. With \$2 billion in trade daily, Canada has a slight surplus because we provide 40 per cent of U.S. energy imports;
- Canada is a secure, stable and reliable source of energy. The development of energy resources and climate control, as Trudeau enunciated in Houston, can go hand in hand.<sup>6</sup>



In the third phase, engagement has broadened through all-party parliamentary delegations meeting their congressional counterparts on Capitol Hill. Ministers and premiers are reaching into the rest of America, especially Trumpian America and the Rust Belt states, in this all-of-Canada effort.



Of the 50 U.S. states, 48 of them count Canada as their first, second or third most important export market

### *Reaching Out and Realignment*

Trudeau personally asked for help from former prime minister Brian Mulroney and from Derek Burney (who had served as Mulroney’s ambassador to the U.S.).<sup>7</sup> Trump advisor Stephen Schwarzman (who would later be named head of the president’s Strategic and Policy Forum<sup>8</sup>) spoke at the Calgary cabinet retreat in January and told the media that Canada possessed “very special status.”<sup>9</sup> MacNaughton and senior Trudeau advisors Katie Telford and Gerald Butts met privately with Trump’s son-in-law, Jared Kushner, (now a senior White House advisor).<sup>10</sup>

With preserving the U.S. relationship and its vital trade and defence partnership at the top of the Trudeau agenda, Chrystia Freeland was named both Foreign Affairs minister and minister responsible for the trading relationship with the U.S. Retired general Andy Leslie, who personally knew generals H. R. McMaster (now National Security Advisor), James Mattis (now Defense Secretary) and John Kelly (now Homeland Security Secretary), became Ms. Freeland’s parliamentary secretary for U.S. affairs. Transport Minister Marc Garneau, who as a former astronaut and naval officer has his own U.S. network, became chair of the Canada-U.S. cabinet committee.

Giving Chrystia Freeland day-to-day direction on Canada-U.S. relations was a smart move.

Shortly after taking the international trade portfolio in the new government, she closed the deal on the country-of-origin labelling dispute<sup>11</sup> that had dragged on for a decade, through able personal diplomacy with conservative Republican Pat Roberts, the chair of the U.S. Senate’s



Agriculture Committee. Her tearful determination to close CETA when the Belgian Walloons threatened it demonstrated a calculated tenacity to get the job done.<sup>12</sup>

She has shown a sure-footedness in managing the relationship with Mexico (Canada's third largest trading partner<sup>13</sup>) that threatened to go off the rails over NAFTA renegotiation and suggestions that Canada would throw Mexico under the bus. Meeting with Mexican Secretary of Foreign Affairs Luis Videgaray and Secretary of Economy Ildefonso Guajardo in Toronto in February, she declared that "NAFTA is a three-country agreement, and if there were to be any negotiations, those would be three-way negotiations."<sup>14</sup>

The prime minister also made structural changes within his own office, appointing Freeland's former chief of staff, Brian Clow, to head a U.S. relations war room and making it clear to the civil service that management of Canada-U.S. relations was now top of the agenda.

In the weeks before Mr. Trudeau's meeting with Trump at the White House, Freeland, Defence Minister Harjit Sajjan and Finance Minister Bill Morneau travelled to Washington to meet their counterparts with a message that the Trudeau government shared the Trump administration's focus on the middle class and jobs, and to identify the convergences for future policy co-operation.<sup>15</sup>

Equally important, they also worked Capitol Hill, something Trudeau had done the previous March when the Obamas hosted a state dinner for the Trudeaus. The outreach included meetings with Speaker of the House Paul Ryan, Senate Majority Leader Mitch McConnell and House Minority Leader Nancy Pelosi, as well as key chairs including Senate Armed Services Committee head John McCain.

### *Trudeau-Trump Summit*

The Oval Office meeting of Feb. 13 between the prime minister and president was friendly, frank and business-like. What made it different was a roundtable with women entrepreneurs that included Ivanka Trump (now a senior White House advisor<sup>16</sup>).

The leaders' agenda<sup>17</sup> covered these key areas:

- Neighbours in growing our economies;
- Energy security and environment;
- Partners in keeping our border secure;
- Allies in the world;
- Empowering women entrepreneurs and business leaders.

The joint statement declared a "commitment to continue to strengthen our ties for the benefit of our mutual prosperity and security" and instructed cabinet officers to handle the follow-up.<sup>18</sup>

Proof that the meeting had registered with the president came in his first joint address<sup>19</sup> to Congress two weeks later when he mentioned Canada twice — commending Canadian immigration policies and noting the meeting with women entrepreneurs.<sup>20</sup>



## “Team Canada” Outreach

In the weeks that followed, engagement increased with visits in both directions.

U.S. Homeland Security Secretary John Kelly met in Ottawa March 10 with Public Safety Minister Ralph Goodale as well as Freeland, Transport Minister Marc Garneau and Immigration, Refugees and Citizenship Minister Ahmed Hussen. The visit went well with Secretary Kelly telling the Canadians that they were not a problem. The meetings with Minister Goodale also included discussions on aviation security, law enforcement collaboration, infrastructure and immigration, and refugee and visa policy.

In line with the leaders delegating their cabinet officers to manage the follow-through, Secretary Kelly and Minister Goodale agreed to a plan that included expanding preclearance for cargo and extending it to new locations in air, rail, land and marine modes, along with increased information sharing.<sup>21</sup>

Just before Easter, on April 13, Brett McGurk, special presidential envoy for the Global Coalition to Counter ISIL, visited Ottawa and met with Ministers Sajjan and Freeland. Afterwards, he tweeted: “Excellent mtgs w/vital ally #Canada, grateful for significant @coalition contributions.”<sup>22</sup>

On the Canadian side, there is a concerted and coordinated effort, involving all levels of government, to take the message into the Rust Belt and especially to those states that voted for Trump.<sup>23</sup> Saskatchewan Premier Brad Wall visited Iowa on March 16, along with Andrew Leslie, and met with state legislators, Gov. Terry Branstad (Trump’s nominee to become U.S. ambassador to China) and Lt.-Gov. Kim Reynolds.<sup>24</sup> Wall would later travel to Washington to meet on April 5-6 with Environmental Protection Agency Administrator Scott Pruitt and Secretary of Energy Rick Perry as well as senators John McCain and Lindsey Graham with the message “We’re in Washington to make the case that free trade means more jobs for both Canada and the U.S. We must guard against protectionism in North America.”<sup>25</sup> The premier punctuated his remarks at the Heritage Foundation with a reminder that the “mustard for hot dogs likely came from

**THE UNITED STATES AND CANADA**

**CANADA-U.S. INTEGRATED SUPPLY CHAIN**  
*Let's keep a good thing growing!*

- Bun baked in California  
With flour from Saskatchewan
- Beef from cattle born in Alberta  
Raised in Nebraska  
Processed in Colorado
- Bacon from pigs born and raised in Manitoba  
Processed in Iowa
- Lettuce from Arizona
- Ketchup from Ohio
- Onions from Washington
- Mushrooms from British Columbia
- Tomatoes from Ontario

**WE MAKE GREAT FOOD TOGETHER!**

For more information: [www.agr.gc.ca/agpartners](http://www.agr.gc.ca/agpartners)  
Follow the conversation on Twitter using #agpartners

■ = Canada  
■ = United States

Agriculture and Agri-Food Canada / Agriculture et Agroalimentaire Canada

Canada

© All Rights Reserved. Reproduced by the Minister of Agriculture and Agri-Food, 2017/18. AAFIC No. 12116





Saskatchewan, along with wheat for the bun and barley for the beer to wash it all down.”<sup>26</sup> This is the kind of frank messaging that Canadians can and must do.

Other premiers are also actively reaching out into the U.S. Alberta Premier Rachel Notley has been a regular in Washington making the case for the Keystone XL pipeline (approved by the State Department in March) and for the mutual benefits of our energy relationship.

Ontario Premier Kathleen Wynne is reaching out to her gubernatorial counterparts in Illinois, Michigan and Vermont.<sup>27</sup> She has spoken with the governors of Ohio, Indiana, Wisconsin, Colorado, Mississippi, Arkansas and Tennessee on trade and to combat “Buy American” policies.

Wynne’s efforts helped to persuade New York Gov. Andrew Cuomo to drop procurement preferences that would have required all state entities to buy from American companies on new purchases worth more than US\$100,000.<sup>28</sup>

New York is but one of the many states looking to implement “Buy America” policies. The threat argues for resurrecting the reciprocity agreement on procurement that Premier Wall and his fellow premiers negotiated in 2010 with their governor counterparts. There were significant carve-outs (notably from Ontario) but it gave taxpayers’ better value and choice. That deal has lapsed but it should be renegotiated and it needs to be done at the premier-governor level. The summer round of regional governors’ conferences would be a good opportunity to create a new deal on state and province procurement.

Prime Minister Trudeau travelled to Houston March 9 with Natural Resources Minister Jim Carr (Notley joined them) to make the case to the annual CERAWEEK conference, that draws over 3,000 people — legislators, energy executives, innovators and experts — from around the world. He also met with Texas Gov. Greg Abbott and U.S. Senator Lisa Murkowski of Alaska, chair of the Senate’s Energy and Natural Resources Committee.

Mr. Trudeau pitched for investment in Canadian natural resources arguing that there is “no path to prosperity in Canada that does not include a thriving, vibrant energy sector, both traditional and renewable.”<sup>29</sup>

He pointed to his government’s approval of two pipelines — Trans Mountain’s Kinder Morgan line and Enbridge’s Line 3 rebuild — as compatible with environmental considerations.

He argued that a middle path, between that adopted by his father (the National Energy Policy) and Stephen Harper would work because: “in the 21st century Canadians will not accept that we have to choose between a healthy planet and a strong economy. People want both, and they can have both.<sup>30</sup> It takes compromise. It takes hard work, but it is possible.”

Mr. Trudeau also visited New York on March 15 to celebrate *Come from Away*, the Canadian production on the welcome extended to Americans forced to land in Gander, N.L. on 9/11. The invitees included 125 UN ambassadors, including U.S. Ambassador Nikki Haley, and Ivanka Trump. It was cultural diplomacy at its most effective, advancing Canada-U.S. relations and was



another clear, but subtle, effort in the ongoing Canadian attempt for a seat on the UN Security Council in 2020.<sup>31</sup>

Trudeau told the audience, “the world gets to see what it is to lean on each other and be there for each other through the darkest times ...There is no relationship quite like the friendship between Canada and the United States.”<sup>32</sup>

The event earned coverage in the *New York Times*, which described the production as one “that celebrates generosity toward foreigners in need”<sup>33</sup> — an explicit jibe by the newspaper at Mr. Trump’s efforts to close American doors to seven Muslim-majority countries.

Close engagement by the prime minister, premiers, legislators and the business community must continue. Indeed, to safeguard Canadian interests it needs to be a permanent campaign.



*“You seem familiar, yet somehow strange  
—are you by any chance Canadian?”*

The trade relationship has broad support from business on both sides of the border. In an Ottawa speech on Feb. 6, U.S. Chamber of Commerce CEO Tom Donohue said: “Withdrawing from NAFTA would be devastating for the workers, businesses and economies of our countries. Let’s do no harm. Let’s preserve, protect and advance the robust trade that supports both of our economies and millions of our workers.”<sup>34</sup>



While Canada does not have votes in U.S. elections, nor do most Canadian companies contribute to U.S. campaigns, we do generate employment — an estimated nine million jobs across the U.S., according to a study commissioned by the Canadian Embassy.<sup>35</sup> Fact sheets (available on the Canadian Embassy’s website<sup>36</sup>) break this down by state and getting out this message must be a top priority for ministers, premiers, legislators, and business and labour leaders, as well as our ambassador and consuls.

## *NAFTA 2.0: Negotiating a New Deal*

Negotiations on a new North American accord will likely to begin this fall, following the 90-day period of congressional hearings required under Trade Promotion Authority during which time the legislative and executive branches will debate how the deal should be changed.

Still to be determined is whether negotiations will be conducted trilaterally (the Canadian and Mexican preference) or as dual bilaterals. For Canada, the objectives have not changed since the original Canada-U.S. Free Trade Agreement (CAUSFTA): access for our people, goods and services into the world’s largest market and, critically for Canada, a reliable dispute settlement mechanism when differences arise.

Canada needs to be both bold and ambitious in pushing for better access and in setting standards in new areas like e-commerce. Just as the CAUSFTA and NAFTA were ground-breaking agreements that set the standard internationally, the new North American accord should have the same aspiration.

One area where there is real opportunity for convergence of interests is energy. During his first week in office, Trump signed two executive orders intended to revive Keystone XL and the Dakota Access pipelines and there is opportunity for common effort around an energy plan that, drawing on the resources of Canada, Mexico and the U.S..

This serves the interests of all three countries. As a study for Harvard’s Belfar Center by retired General David Petraeus underlines, a joint approach to securing the electrical grids and pipelines that crisscross our borders or agreeing on common standards around fracking makes a lot of sense.<sup>37</sup>

There are a lot of “unknown unknowns” around reopening NAFTA:

- What will be the policy outcomes of Trump’s various executive orders ordering investigations and recommendations by the Commerce Department and the United States Trade Representative (USTR) on trade deficits, “Buy American, Hire American,” steel, et al?;
- What objectives will Congress establish for the U.S. negotiating position?

Between leaks and material already prepared by the U.S. government there is a good sense of what the U.S. will seek in the trade negotiations.



An memorandum drafted shortly after the election by the Trump team suggested that the Trump administration wants “amendments to the treaty, which could include measures on currency manipulation, lumber, country-of-origin labelling and environmental and safety standards.”<sup>38</sup> Dispute settlement in NAFTA, including Chapter XI on investment<sup>39</sup> and investor-state disputes and Chapter XIX on dispute settlement<sup>40</sup> in anti-dumping and countervailing duty matters, has also been signaled for review.<sup>41</sup>

The USTR’s 2016 National Trade Estimate report specifically identifies:

- Restrictions on U.S. seeds and grains exports, and cheese standards;
- Supply management (dairy and poultry). Speaker Ryan specifically noted in his meeting with Freeland that they discussed “improving dairy market access” and Trump took a shot at it in announcing his “Buy American, Hire American” policy.<sup>42</sup> Ambassador MacNaughton responded to the Trump salvo on dairy with a letter to the governors of Wisconsin and New York pointing out that the U.S. enjoys a trade surplus in dairy and Mr. Trudeau pointed out that all nations provide support to their farm communities<sup>43</sup>

Studies by our research institutes — C. D. Howe, Macdonald-Laurier, the George Morris Centre, the Conference Board of Canada and the University of Calgary’s School of Public Policy — argue that supply management costs Canadian consumers and stunts industry growth. They provide road maps for transition from our current costly protectionism to profitable export growth;

- Geographical indicators (Canada agreed to comply with EU standards in CETA);
- Unequal treatment on the sale of U.S. wines in British Columbia and Ontario (Canada needs to sort this out);
- Canadian customs regulations on personal exemptions, including the low threshold, i.e., minimums on goods shipped by mail — \$20 in Canada vs. \$800 in the U.S. (As the C. D. Howe Institute recently argued, this is something Canada needs to reform);<sup>44</sup>
- Support for Canada’s aerospace industry (although the U.S. also provides support to its industry);
- Government procurement, especially by provincial institutions like Hydro-Québec;
- Intellectual property regulations on pharmaceuticals (the U.S. gives longer protection);
- Failure to inspect in-transit goods for counterfeits (on this, Canada shot itself in the foot in not providing for it in 2014 legislation);



- Telecommunications foreign ownership restrictions in domestic content broadcast regulations. (This is WTO-consistent and broadcast requirements have created a world-class Canadian music industry);
- Investment barriers and the net benefit requirement for foreign investors (although this is small potatoes as Canada is essentially open for business except to foreign state-owned enterprises); and
- Curbing cross-border data flows that would preclude using U.S. cloud facilities (although after the Edward Snowden revelations, there are legitimate concerns about privacy).

The Federal Register has called for submissions and public hearings before Commerce and the USTR in the context of U.S. trade deficits with 16 countries, including Canada. There will be similar hearings in response to executive orders on trade enforcement, steel and Buy America. Reports are to be provided to President Trump by the end of June 2017.<sup>45</sup>

Other items that will affect negotiations include:

- **Tax reform:** A centre-piece of the Trump program is tax reform with some form of tax on consumption rather than investment. The objective is to stimulate private and public investment in infrastructure and capital goods. Lowering the corporate tax, which will have implications for Canada (Canada's corporate tax is lower) is part of the solution. Ryan favours a border adjustment tax on goods imported into the U.S., although Trump has said that it is "too complicated". Depending on its implementation, it could be highly disruptive to supply chain dynamics especially in the automotive industry — autos are our biggest traded manufactured commodity;
- **Rules of origin, especially in the context of manufacturing:** While the Obama administration was prepared to lower the threshold for North American content to do a deal with Japan in the TPP negotiations (to the alarm of both Canada and Mexico), the Trump administration wants to raise the American-made content and perhaps define it to "Made in the USA". This would create major headaches for auto parts suppliers and the assembly process given the deep continental integration and supply chain dynamics;
- **Dispute settlement:** Without binational dispute settlement, Canada was ready to walk out on the Canada-U.S. free trade negotiations.

### *The Firecrackers: Lumber and Border Tax*

Two issues in particular could upset the negotiations: the dispute over softwood lumber and the U.S. border tax.



Disputes over lumber or timber, as the Americans call it, date back to George Washington's administration. A variation — shakes and shingles — threatened to blow up the free trade negotiations that led to the Canada-U.S. Free Trade Agreement and, after a temporary fix based on managed trade, it has re-surfaced every subsequent decade. The 2006 softwood agreement expired just prior to the 2015 election. The agreement provided a year's grace before permitting remedial action. Despite efforts launched at the Trudeau-Obama March 2016 summit, neither then Trade Minister Chrystia Freeland or then-USTR Mike Froman could identify a solution.<sup>46</sup>

The U.S. Lumber Coalition petitioned the U.S. Commerce Department and U.S. International Trade Commission and in late April,<sup>47</sup> the Commerce Department assessed preliminary countervailing duties against Canadian lumber producers with an anti-dumping ruling expected to follow in a matter of weeks.<sup>48</sup>

While not intractable, resolution usually requires presidential intervention, money for the U.S. industry and agreement on managed trade. It's not likely to be any different this time, but just as the Americans have come to appreciate our political geography on this issue (i.e., the differing and often competing perspectives of the Maritimes, Ontario and Quebec, Alberta, and interior and coastal British Columbia) so Canadians need to appreciate American political geography, especially the small timber holders in the southeastern states.





A border tax likely would be a deal-breaker. As envisaged, it would place a 20 per cent tax on all imports while exempting U.S. exports, and would provide an estimated \$1 trillion in revenue to cover cuts to the corporate tax rate, personal taxes and elimination of estate taxes.

A border tax, as Trudeau declared in Houston, would hurt both economies.<sup>49</sup> The danger is that it could stimulate like-minded measures, effectively starting a trade war. Canada would likely reciprocate. It is not a scenario the Trudeau team wants to see.

### *The Vital Role of the Provinces*

In 1988 only a handful of premiers backed freer trade and it was the major issue in that election. Today, most Canadians, and more importantly, their political leadership, have confidence in our ability to compete internationally, especially with the United States.<sup>50</sup>

Today, every provincial government, regardless of party, recognizes the advantages of trade and premiers regularly lead trade and investment missions beyond their borders. There has even been recent movement on reducing interprovincial trade barriers.<sup>51</sup>

While attitudes within the federal NDP range from ambivalent to reluctant, the federal Conservative Party under interim leader Rona Ambrose has cut the government a lot of slack on this most critical of files.<sup>52</sup> It has made the Trudeau government's job a lot easier.

What won't work is 'tit for tat'.

In the wake of the threat to withdraw from NAFTA, the election-bound British Columbia Premier Christy Clark, with softwood lumber already an issue in the campaign, suggested that Mr. Trudeau retaliate by blocking British Columbia ports to the export of U.S. coal destined for Asian markets.<sup>53</sup> While this would be very dumb – biting the hand that generates jobs at our ports- it is an indication of a popular mood.

Getting to an agreement will require keeping a "Team Canada" approach to engagement and defining what our gives and takes will be in the negotiations. The recently negotiated Canada-European Union Comprehensive Economic and Trade Agreement (CETA) is probably the better model for negotiations than the Trans-Pacific Partnership (TPP) process. Given the already deep North American integration and the fact that much of what needs to be done falls under provincial constitutional responsibilities, the provinces need to be integrated into the planning and, as appropriate, at the table.



## *Going Forward*

Shortly before the 2015 election, then third-party leader Trudeau gave a speech on Canada-U.S. relations in which he said “a former prime minister — and not the one you think — once said to me that the PM has three big responsibilities:

- Grow the economy;
- Unify the country; and
- Successfully manage our relationship with the United States.”<sup>54</sup>

As prime minister, Justin Trudeau has followed through on Brian Mulroney’s advice. Mr. Trudeau has avoided the easy shots at Mr. Trump — there have been plenty of opportunities — that would have brought applause from the galleries. But that’s not what puts bread on the tables or secures jobs.

In managing President Trump, the Trudeau government is engaged in yet another in a series of historical redefinitions of the Canada-U.S. relationship. After a successful Washington meeting that netted a working agenda, the prime minister and president keep in touch by telephone.<sup>55</sup> Cabinet officers have established good working relationships focusing on finding policy convergences and agreement on what unites us.

The Canadian side is taking its main messages around security and trade to Capitol Hill and the Trump heartland. The aim is to demonstrate that the relationship with Canada works for Americans. Recognizing that, like politics, all trade is local, the messaging underlines the local jobs and investment sustained by Canada.

The coming months will see the start of the trade negotiations around our continued access to the U.S. It will be more than the “tweaking” President Trump described after his February meeting with Trudeau.<sup>56</sup>

There will be bumps, anticipated and unanticipated and there are still lots of knowns and unknowns to work through:

- While the key cabinet officers are in place, Mr. Trump relies on outside advisors from family, real estate, and the media.<sup>57</sup> Who counts and how will power shake down in the White House?
- Who will be the supporting players — 475 of the 554 positions requiring Senate confirmation have yet to be named.<sup>58</sup> There are over a hundred positions in the State Department, including the new ambassador to Canada, who are yet to be named.
- What will come down the legislative and regulatory track on both U.S. trade and tax policy in the wake of the executive orders on trade deficits and “Buy American, Hire American”?
- What of Mr. Trump’s proposed tax reform especially the effect of a lower U.o.S corporate tax?<sup>59</sup>





- Will the U.S. impose a border adjustment tax?
- How will the U.S. respond if the Trudeau government does not show sufficient progress towards increasing its defence spending?
- What if there is a terrorist event in the U.S. with a Canadian connection?

For now, the Trudeau Government is relying on careful planning, a game-plan that reaches into Washington and the states, drawing on a ‘Team Canada’ effort involving premiers and legislators from all parties and different levels of government. But will it work?

President Trump came to office viewing the world largely in terms of economic competition. Even when Canada is not a direct target, the size of our trading relationship means that we fall under and we risk becoming collateral damage as a result of President Trump’s executive orders on trade deficits<sup>60</sup> and “Buy American, Hire American.”<sup>61</sup>

President Trump’s trash talk and demonstrated unpredictability are testing the limits of acceptable political risk.<sup>62</sup> Being reasonable, as Mexican President Enrique Pena Nieto learned to his chagrin, does not guarantee a reciprocal response.

In dealing with Mr. Trump, Mr. Trudeau said that “we’re not going to overreact” but rather “lay out the facts” and talk about how “to improve the situation.”<sup>63</sup> This is the rational policy response and, in normal circumstances, the right one.

But the Trump presidency is not a normal circumstance. We can expect Mr. Trump to continue to badger, bully and provoke.

At some point, whether in the next hundred days or the next thousand days, the public mood and political realities will oblige Mr. Trudeau to stand up for Canada in what will be seen as a face-off with Mr. Trump. How Mr. Trudeau does it will be closely watched, not just in Canada but by other world leaders who are even more nonplussed by Mr. Trump.

In opposition, Mr. Trudeau once said that “for our American cousins, the (U.S.) relationship is consequential. For us, it has often been definitional.”<sup>64</sup> Like it or not, the Trump challenge is going to help define Justin Trudeau as prime minister.



### Further Reading

For an overview of Canadian and American history, read Bob Bothwell's *Your Country, My Country: A Unified History of the United States and Canada* (2015). The best recent public policy book, co-authored by Jean-Sébastien Rioux and the late Jim Prentice, is *Triple Crown: Winning Canada's Energy Future*. It looks at the Canadian energy dilemma and the Canada-U.S. relationship, and makes the case for an inclusive climate policy involving Canada's First Nations and environmentalists. For a Canadian perspective on the CAUSFTA negotiations and working both the administration and Capitol Hill, read Allan Gotlieb's *The Washington Diaries: 1981-1989*. For a similar view around the NAFTA negotiations, read Derek Burney's memoir, *Getting it Done*. Brian Mulroney goes into some detail about managing the U.S. relationship in his *Memoirs: 1939-1993* as does Jean Chretien in his memoir, *My Years as Prime Minister*.

The best case for North American integration is made in the tripartite report *Creating a North American Community* (2005),<sup>65</sup> sponsored by the Business Council of Canada (then Canadian Council of Chief Executives), Council on Foreign Relations and Consejo Mexicano de Asuntos Internacionales. The Council on Foreign Relations published a subsequent report, *North America: Time for a New Focus* (2014)<sup>66</sup> authored by retired general David Petraeus and Robert Zoellick. Petraeus also authored *The Next Great Emerging Market? Capitalizing on North America's Four Interlocking Revolutions* (2015)<sup>67</sup> for Harvard's Belfer Center.

The best trade policy work is done by the Peterson Institute for International Economics. Gary Hufbauer and Eujin Jung have written an excellent paper, *NAFTA Renegotiation: US Offensive and Defensive Interests vis-a-vis Canada*, that will soon be available from the Institute. Gary Hufbauer's *Trump on Trade: A Few Cautions* should be read by all trade negotiators.<sup>68</sup> The Canadian Global Affairs Institute forthcoming paper by Sarah Goldfeder on "What should Canada's aims be in any re-negotiation of NAFTA?" is also excellent

The Canada Institute at the Wilson Center does excellent work on Canada-U.S. relations (often in collaboration with its counterpart Mexico Institute). A lot of practical work is done by the North American Strategy for Competitiveness (NASCO) and by the Canadian/American Border Trade Alliance.

The School of Public Policy at the University of Calgary, the School of Global Studies at the Universidad Anáhuac México Norte, the College of Public Service and Community Solutions and the Morrison Institute for Public Policy at Arizona State University hosted the third in a series of conferences on North America. The March conference, "Unlocking North American Competitiveness", produced a series of preparatory papers<sup>69</sup> and then specific recommendations<sup>70</sup> on the energy sector, transportation infrastructure and supply chain security.

There are various recommendations from business and other groups on how we can improve North American economic integration. Eric Miller, John Dillon and Colin Robertson authored a report called *Made in North America* (2014) for the Business Council of Canada.



The SAGE (Strategies, Advocacies, Gateways, Engagement) group, a loose association of Canada-U.S. business groups is consulting around a re-imagined Canada-U.S. relationship and the Pacific NorthWest Economic Region (PNWER) has an active group looking at specific proposals.

The Canadian American Business Council has put forward 10 useful proposals around Canada-U.S. trade, including making permanent the Canada-United States Regulatory Coordination Council; creating a zero-tariff zone; mutually recognized standards, testing and certification; revising procurement rules to include all jurisdictions, state and federal, in Canada and the U.S., i.e., buy “Canada-U.S.”; further integration of our energy potential through joint infrastructure and regulatory standards; easier movement by professionals; and more predictable border processing.

The Canada-U.S. business relationship is an ongoing preoccupation for the Business Council of Canada, Canadian Chamber of Commerce, the American Chamber of Commerce in Canada, Canadian Manufacturers and Exporters and I.E. Canada – the Canadian Association of Importers and Exporters. The Council of the Great Lakes Region has written to Trudeau and Trump with specific recommendations, including expanding the Integrated Border Enforcement Teams (IBET) and creating a free trade zone in the region. The Canada West Foundation has made specific recommendations around infrastructure.



## Endnotes

- <sup>1</sup> [https://www.nytimes.com/2016/08/09/us/politics/national-security-gop-donald-trump.html?\\_r=0](https://www.nytimes.com/2016/08/09/us/politics/national-security-gop-donald-trump.html?_r=0)
- <sup>2</sup> [https://www.washingtonpost.com/graphics/politics/trump-claims/?tid=ci\\_inl](https://www.washingtonpost.com/graphics/politics/trump-claims/?tid=ci_inl)
- <sup>3</sup> <https://www.whitehouse.gov/the-press-office/2017/04/25/remarks-president-trump-farmers-roundtable-and-executive-order-signing>
- <sup>4</sup> <http://www.theglobeandmail.com/news/politics/biden-urges-trudeau-to-be-a-leader-for-rules-based-world-order/article33279537/>
- <sup>5</sup> <http://www.cbc.ca/news/canada/parrish-kicked-out-of-liberal-caucus-1.480547>
- <sup>6</sup> <http://www.macleans.ca/economy/justin-trudeaus-speech-in-houston-read-a-full-transcript/>
- <sup>7</sup> <http://www.cbc.ca/news/politics/brian-mulroney-cabinet-nafta-1.4058254>
- <sup>8</sup> <https://www.blackstone.com/media/press-releases/president-elect-trump-establishes-the-president-strategic-and-policy-forum>
- <sup>9</sup> <http://www.unionleader.com/article/20170123/NEWS02/170129657/0/NEWS11?template=mobileart>
- <sup>10</sup> <http://www.theglobeandmail.com/news/politics/pmo-held-talks-with-trump-team-to-avert-trade-war/article33544875/>
- <sup>11</sup> <http://www.proag.com/News/USDA-Halts-COOL-Enforcement-After-Repeal--2015-12-21/4160>
- <sup>12</sup> <http://www.theglobeandmail.com/news/politics/freelands-ceta-theatrics-nothing-less-than-calculated-posturing/article32503530/>
- <sup>13</sup> <http://www.canadainternational.gc.ca/mexico-mexique/canmex.aspx?lang=eng>
- <sup>14</sup> <http://www.theglobeandmail.com/news/politics/canada-mexico-us-nafta-freeland/article34095367/>
- <sup>15</sup> <http://www.cbc.ca/news/politics/canada-ministers-washington-1.3972164>
- <sup>16</sup> [https://www.nytimes.com/2017/03/15/theater/justin-trudeau-ivanka-trump-broadway-come-from-away.html?\\_r=0](https://www.nytimes.com/2017/03/15/theater/justin-trudeau-ivanka-trump-broadway-come-from-away.html?_r=0)
- <sup>17</sup> <https://www.whitehouse.gov/the-press-office/2017/02/13/joint-statement-president-donald-j-trump-and-prime-minister-justin>
- <sup>18</sup> <https://www.whitehouse.gov/the-press-office/2017/02/13/joint-statement-president-donald-j-trump-and-prime-minister-justin>
- <sup>19</sup> <https://www.whitehouse.gov/joint-address>
- <sup>20</sup> <https://www.whitehouse.gov/the-press-office/2017/02/13/remarks-president-trump-and-prime-minister-trudeau-canada-roundtable>
- <sup>21</sup> <https://ca.usembassy.gov/joint-statement-public-safety-minister-goodale-u-s-secretary-homeland-security-john-kelly/>
- <sup>22</sup> [https://twitter.com/brett\\_mcgurk?lang=en](https://twitter.com/brett_mcgurk?lang=en)
- <sup>23</sup> <http://www.ctvnews.ca/politics/trudeau-gov-t-focuses-on-key-american-states-ahead-of-nafta-talks-1.3323262>
- <sup>24</sup> <https://governor.iowa.gov/2017/03/15/gov-branstad-and-lt-gov-reynolds-meet-with-saskatchewan-premier-brad-wall-canada%E2%80%99s>
- <sup>25</sup> <http://globalnews.ca/news/3359099/brad-wall-rails-against-protectionism-for-trade-in-u-s-speech/>
- <sup>26</sup> <http://globalnews.ca/news/3359099/brad-wall-rails-against-protectionism-for-trade-in-u-s-speech/>
- <sup>27</sup> <http://globalnews.ca/news/3359099/brad-wall-rails-against-protectionism-for-trade-in-u-s-speech/>
- <sup>28</sup> <http://www.theglobeandmail.com/news/national/wynne-declares-win-after-new-york-drops-buy-american-policy-turns-to-nafta/article34643387/>
- <sup>29</sup> <http://www.macleans.ca/economy/justin-trudeaus-speech-in-houston-read-a-full-transcript/>
- <sup>30</sup> <http://www.macleans.ca/economy/justin-trudeaus-speech-in-houston-read-a-full-transcript/>
- <sup>31</sup> <http://www.reuters.com/article/us-un-canada-idUSKCN0WI21S>
- <sup>32</sup> [https://www.nytimes.com/2017/03/15/theater/justin-trudeau-ivanka-trump-broadway-come-from-away.html?\\_r=0](https://www.nytimes.com/2017/03/15/theater/justin-trudeau-ivanka-trump-broadway-come-from-away.html?_r=0)
- <sup>33</sup> [https://www.nytimes.com/2017/03/15/theater/justin-trudeau-ivanka-trump-broadway-come-from-away.html?\\_r=0](https://www.nytimes.com/2017/03/15/theater/justin-trudeau-ivanka-trump-broadway-come-from-away.html?_r=0)
- <sup>34</sup> <http://www.voanews.com/a/us-chamber-commerce-warns-against-tearing-up-nafta-trade-deal/3709122.html>



- 35 [http://www.can-am.gc.ca/washington/highlights-faits\\_saillants/2014/2014-12-Jobs\\_Study-Etudes\\_Emplois.aspx?lang=eng](http://www.can-am.gc.ca/washington/highlights-faits_saillants/2014/2014-12-Jobs_Study-Etudes_Emplois.aspx?lang=eng)
- 36 [http://www.can-am.gc.ca/business-affaires/fact\\_sheets-fiches\\_documentaires/index.aspx?lang=eng](http://www.can-am.gc.ca/business-affaires/fact_sheets-fiches_documentaires/index.aspx?lang=eng)
- 37 <http://www.belfercenter.org/sites/default/files/legacy/files/The%20Next%20Great%20Emerging%20Market%20FINAL.pdf>
- 38 <http://www.cnn.com/2016/11/15/politics/donald-trump-trade-memo-transition/index.html>
- 39 <http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/diff-diff/nafta.aspx?lang=eng/>
- 40 <http://www.sice.oas.org/trade/nafta/chap-191.asp>
- 41 <http://www.theglobeandmail.com/news/politics/canada-given-advance-notice-of-trumps-nafta-demands/article33653320/>
- 42 <http://www.cbc.ca/news/politics/canada-ambassador-newyork-wisconsin-1.4075002>
- 43 <http://www.cbc.ca/news/politics/canada-ambassador-newyork-wisconsin-1.4075002>
- 44 <http://www.macdonaldlaurier.ca/files/pdf/Supply-Management-Essays-June-2012.pdf>
- 45 <https://www.politicopro.com/f/?id=0000015b-7937-db04-ad5b-79bffe0001>
- 46 <http://www.cbc.ca/news/politics/chrystia-freeland-softwood-lumber-1.3488105>
- 47 <http://www.uslumbercoalition.org/>
- 48 <http://www.uslumbercoalition.org/doc/USLC%20Press%20Release%20re%20Filing%20Lumber%20V%2011252016.pdf>
- 49 <http://www.reuters.com/article/us-canada-nafta-idUSKBN16Ho4Y?il=0>
- 50 <http://www.latimes.com/world/mexico-americas/la-fg-canada-trade-20161030-story.html>
- 51 <http://www.cbc.ca/news/canada/manitoba/canadian-free-trade-agreement-1.4048026>
- 52 <http://www.nationalnewswatch.com/2017/04/11/conservative-leader-meets-trump-nafta-point-man-calls-meeting-reassuring-2/>
- 53 <http://vancouver.sun.com/news/politics/b-c-election-2017-christy-clark-call-for-ban-on-u-s-thermal-coal-from-b-c-ports>
- 54 <https://www.liberal.ca/justin-trudeaus-speech-on-real-change-in-canada-u-s-relations/>
- 55 <https://www.whitehouse.gov/the-press-office/2017/02/23/readout-presidents-call-prime-minister-justin-trudeau-canada>
- 56 <http://www.theglobeandmail.com/news/politics/trudeau-trump-sit-down-in-oval-office-for-first-face-to-face-meeting/article33998164/>
- 57 <https://www.nytimes.com/2017/04/22/us/politics/donald-trump-white-house.html>
- 58 <http://www.cbc.com/2017/04/24/help-wanted-trump-administration-still-has-hundreds-of-jobs-to-fill.html>
- 59 <https://www.whitehouse.gov/blog/2017/04/26/president-trump-proposed-massive-tax-cut-heres-what-you-need-know>
- 60 <https://www.whitehouse.gov/the-press-office/2017/03/31/presidential-executive-order-regarding-omnibus-report-significant-trade>
- 61 <https://www.whitehouse.gov/the-press-office/2017/04/17/background-briefing-buy-american-hire-american-executive-order>
- 62 <https://www.nytimes.com/2017/04/20/business/trade-canada-trump-steel.html>
- 63 <https://www.bloomberg.com/news/articles/2017-04-20/canada-s-not-the-challenge-for-u-s-dairy-trudeau-says>
- 64 <https://www.liberal.ca/justin-trudeaus-speech-on-real-change-in-canada-u-s-relations/>
- 65 <http://www.cfr.org/canada/creating-north-american-community/p7912>
- 66 <http://www.cfr.org/americas/north-america/p33536>
- 67 <http://www.cfr.org/americas/north-america/p33536>
- 68 <https://piie.com/blogs/trade-investment-policy-watch/trump-trade-few-cautions>
- 69 <https://northamericanprocess.org/content/agenda>
- 70 <https://northamericanprocess.org/?home>

## ► About the Author

---

*A former Canadian diplomat, Colin Robertson is a Senior Advisor to [Dentons LLP](#) living in Ottawa, Canada. He is Vice President and Fellow at the [Canadian Global Affairs Institute](#) and hosts its regular [Global Exchange podcast](#). He is an Executive Fellow at the University of Calgary's [School of Public Policy](#) and a Distinguished Senior Fellow at the [Norman Paterson School of International Affairs](#) at Carleton University. Robertson sits on the advisory councils of the [Johnson-Shoyama School of Public Policy](#), [Conference of Defence Associations Institute](#), [North American Research Partnership](#), [the Sir Winston Churchill Society of Ottawa](#). He is an [Honorary Captain \(Royal Canadian Navy\)](#) assigned to the Strategic Communications Directorate. He is a member of the Deputy Minister of International Trade's NAFTA Advisory Council. He writes a regular column on foreign affairs for the [Globe and Mail](#) and he is a frequent contributor to other media.*

*Colin can be reached by email at [cr@colinrobertson.ca](mailto:cr@colinrobertson.ca) or 613-619-1867.*

*website [www.colinrobertson.ca](http://www.colinrobertson.ca)*

## ► **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.