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By

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Your conference is taking place at what may turn out to be a pivotal moment in global economic and political governance. Not only has the world plunged into a global recession of a depth and breadth not seen since World War II, but also the peaceful, progressive world we hoped would emerge after the end of the Cold War seems more uncertain than ever. To compound the challenge, the model for global governance is out of date. Many of the principles and structures created over 60 years ago are sorely in need of repair.

Geopolitical institutions, which carried us safely through the perils of the Cold War, are showing their age. Both the United Nations and NATO seem to have lost their sense of purpose.

Ever expanding numbers at the UN outweigh achievement and sap consensus. The voting structure no longer reflects either changes in relative weight or actual contributions. Managing impending crises with Iran and North Korea over nuclear weapons, the never ending tragedies of civil wars in Africa and the permanently explosive Middle East is serious business. But, too often, the UN's capacity to act gets lost in turgid discussion and bland, consensual resolutions. Or worse, the farce last week supposedly against racism which underscored the growing irrelevance of this regrettably flawed institution (Canada was right to boycott that sideshow).

The image of UN peacekeeping, so dear to many Canadians, is very much a thing of the past. More often than not, a security crisis like Afghanistan involves peace-making and has to be outsourced to NATO because the UN has neither the capability nor the will to intervene.

But even NATO, once the lynchpin of Western and Canadian security, is experiencing a midlife crisis. There is no consensus on how best to deal with its former foe – the Soviet Union – as it has morphed into an unpredictable, but potentially dangerous, Russian bear.

The mission in Afghanistan is an existential threat to the alliance. All members support the NATO role, but only a few have committed serious military resources. Fewer still have committed these in areas where the need and danger is greatest.

The recent 60th anniversary should have been both a celebration and the occasion for a serious strategic review of the 21st Century role of NATO. Instead, we witnessed a meager result, a few additional troops for a temporary period in Afghanistan and a rather vague commitment to look at modernizing NATO to meet current challenges.

Economically, charting a course for recovery out of the global recession is the most urgent task facing us. Here again the global governance model needs substantial retooling. As the recession took hold and deepened, institutions like the IMF and the World Bank were scarcely visible. They have insufficient resources and outdated voting structures which over empower the diminishing European economies at the expense of emerging economies. When Belgium, the Netherlands and Luxembourg - the Benelux countries - swing more weight at the IMF than China, something is seriously out of whack.

In international trade, the will to contribute to global economic growth through regular multilateral rounds of trade barrier reductions seems to have ground to a halt. The Doha Round, launched in 2001, is in the doldrums and is off the radar screen of major governments.

The G-7 Summit, now heading for its fortieth anniversary, has aged from a tightly knit group focused on practical goals that often gave direction to other institutions into essentially a social club with friends, neighbours and even aging rock stars all joining the annual table. But major emerging powers are not adequately represented.

Earlier this month, the G-20 Summit, a group actually of about 30 when all the institutional strap-hangers are counted, met in London. The results were decidedly mixed; some modest steps, some promises and some disappointments. The agreement to increase the resources of the IMF was positive if those resources actually materialize. Properly deployed these should mitigate the risk that some economies, their currencies and their ability to repay debt might collapse under the weight of the recession.

There was a welcome commitment to regulate the largest hedge funds and some financial institutions, but enhanced regulation must first be nationally based and notably in the US.

There was also an agreement to impose sanctions on blacklisted tax havens.

On the negative side, there was no agreement to reconfigure the voting weights of the IMF to reflect present realities. Instead, this issue has been deferred until 2011. There was no consensus on a larger fiscal stimulus target and no magic wand to get banks to start lending again. The commitments to breathe life into the Doha Round and to report upon protectionist actions were feeble by any measure.

To paraphrase the Economist, the G-20 results were both good and timely but the bits that were timely were not good and those that were good were not timely.

This judgement may be overly negative. In today's highly uncertain world, the most sought after commodity is confidence – confidence that those in power actually know what to do and confidence that what is being done will actually work. What is needed most is a concerted effort to reduce “toxic assets” across the board from financial institutions – what is euphemistically called “deleveraging” – measures that will stabilize values and restore a basis for growth. In short, an environment that will inspire banks to lend, investors to invest and consumers to buy.

Signs of recovery are mixed. Unemployment along with under-employment is spreading. The housing market in the US appears to be stabilizing. Tottering US and foreign banks may no longer be tottering but no-one is really sure. Can anyone really get their head around US \$4.1 trillion in writedowns? Is government really the cure for problems in the auto sector? If we have truly hit bottom, it still seems a bit squishy to me.

Going it alone in today's world is not an option for any country. Cooperation among the world's leading countries is a sine qua non of recovery. The G-20 will meet again in the fall. More tangible commitments – and less posturing – would be welcome. Much will depend on the ability of the US and China – the two powers with the most at stake – to work constructively together. The resilience of the Chinese economy – and India's for that matter – is one of the few bright lights on the horizon. Relations between the US and China will arguably be the most important of the 21st Century and how Canada chooses to act in this evolving dynamic calls for fresh thinking and clear vision.

Which brings me to my core theme for you tonight – the need to recalibrate Canada's relations with the US because our ability to manage this relationship and our avenue for influence on the global stage depends fundamentally on the degree to which we are taken seriously and regarded with respect in Washington. I have experienced times when this worked to Canada's advantage. I have also experienced the opposite when we chose to assert our “independence” by the frequency and manner of our disagreements with the US – tactics that did little for our global influence, even less for our bilateral relationship.

We need to nurture carefully and nimbly a relationship that touches virtually every aspect of life in Canada and draw advantage from our proximity. It has to be the top priority for any Canadian government at any time because it is very much in our national interest and we should be mature enough to acknowledge that reality.

Equally, the manner in which we help to influence necessary US leadership on global challenges of the day can be very much in our national interest. Sensible advice – support where warranted, constructive criticism and ideas where we have a genuine difference of view – give us opportunities for influence, greater in fact than what we could achieve on our own. Whether in reforms to global institutions or in response to problems of global conflict, Canada's capacity for influence will be enhanced if we use our proximity to the US as a source of strength, not a liability, especially with an Administration that, at least for now, puts the accent on multilateral consultation. An adult relationship with our immediate, often rambunctious neighbour does not mean "going along to get along," nor excluding any other focus, but it does provide the grounding, the relevance and the opportunity for tangible influence. And that is the true measure of success in foreign policy.

Our involvement and sacrifice in Afghanistan gives us more credibility than many in helping the US implement a more comprehensive, more effective strategy for that beleaguered nation. The solution cannot be exclusively military. We should help reinforce the diplomatic and more heavily civilian approach the US is now adopting to bring greater stability to what is the most dangerous region on the planet. That is consistent with traditional Canadian foreign policy. President Obama's intention to tackle Afghanistan/Pakistan as one is most welcome because Pakistan is a huge tinder box with implications for global stability far more threatening than those in Afghanistan itself.

The relatively strong performance of Canadian financial institutions and our regulatory record give us unprecedented credibility in any discussion of global financial reform. Certainly moreso than many whose situations are much worse.

We face some major challenges in our bilateral relationship. They call for a strong combination of vigilance and dexterity. Let me illustrate the need to match initiatives with changing realities with a bit of history - from my own involvement with air policy during my time in Washington. In 1989, the Canada-US Free Trade Agreement had just come into effect and was aimed at transforming the Canadian economy through increasing North American economic integration.

If the FTA was to succeed fully, we also had to rethink the management of things like transportation links with the US, especially those in the aviation sector. Dating from 1966, the Canada-US Air Agreement was stuck in a time warp, reflecting tight, cautious, micro management. It had been amended only modestly and its limited cross border routes, along with other restrictions, impeded many rewards from the FTA. Deregulation, meanwhile, had transformed the US aviation market into a network of hubs and spokes. Increased competition was leading to rationalization, code-sharing and some consolidation of the industry. The North American aviation environment was changing but the policy framework was stagnant.

So we in the Embassy tried to persuade those in Ottawa to relegate the old agreement to the museum of relics. But we faced entrenched resistance from a bureaucratic mindset where the unerring instinct is to defend the status quo long after the quo has lost its status. Some carriers were enthusiastic. Others much less so and their apprehension prevailed.

Five years later, however, the two governments signed the Open Skies Agreement which swept away the restrictions on cities served, the number of airlines permitted to operate and the fares that could be charged. I don't need to tell this audience about the enormous benefits this agreement provided for Canadian travelers, shippers, and airports.

My point is not to claim credit for a success in which many hands, notably the emerging local airport authorities, played a part but to underline how important it is that all parts in a complex, modern economy need to adapt together to match the dynamics of change.

Today Canada must, first and foremost, be "on guard" against protectionist impulses from the US Congress. The Buy American provisions of the original House and Senate bills showed the dangerous streak of nativist fever emerging in Washington. And there are still teeth with the potential to bite Canada in the legislation.

We need to be particularly wary of the potential for "green protectionism," like carbon import taxes. These are measures intended ostensibly to "protect" the environment but which in fact are designed to hobble imports. There can be no more lethal mix than morality wrapped in nationalism.

In mounting our defences, we should assert the plain fact that Canada is the largest export market for the US. Our manufacturing and agricultural sectors are integrated. In many sectors, from beef, to autos, to steel, it is no longer possible to talk about Canadian and American products as if they were separate. As others have observed, Canada and the US don't trade things with each other, they make things together. Upwards of 70 percent of cross border trade is intra firm trade.

Much of the congestion at our border is in fact protectionism disguised as security measures. Constantly changing and increasingly onerous procedures, inspection fees, more rigorous but often nonsensical differences and labeling requirements on health and product standards threaten to erode the benefits of free trade.

During President Obama's visit in February, the Prime Minister set the right tone on this subject. We share American concerns about threats to security. But we need to strike a healthier balance between genuine threats to security and our mutual need for smooth, efficient access across our border for people, goods and services.

The President's comments may have indicated an openness to look at new answers but his Secretary of Homeland Security's more recent remarks, equating the US' northern border with its southern border, and exaggerating the threat, fly in the face of history and reality. Some remedial education is called for on that front. Our Ambassador to the US characterized these comments as "misconceptions." That, by the way, is diplomatese for "flat wrong."

We should be looking at a Canada-US perimeter approach on security, making more intelligent use of technology on our external border while relieving congestion on our internal border. By perimeter, I mean extending NORAD to land and sea as well as air, allowing the two countries to move many border functions, such as product safety inspection and risk assessments, away from the border. Canadian and American personnel already work side by side in five major seaports targeting North American shipments from third countries. We need more of that.

For cross border travel, one size should not fit all. The greater the number of companies and citizens that become trusted shippers and travelers, the greater our mutual security. I am sure

that some of you would have excellent suggestions too on how we could relieve customs congestion at airports like Pearson.

A sharper focus is also warranted on the nexus of energy security and the environment. Canada is significantly the largest and most reliable supplier of oil, gas and electricity to the United States. That is a key point and that is why a dialogue on clean energy, launched during President Obama's February visit to Canada, makes sense. That is why efforts by our two governments to chart a common path towards effective reductions in Greenhouse Gas emissions – bilaterally and globally – makes sense. If we each go our own way – with a spaghetti bowl of separate initiatives at national, state and provincial levels – we will do precious little for our shared environment and, most likely, undermine our economies along the way.

Barack Obama's visit to Ottawa restored the tradition of US Presidents making Canada their first international port of call. The two leaders had a useful discussion and set some clear direction for future collaboration. In briefing US journalists on their return to Washington, Deputy Secretary of State James Steinberg described the tone as "excellent," adding, significantly, that "there was not a narrow focus on little issues. It was really a very strategic discussion, two countries that had common problems and were looking for common solutions." Precisely as it should be. A similarly positive bilateral tone was also evident at the G20, NATO and Americas Summits in recent weeks. We now need to convert that tone into substance.

Will the US respond to bold overtures from Canada? The answer lies in part in the kind of President Obama turns out to be. Will he be a Carter quickly overwhelmed by the enormous problems on his desk or a Roosevelt who seizes the reins of presidential leadership, transforms the role of government and drives the US forward with a new spirit of confidence and a bolder partnership with close allies like Canada. After only 100 days, it is too soon to judge.

Part of the challenge is that each new Administration begins with a lack of sufficient talent. Fourteen of the sixteen senior positions at the Treasury department are still unfilled. They have yet to appoint a new Ambassador to Canada. There is inevitably a distinct shortage of institutional memory among those who are appointed as has been demonstrated by the new Secretary of Homeland Security. This seriously hobbles the Administration's global and domestic leadership on pressing issues. The US system of government is unique. It has its strengths and weaknesses and Canada has to be agile enough to work with both and step outside the box, when necessary.

Again, let me illustrate with an example from history. During my time in Washington, one potential trade problem was resolved in a timely, albeit unusual, manner. A Manitoba printer of lottery tickets had won a significant order in Mexico and planned to ship the tickets by truck through the United States. Unfortunately, this shipment was blocked by a nineteenth-century piece of US legislation prohibiting the shipment of "gambling devices" through the United States. The company had appealed to the Embassy for help, and I was advised that we might try to enlist the support of a friendly senator to request a unanimous waiver of the restriction from the US Senate.

A few weeks earlier, my wife and I had accompanied Senator Bob Dole and his wife on a semi-official visit to Ottawa. That acquaintance was sufficient for me to call the senator to see whether he might help get the necessary waiver. After all, the sale was not jeopardizing any US economic interest. Senator Dole was more than happy to oblige and asked me to fax him the particulars. I did so and, shortly afterward, watched on TV as he read the request on the Senate floor and then handed it to a Senate page. To my surprise, a Democrat in the Senate casually

scanned the text and rose on a point of order declaring that the top of the page said clearly “Fax Canadian Embassy.” “Exactly who is the honourable gentleman from Kansas representing in making this request?” he asked. A somewhat sheepish Senator Dole acknowledged quickly that he was indeed making the request on behalf of “our friends and neighbours to the north.” And the waiver went through unopposed (Imagine if the reverse had happened in our Parliament!).

The point of this story is that the ideas, the energy and the lead for reinvigorating our bilateral relationship usually have to come from Canada and must be pursued not only with the Administration but also with the Congress. It can be difficult, time-consuming and not always gratifying. In putting our ideas forward, we need a strategic approach, not shunting off individual issues into separate silos but with a leadership commitment and a vision that will sustain the priority over time.

The importance of this relationship to Canada’s national interest calls as well for a degree of mature, bipartisan consensus between our major political parties and not partisan posturing, especially at a time when we have a minority government and when the economic challenge is so severe.

The customary optimism and resilience of Americans is being tested now as never before and I believe it is very much in Canada’s interest to do what we can to rekindle those qualities, move our bilateral relations to a stronger footing and help restore the best of America to the world.

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CDFAI was created to address the ongoing discrepancy between what Canadians need to know about Canadian international activities and what they do know. Historically, Canadians tend to think of foreign policy – if they think of it at all – as a matter of trade and markets. They are unaware of the importance of Canada engaging diplomatically, militarily, and with international aid in the ongoing struggle to maintain a world that is friendly to the free flow of goods, services, people and ideas across borders and the spread of human rights. They are largely unaware of the connection between a prosperous and free Canada and a world of globalization and liberal internationalism.

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