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**After Obama's First Hundred Days: The Pursuit of
the Ottawa Agenda and the Need for a Permanent
Campaign**

A Policy Update Paper

By

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NOTE

This paper is a follow-up to the January CDFAI paper *Setting the Stage for the Obama Administration: The Players, the Program and the Opportunities for Canada*. It draws on research prepared for the Carleton University Canada-US project that I direct. The project is co-chaired by former Ambassador Derek Burney and Fen Hampson, director of the Norman Paterson School of International Affairs at Carleton. The project enjoyed the support of governments, federal and provincial, as well as the private sector. The CDFAI partnered with the project in October, 2008 in hosting a Calgary workshop for authors that was sponsored by the Alberta Government. Public policy experts wrote on critical issues that informed our overview, *From Correct to Inspired: a Blueprint for Canada-US engagement*. These papers and other occasional papers are all available at <http://www.carleton.ca/ctpl/conferences/Canada-US-Project-2008.htm>.

During his February 19 visit to Ottawa, Obama announced he was “looking forward to this being the start of a continued extraordinary relationship between our two countries.” The adoption of a shared agenda on a ‘Clean Energy Dialogue,’ the international situation and border management has provided a blueprint and opened the door to the engagement necessary to advance Canadian interests. After a hundred days of the Obama administration there follows a progress report on the ‘Ottawa Agenda.’ It underlines the need for a permanent campaign built on ‘smart partnerships’ to advance Canadian interests with the United States.

When Barack Obama looks out the window from the White House, chances are he sees the swing and play set for Malia and Sasha, just one of the changes made by the new residents at 1600 Pennsylvania Avenue.

But will he realize that the tubing on the playset is made in Winkler, Manitoba? Or that the blackberry, that he can't live without, is a product of Waterloo, Ontario? Or that 'The Beast' – his black, armour-plated limousine – also has parts manufactured in Canada?

Probably not.

The good news from a Canadian perspective is that President Obama likes us. When he proclaimed at the February 19 media conference on Parliament Hill that "I love this country. We could not have a better friend and ally," he was also echoing American sentiment. Canada consistently ranks first in Gallup's annual survey of foreign countries and, in their February survey, on the eve of the president's visit, nine in ten Americans said they view Canadians favorably.

The bad news is that, notwithstanding the President's 'love' and American affection, since 9-11 Canada may be 'friendly' but it is also 'foreign' and recent comments by Americans, including those who should know better, remind us that we still need to bust the myth on the 9-11 terrorists and increase their confidence in Canadian reliability, especially on homeland security. We also need to educate Americans (as well as Canadians) on the benefits of the mutually beneficial economic partnership that we have worked hard to achieve. It is at risk of erosion because of the hunkering down and 'begger-thy-neighbourism' caused by the global economic crisis. We are 'caught up,' says the Export Development Corporation in a 'global downdraft,' warning that our exports will decline by a fifth this year. No province or industry will be spared.

The nature of our interests requires a 'permanent campaign' in the United States to advance our interests and the continuing creation of 'smart partnerships' on the economy, environment, energy and security. Former U.S. Secretary of State George Shultz would remind me that relationships are like gardens, "they require constant work." The asymmetry of our relationship requires us to be very good gardeners. It also requires us to take our case to America and to play by American rules with their emphasis on the media, lobbyists and in-your-face marketing.

In the wake of the Obama visit, a cavalcade of Canadians – Prime Minister Harper, premiers, federal and provincial ministers, and Members of Parliament, including Opposition Leader Michael Ignatieff – have descended on Washington to make the Canadian case. It's a good start.

'Clean Energy'

Led by the President, the Administration is moving rapidly to radically transform American environmental and energy policies by reducing oil consumption, increasing renewable energy supplies and cutting carbon dioxide emissions. On Earth Day (April 22), the President visited an

Iowa factory that builds towers for wind turbines and observed, "We can remain the world's leading importer of oil, or we can become the world's leading exporter of clean energy." Clean energy is a set piece in almost every speech he delivers.

The Administration is using its regulatory authority to implement wide-ranging changes and costs. In a visible use of stimulus funding, 17,600 fuel-efficient vehicles, including 2,500 hybrid sedans, will be purchased for government use by June. The Environmental Protection Agency (EPA) ruled on April 17 that carbon dioxide is a dangerous pollutant threatening the public. The "endangerment finding" sets the clock ticking on a vast array of taxes and regulation that the EPA will have the power to impose across the economy. The end result will be a broad greenhouse gas (GHG) strategy that will require federal agencies to craft regulations that attempt to reduce them. Utilities, miners, refiners, and automakers will have to adapt their manufacturing processes to account for cleaner and more efficient products.

Of equal importance from the Canadian perspective is the action of states. In the past, states lobbied regulators to have regulations applied in their favor. Now, thanks to an executive order made by Obama, states are getting the right to set regulations that will potentially have a much wider geographical effect.

The Obama decision was a follow-up to a Supreme Court decision ruling that CO₂ was a greenhouse gas, and that the states had the right to regulate greenhouse gases under the Clean Air Act. California had sued over its right to establish its own standards separate from national rules and, on April 9, the EPA and California reached an agreement whereby, "auto fuel-economy rules will be set by the federal government, but according to California's proposed regulations." Effectively, this makes California the national CAFE (corporate average fuel economy) standard-setter.

On April 23, California's Air Resources Board also adopted a new rule requiring the reduction of greenhouse gas emissions from transportation fuels by 10% over the next 11 years. It will look not only at what comes out of tailpipes, but also the emissions from the production of fuel.

The California decisions have significant implications for the Canadian oil sands, especially as Canadian companies build new pipeline south of the border. Potential penalties levied on 'dirty oil' would make the APHIS service fee (Animal Plant and Health Inspection Service), imposed in 2006, pale by comparison.

White House climate czar Carol Browner said she wants Congress to establish a broad U.S. greenhouse gas (GHG) policy before December's Copenhagen conference. House Democrats, led by Energy and Commerce Committee chair Henry Waxman, have produced a 648-page draft bill capping carbon emissions. His colleague Chris van Hollen on the Ways and Means Committee has introduced a "cap and investment" measure. Other Democrats are in favor of a carbon tax. There is also debate on questions such as the entitlement of 'free' emissions allowances versus how many should be sold at auction for industries like electric utilities. Or how quickly should polluters be required to reduce their emissions? The White House blueprint requires utilities and other industries to purchase all their credits. And should power plants be forced to use renewable energy sources like wind and solar power to produce electricity? Waxman wants the bill out of the committee by Memorial Day and on the House floor by the August recess and Speaker Pelosi says the legislation will be passed 'this year.'

A cap-and-trade system would substantially increase the price of electricity produced by coal, the source of 49% of American energy. Less than 3% of American energy currently comes from

non-hydro, non-carbon sources, and hydro is only 6%. As utilities accelerate their investments to meet state quotas requiring a portion of clean energy in their generation mix, it will be reflected in their bills to consumers and public opinion surveys say that Americans, like Canadians, are now more concerned about the economy – as in holding down utility costs – and less concerned about the environment.

Michael Barone, editor of the definitive *Almanac of American Politics*, looked at energy use by state and concluded that for 27 Democratic senators and 100 Democratic House members from the West, Plains and South, coal accounts for more than half of their energy. It explains, he observed, why, when the Senate voted on April 1 whether to include cap-in-trade in their budget reconciliation resolution, 26 Democrats joined the 41 Republicans to raise the bar for passage from 51 votes to 60. It's another indication that 'clean energy' will be a regional rather than party debate, like the fight two decades ago to pass the Clean Air Act amendments (which included a cap-and-trade system for the sulfur emissions that cause acid rain). Revenues from the legislation are intended to pay not just for the conversion to a 'clean energy' economy, but also for the intended comprehensive health care system.

The public debate is firing up. Environmental and labor groups are already running ads arguing that green jobs will replace those lost in traditional manufacturing industries. Business points to an EPA study that says putting a price on carbon could raise prices for electricity by 22% and natural gas by 17% in 2030. They note that Australia's government has put back its much-vaunted carbon-emissions trading scheme by a year, bowing to industry demands for relief because of the recession.

The final package is likely to resemble a slice of Swiss cheese – it will be filled with holes, observes Gary Hufbauer of the Peterson Institute for International Economics and contributor to the Carleton project. The 'holes' will be the inevitable exemptions or special dispensation (ie. subsidies) to coal-burning states as regulatory compensation. Compensating for the holes will make even more important the pricing and revenue formula.

The 'Clean Energy Dialogue' opens the door to collaboration and cooperation but we need to quickly develop a coherent 'Canadian' approach that brings together provinces, industry and the federal government. Get it right and we will have an opportunity to showcase Canadian projects and research and potentially benefit from the massive American investments.

The National Round Table on the Environment and the Economy (NRTEE) has taken the federal government targets and produced a roadmap of how to get there. Their April 17 report recommends a market-based, national cap-in-trade policy because, as chair Bob Page remarked, "pricing carbon is an idea whose time has come." Their report, which earned the support of the Canadian Council of Chief Executives, argues for a transition from intensity targets to hard caps through the application of technology and alternate energy sources. NRTEE Executive Director David McLaughlin told CBC's Don Newman that waiting to put in place a domestic system will make us not just price-takers but policy-takers as well. Page also warned that delay would risk border tariffs and protectionist actions that would have a devastating effect on the oil sands projects of Alberta and Saskatchewan.

Delay and we face the likelihood that a North American standard will be 'made-in-America.' As energy expert Peter Burn observes in his paper for the Carleton Canada-US engagement project, "federal-provincial discord over oil during the 1980s caused substantial economic and political damage...History need not repeat itself over climate change policies." Canadians need

to be at the table with a coherent policy and initiatives. Otherwise, we risk being the one paying the price to cover the American 'holes.'

'The Border is there...and it's a real border'

A thickening border imposes costs of between \$15 and \$20 billion a year on Canadian exporters observes former ambassador Derek Burney in April's *Policy Options*. There are over 200 separate regulations, slightly more on the Canadian side, affecting and afflicting trans-border trade.

My favourite example, identified in economist Katie MacMillan's Carleton paper, is the classification of fortified orange juice as a drug in Canada but food product in the United States. It brings new meaning to the narcissism of small differences and underlines why we recommend starting the reconciliation of these differences with a blowtorch in hand. The transaction costs have resulted in a 12.5% decline in the export of goods, observed Patrick Grady in his Carleton paper.

Equally frustrating has been the changing attitude, from that of facilitation, to what many shippers consider an exaggerated enforcement mentality on the part of both Canadian and American customs' officers. Changing that attitude requires a clear signal from the top.

Observing that Democratic presidents, notably Franklin Delano Roosevelt and the most recent Democrat to hold the presidency, Bill Clinton, have been "staunch advocates of the liberalization of our borders," former ambassador Allan Gotlieb, writing in the *Globe and Mail*, lays out the challenge: "Our objective should be to achieve a border that is increasingly irrelevant to our commerce and the movement of our workers and citizens, while ensuring that we live in a common North America zone of security and co-prosperity. The 'no border' culture should be the way of the future."

The hope that, as Homeland Security Secretary, Janet Napolitano would model herself after Tom Ridge, the pragmatic co-author of the 'Smart Border Accord,' rather than the enforcement-minded Judge Michael Chertoff, has yet to be demonstrated. Indeed, in a recent interview with the *National Journal*, Chertoff praised what he saw as "lots of continuity between administrations."

Napolitano has spoken repeatedly about the 'culture of a real border' – the U.S. border with Mexico that, as Arizona governor, she knows best. "There are security concerns," she told the Border Trade Alliance meeting April 21 in Washington, "on both borders, North and South." Earlier, at a Brookings seminar in March she observed that there has to be "some parity...we shouldn't go light on one and heavy on the other." There will be no return to what she described as the previous 'informality' or 'metaphorical' borders because "the fact of the matter is that Canada allows people into their country that we do not allow into ours."

Deputy Homeland Security Secretary Janet Noll Lute delivered the same message during her April 15-16 visit to Ottawa, "The border is there, and it's a real border." As if to drive home the point, U.S. Embassy charge' d'affaires Terry Breese reiterated that Maher Arar continues to be "not welcome" and "not admissible." Nor were there any announcements about lifting the Chertoff-imposed halt to the Fort Erie and Buffalo pilot project, to create a common border and customs service, or action on the Detroit River project.

A series of good, practical ideas on 'fixing the border,' respectful of the political frontiers, but recognizing the economics of borderless supply chains are within easy reach of the bureaucracy, beginning with the 'to do' lists in the moribund Security and Prosperity Initiative.

In the Carleton project, Canadian Chamber of Commerce Vice President Shirley Ann George advanced five immediate steps: expanding trusted shipper and traveller programs; providing 24/7 access at major border crossings; implementing whole-of-government electronic reporting requirements; establishing a robust and tested border contingency plan; and rapidly rolling-out enhanced drivers' licenses.

In his useful report on border measures for the Canadian International Council, former ambassador Michael Kergin calls for the creation of an International Border Commission. It would be modelled after the successful International Joint Commission, which this year celebrates its centenary and is an international model to trans-boundary environmental cooperation.

The Return of the 'Transactional': 'It's Buy America or 'bye-bye' America'

Frank McKenna had a name for them – 'the transactionals' – the trade irritants that absorbed so much of our time and, like Elm Street's Freddy Krueger, keep coming back to stalk us. Lumber is likely the longest standing 'transactional'; Massachusetts timber merchants (Massachusetts then included Maine) successfully curbed the import of New Brunswick lumber during the first term of George Washington.

The judicial decision ending the beef war, the 'managed trade agreement' on softwood lumber, and the resolution of the Devils Lake dispute all took place during 2006 and introduced a period of remarkable calm on the 'transactionals' front.

It's over.

Even though President Obama has reconsidered his campaign promise to 'reopen NAFTA' and so informed Prime Minister Harper and President Calderone at the Summit of the Americas, the 'transactionals' are back to plague us.

On April 8, the U.S. Trade Commission approved a 10% surcharge on lumber imports from Ontario, Quebec, Manitoba and Saskatchewan arguing that these provinces had violated the limits set in the 2006 agreement.

On April 30 the U.S. named Canada to its priority intellectual property 'piracy' list citing 'lax' copyright laws and claiming "Canada's weak border measures continue to be a serious concern for intellectual property owners."

Meanwhile, American ranchers and hog farmers have long pressed for country of origin labelling on meat products as a means to keep out Canadian competition. Even though the law allows producers a variety of options including labelling them as "product of the United States and Canada," Agriculture Secretary Tom Vilsack has encouraged them to buy stock born and bred in America. Trade Minister Stockwell Day is taking the issue to the WTO but the process will be slow and the experience with Chinese melamine means country labelling is now defended, and enjoys popular support, as a health and safety issue.

We should begin to aggressively market Canadian products as premium brands, and, in an increasingly health conscious consumer market, make a virtue of cattle raised on the range rather than in feed lots. New Zealand has done this successfully with their lamb.

We are also seeing the return of 'Buy America' provisions in congressional and state legislation. The most notable example is the requirement for American-produced iron and steel and manufactured goods in products purchased as part of the stimulus package. Inserted at the behest of the 'oil and steel' caucus, it is another example of the triumph of sectoral politics. And it will continue because Congressman Dennis Kucinich spoke for many when during the primary campaign he warned, "It's Buy America or bye-bye America." By the end of April, 362 states and municipalities had passed a 'Buy American' resolution pushed by United Steel Workers members and the Alliance for American Manufacturing. Their USW website even features a 'How to present and pass a Buy America resolution'.

The president's promise that the legislation would be in compliance with America's international trade obligations notwithstanding, Canadian companies find themselves excluded from bidding on contracts. The murky nature around state procurement practices, even where the funding is clearly federal, permits local preferences and is not subject to NAFTA.

Disqualified from bidding for a contract in Maryland, John Hayward, a pump manufacturer in Halton Hills, just outside of Toronto, is now contemplating moving parts of his operations south of the border. John Manley, architect of the 'Smart Border' writes in April's *Policy Options* that auto manufacturers face a similar situation and "are under intense pressure to relocate manufacturing to the U.S." because of the ever-thickening border. Manley concludes that "the siren call of protectionism has grown louder as the economy has deteriorated and Canada's vital interests are at risk."

In an underreported speech to the Yellowknife Chamber of Commerce on April 1, Bank of Canada Governor Mark Carney warned of the effect on Canadian manufacturing and, in particular, the forestry industry caused by the stresses of the auto industry crisis, the housing crisis and problems for print media in the U.S. Carney also spoke of additional frictions created by the global economic crisis, warning that "financial nationalism is emerging, not only because of a rise in home bias, but also because of the recognition that financial institutions are global in life but national in death. Regrettably, the designs of some rescue packages and reforms are creating barriers to cross-border capital flows. This could gather momentum, which would be most ominous if it were to accompany a return to trade protectionism." In this context, President Obama's May 5 proposals on taxation for companies with operations outside of the United States will require close scrutiny to ensure they do not prejudice Canadian subsidiaries and the integrated nature of the Canada-US supply chains.

The International Files: "I always take tips from Canada"

Setting the right tone at the top is critical. Building on the momentum of the Ottawa discussions in February, and to develop a good working relationship Prime Minister Harper has made good use of his subsequent encounters with President Obama in London at the G-20, in Strasbourg over NATO, and at the Summit of the Americas in Port-of-Prince. Asked in Port-of-Prince whether he was taking advice from Canada on Cuba, President Obama responded, "I take tips from Canada on a lot of things." Prime Minister Harper replied in kind, telling MSNBC's First Read that he admires the president's "very progressive position on the things that concern us: democracy, human rights, open markets, trade."

As Canadians, we sometimes underestimate our capacities. Praising the Canadian approach to 'supermarket' regulatory management in a recent interview with the *New York Times*' David Leonardt, President Obama observed that Canada has "actually done a good job in managing through what was a pretty risky period in the financial markets... and that good, strong regulation that focuses less on the legal form of the institution and more on the functions that they're carrying out is probably the right approach to take."

Duke scholar Bruce Jentleson, in his Carleton paper, identified the major challenges for Obama as ending the war in Iraq, the problem of failed and failing states, especially Afghanistan and Pakistan, nuclear proliferation and the threat posed by Iran and North Korea, and eternal dilemmas posed in the Middle East. In each of these areas, Canadians can offer useful advice.

The President's renewed commitment to multilateralism and the activism of Secretary of State Hillary Clinton and UN Ambassador Susan Rice offers opportunities for Canada to help problem solve in ways, as former undersecretary of state for External Affairs, Si Taylor, observed in his Carleton paper, "that give a lead and a model to the world." We have demonstrated expertise and competence in areas like Right-to-Protect (R2P), building support for the treaty on land mines, and in the development of the international court of justice.

Our effort in Afghanistan gives us a place at the main table and a credible voice in the discussions on the future of NATO and the requirement to reinsert 'collective' back into the security equation. There is much appreciation for our 3D approach to defence, diplomacy and development recognizing this order of priority. 'Smart power' depends on both hard and soft power. As David Bercuson argues in his Carleton paper, Americans "don't expect Canada to be a military superpower" but, as with the Europeans, "they do expect Canada to do as much as a wealthy and advanced democracy can do to help the United States defend itself and the democratic world."

Nuclear non-proliferation is another area in which we have expertise. I recall the compliments of the then Foreign Affairs Committee chair, Republican Senator Dick Lugar, for our quietly competent participation in the decommissioning and disposal of fissionable material from the former Soviet Union. Climate change will likely make nuclear energy a preferred option to meet the power needs in the United States and, sooner than later, in India and China. With Saskatchewan providing a significant share of the world's uranium, a Canadian initiative to 'rent' the fuel and then look after its disposal would be a signal contribution to nuclear non-proliferation.

Recognizing the value of 'smart power,' the Obama administration is putting renewed emphasis on diplomacy, especially public diplomacy. Strategic communications is important, including the use of new technologies as we saw in Obama's March 20 video to Iran which has drawn half a million viewers. It is another area in which Canada has developed expertise in practise and in policy development. Foreign Minister Cannon should send Secretary Clinton copies of two recent books by Canadian diplomats – Evan Potter's *Branding Canada* and, Daryl Copeland's *Guerilla Diplomacy*. Both stress the importance of resiliency, innovation, the application of technology and the importance of networks.

Profiting from our geographic propinquity to the United States, and a global network, created by smart and open immigration policies and emphasis on pluralism, gives us a unique sensibility and perspective on international relations. This intelligence is valuable diplomatic currency, especially in Washington. Played adroitly, we can realize for Canada a unique place and standing in a world in which the rest want to know what America is thinking, while America

wants to better understand the rest of the world. In doing so we reinforce the Canadian self-identity to be 'helpful fixers' in the world. It will also realize a 'smart partnership' with the United States that we can play to national advantage and benefit.

The Permanent Campaign: Why and What Next

We face an activist, popular president possessed of a radical agenda. He is enabled by a Congress inclined to protectionism.

Playing it safe won't work.

To advance and safeguard our interests requires a permanent campaign of outreach and advocacy in the United States with a clear plan of engagement and initiative. We should always bear in mind that on almost any public policy issue we can find allies. As James Madison observed in the *Federalist* papers and de Tocqueville in his *Democracy in America*, American politics is rooted in 'factions,' associations and communities. Simply as a function of size, there are inevitably more like-minded Americans than there are Canadians.

The permanent campaign requires visible leadership at the national level. For too long there has been an allergy to being seen with American leadership, or playing the American game the American way. Canadian leadership should be encouraged by the fact that for the first time in a decade, according to Frank Graves of EKOS, that Canadians are comfortable with the idea of closer collaboration with the United States.

Prime Minister Harper understands the complexities of the relationship and, as he demonstrated in his recent appearances with Chris Wallace on FOX and Fareed Zakaria on CNN, an understanding of America's 'very practical politics.'

Opposition Leader Michael Ignatieff shares a similar instinct, as he demonstrated in his recent visit to Washington and in his meetings with Richard Holbrooke and Larry Summers. A pragmatic Pearsonian, Ignatieff is unencumbered by the reflexive anti-Americanism that afflicted some of his predecessors. As he blogged on the eve of the Obama visit, "We can either complain about unsolved problems or seize the opportunity to excite him with the possibilities of partnership."

The flip side of the permanent campaign is the need to constantly remind Canadians of the importance of the American relationship. To put it in perspective, eight of Canada's top ten trading partners are American states. We sell more to Michigan than we do to the European Union. For a realistic and refreshingly clear perspective on Canada's international relations, every Canadian should buy a copy and then read Michael Hart's *From Pride to Influence: Towards a new Canadian Foreign Policy*. Hart, Simon Reisman Professor of Trade at Carleton University, observes that we need to "match resource requirements to abiding interests" and devotes a chapter to 'Fads, Fashions and Competing Perspectives.' Hart argues persuasively that "the time has come to bring Canadian foreign policy into the 21st century by grounding it in a conception of the national interest that accepts the primacy of the United States and guarantees both our national security and our prosperity."

1. 'Clean Energy'

The train has left the station. The Administration and Congress is bent on action. The perceptive, if rueful, observation by Environment Minister Jim Prentice that Canada's rules will

have to be 'comparable' to avoid 'trade-related consequences' is a reminder that ragging the puck won't work any more.

Delay on our part will only increase the likelihood that the eventual standards are 'made-in-America' with attendant risks and costs, especially to the oil sands development. From our perspective, identifying and developing partnerships with like-minded members of Congress, especially in the Senate, will be vital to advancing and protecting our interests.

2. Border Management, Trade Transactionals and Investment Promotion

Progress on border management and the 'transactionals' requires strenuous and consistent effort. The challenge is twofold: first, to establish our bona fides with the U.S. on homeland security; and second, to convince Americans and Canadians that our economic security requires us to move to a perimeter approach.

In one of the early episodes of the CBC drama 'The Border', the American agent, on detail from Homeland Security, claims her role is to prevent terrorists from entering the United States from Canada. "Like the 9-11 ones," says the Canadian protagonist, irony intended. "Yes," she unwittingly replies.

The laugh line, unfortunately, is on us as we were reminded by the comments of Homeland Secretary Janet Napolitano and Senator John McCain. The myth has its roots in a wrong report, on 9-11, by the *Boston Globe* that in popular imagination has become confused with the arrest in December, 1999 of Ahmed Ressaam, the 'Millenium Bomber.' That he was stopped by vigilant action on both sides of the border and convicted with evidence from Canadian authorities is forgotten. Nor do we apparently get much credit for the arrest of the Toronto 18 and the recent conviction of Momin Khawaja under Canada's Anti-Terrorism legislation.

I would meet with Janet Napolitano when she was Governor of Arizona. Her support in setting up the Canada Arizona Business Council was critical and she later led a business delegation to Canada. We spoke about security and 9-11 and she knew then that the terrorists didn't come through Canada. Similarly with John McCain, with whom I watched the second Bush inaugural parade from the balcony of the Canadian Embassy in January, 2005. One of his daughters was living in Toronto and he, too, is knowledgeable about Canada and he has been informed about our approach to security. Unfortunately, the 9-11 myth and a Canadian connection to the terrorists appears embedded in the American psyche, even amongst sophisticated people.

The only effective response is to hammer back loud and hard: Whac-A-Mole diplomacy.

When Newt Gingrich made similar remarks in 2005, we tracked him down to a book launch in Seattle. He was surprised, promised a retraction (which he made) but he told us that "it must be true, I heard it from Hillary (as in Clinton)." Shortly thereafter I went up to Capitol Hill and met with Senator Clinton. With rare exception, most respond like Newt Gingrich and it does give an opportunity to advance the Canadian case to a receptive and usually contrite audience. Americans pride themselves on being fair.

The message that 'we've got your back' has to be made forcefully and often. We need to repeat ad infinitum the message that PM Harper delivered for the benefit of Americans during the Obama visit that, "there is no such thing as a threat to the national security of the United States which does not represent a direct threat to this country."

Americans acknowledge the excellent cooperation between law enforcement and intelligence agencies – the integrated border enforcement teams are an example of binational cooperation. Starting the inspection process at the points of departure by working with airlines and shipping companies at ports and airports across the sea was a Canadian idea that the Americans are now emulating.

Lee Hamilton, former Indiana congressman and chair of the House Foreign Affairs committee, and later co-chair of both the 9-11 and Iraq commissions, warned me on several occasions that his time with the 9-11 commission had raised significant questions about Canada's system for screening immigrants and refugees. His perspective is shared and it has been reinforced through the criticisms levelled against our screening system by, for example, former Canadian ambassadors Martin Collacott and James Bissett.

As a first step to raising American confidence in our system, Hamilton suggested that our senior law and intelligence officers, during their visits with their American counterparts, informally meet with members of Congress. He told me that the Mexicans had done something similar during the early '90s, with effect.

The Mexican parallel, of course, is one we constantly push back at, but the requirement for equivalence has become the natural reflex of southern border congressmen, according to California border Democrat Bob Feller who spoke at a February Wilson Institute conference. This underlines Secretary Napolitano's 'parity' comment. With 12-15 million Mexicans living, legally or not, in America and an estimated 25 million claiming Latino roots, their political significance is preponderant.

While we can make a very credible case on security, we need to reframe the 'border' debate. The ultimate solution lies in taking a perimeter approach and drawing the line around the natural geography of the upper half of North America rather than the 49th parallel and the border between Alaska, Yukon and British Columbia. Inevitably, it will require a common approach on visa policy and this will present domestic political challenges in Canada but, set against the costs of the thickening border and with the understanding that it will enhance North American security, it is a case worth making. It is also a case that will have to be made repeatedly, as protectionist pressures in the U.S. take cover, as they often have before, behind a palisade of national security concerns.

3. Focusing on Congress

Congress has to be the focal point of our efforts because their legislation is the source of most of our problems. Notwithstanding the 'goodwill' and 'best efforts' of the Administration and the State Department, we need to direct our own strategy towards Congress.

Allan Gottlieb observed in the *Washington Diaries*, his indispensable practitioner's journal on 'working' Washington, that on any issue we can always find allies who share our cause. The first place to look is usually amongst the members in the 35 states whose main market is Canada.

Take the thickening border, for example. Louise Slaughter is the influential Buffalo area member of Congress who fears 'chaos' at the border when the passport requirement is imposed. Chair of the Rules Committee and a close ally of Speaker Nancy Pelosi, she has prepared legislation that would further delay the Western Hemisphere Travel Initiative's implementation at Canada-U.S. land border crossings until June 1, 2010. In addition to Slaughter, the northern border

caucus includes Transportation and Infrastructure chair Jim Oberstar and Agriculture chair Colin Peterson, both of whom share her appreciation of a border that works.

The effective neutering of Section 110 in 1996, an earlier version of the Western Hemisphere Travel Initiative (WHTI), was the work of northern border members of Congress, who denied its funding. Pressure from the northern border caucus, aligned with the nascent 'Canada' caucus, also helped persuade Homeland Security to accept 'smart' drivers licenses when the WHTI takes effect. The drivers' license initiative was the result of creative work by the Pacific Northwest Economic Region, a regional trans-boundary legislative association, and the inspired leadership to drive the initiative forward of B.C. Premier Gordon Campbell and Washington Governor Christiane Gregoire.

We have the capacity, thanks to the application of technology and the creation of an Embassy-designed tool, GOCCART (as in Government of Canada Congressional Advocacy Research Tool) that allows us to drill down to the legislative or congressional district level to determine both Canadian investment (that creates jobs) and industries that export into Canada. We may lack the money and votes of traditional lobbyists but we can talk jobs. Mindful of the American fixation with security, I used to do my 'lobbying' in the company of colleagues in the Canadian Defence and Liaison Office of the Embassy. Their uniforms, with battle ribbons from duty in Afghanistan, Iraq, the Balkans and peacekeeping missions, proved more powerful than words when underlining our shared commitment to defence and security.

While Embassy and Consulate staff pound the halls on Capitol Hill and in the districts, peer-to-peer conversation is very effective. With 535 federal legislators and over 10,000 state legislators, an ongoing pilgrimage of ministers, premiers, and legislators to Washington, state capitals and districts makes sense. Armed with a few key messages, their voices make a difference.

Playing on the American field also means playing by American rules in an approach that is both forthright and in-your-face.

This means engaging American lawyers and lobbyists. With a trade valued at over a billion dollars a day, it makes sense to hire former White House spokespersons, Republican Ari Fleischer and Democrat Mike McCurry, to give advice to help us get out our message (we did something similar with Michael Deaver in the late 80s). The provinces do the same; Saskatchewan, for example, recently engaged former U.S. Ambassador David Wilkins.

4. Using the Hidden Wiring

The more channels and voices in support the better. They supplement the work of the Embassy and our network of Consulates; the expansion of this network should continue so that we have a presence in every American state. The depth, scope and complexity of our interests requires a diplomatic presence supported by the 'hidden wiring' of the relationship – our legislators, business, labour and, as we have already begun through connect2canada.com, the network of Canadians living and working in the United States.

Premiers and provincial legislators play a critical role in developing relationships with their counterparts given the natural progression from city and county to state and then to Congress or the executive branch. President Obama served in the Illinois state legislature before his election as a U.S. senator. His cabinet includes former governors (Napolitano, Vilsack, Sibellius, Locke) as well as fellow members from Capitol Hill (Emmanuel, LaHood, Panetta, Solis, Salazar).

We also need to redouble our efforts at the local level, with border communities, chambers of commerce and their mayors. In the later Clinton years, the 'Canada-US Partnership' began a grass-roots oriented process that would later pay dividends in the wake of 9-11 when its work provided the content for the 'Smart Border Accord' that made real progress because of the shared political oversight by Homeland Security Secretary Tom Ridge and Deputy Prime Minister John Manley. It came complete with the sort of innovative webtracking that Obama is now instituting to measure progress for his Recovery agenda.

There is consensus amongst the provinces – indeed the premiers and Council of the Federation have often been ahead of the curve in encouraging engagement with the United States. Similarly, Canadian business is actively pressing for action and the Council of Canadian Chief Executives and Canadian Chamber of Commerce have produced a series of practical recommendations to improve the business relationship recognizing, as Conference Board Chief Economist Glen Hodgson observed in his Carleton paper, that as much as 40% of bilateral trade is intra-firm.

Canadian labour should join in the effort – their membership will disproportionately feel the effect of American protectionism. The leader of the latest 'Buy America' campaign is United Steelworkers President, Leo Gerard, a Canadian who was president of the Canadian affiliate. The fraternal relationships between the labor movement in Canada and the United States are an important, and unrealized asset that should be consulted and encouraged to join the effort. American Federation of Labor and Congress of Industrialized Organizations (AFL-CIO) leader John Sweeney spoke warmly of his Canadian counterparts when I discussed the labor movement with him in Washington, and how they worked together internationally.

Labor is a critical ingredient in the Democratic coalition. They have the ear of President Obama and the Democratic leadership. As we have seen in the auto restructuring they now also have a major stake. Union membership rose by nearly half a million last year after decades of decline. Nearly half of public sector workers are union members (for the private-sector the figure is only 8%). The AFL-CIO, the Service Employees International Union (SEIU) and other unions pour millions in union dues and "voluntary" contributions to union political funds and through their money and organizing for Democrats in the 2006 and 2008 elections, they can claim significant credit for the Democratic capture of both houses of Congress and the White House. At a minimum, Canadian labor unions should be encouraging their American counterparts to insert 'North' between 'Buy' and 'America' initiatives, however misguided they may still be overall.

5. Investment and Tourism

While it may seem counter-intuitive, a central component in the Canadian strategy should be investment promotion.

Our infrastructure is being modernized and upgraded. Our fiscal situation will allow us more room to compete on taxation, our financial system – as Obama has observed – has become the envy of the world. These factors, combined with our traditional strengths (resources, labour, culture, etc) allow Canada to rise from a middle ranking investment destination, to someplace much higher, if we concentrate on this goal. Canada is extraordinarily well positioned to take advantage of a recovery in business investment, if we seize the opportunity to market the country aggressively based on our ever more competitive credentials.

Tourism promotion, marketing Canada as a 'clean' and 'green' destination, should also be part of our strategy. Time and again, congressmen would tell me about their adventures in Canada –

fishing and hunting. I would hear the same refrain in Hollywood and Silicon Valley where they would rhapsodize about our great outdoors – skiing in the winter and golf in the summer. New Zealand has turned the publicity from ‘Lord of the Rings’ into a major vehicle for their tourism. The 2010 Olympics offer a similar opportunity for Canada, especially to Americans who are looking for a holiday that is safe, economical and close enough to home.

Obama After a Hundred Days: ‘... it’s not like we can just draw a moat around America’

During the campaign Obama demonstrated discipline, determination and a deliberative approach. In office he has displayed competence and pragmatism.

The opening Obama message to the world is simple: "America is ready to listen, consult and cooperate. You will find a partner and a friend in the United States of America" even while acknowledging, as he did in Strasbourg, that it is "always harder to forge true partnerships and sturdy alliances than to act alone." Promising a 'new chapter in American engagement' with the rest of the world, Obama has repeatedly also said the United States needs to be more patient in its dealing. It is a message with broad appeal. The challenge, of course, will be in its delivery.

Obama has reached out to old foes and punched ‘resets’ on Russia, China, Iran, the Middle East, Mexico, Cuba and Latin America, NATO, the UN and big issues like global warming. Special envoys Mitchell, Holbrooke, Ross, and Stern are on the road. During a seminal speech in Prague on April 5, he committed to the goal of a nuclear-free world and aims to complete by the end of this year a new Strategic Arms Reduction Treaty (START), which would dramatically reduce U.S. and Russian nuclear stockpiles. He’s signalled a withdrawal from Iraq but doubled-down in what is now called the Af-Pak theatre, meanwhile drawing blood from Somali pirates.

Obama has reframed the ‘war on terror’ into a campaign to “disrupt, dismantle and defeat al-Qaeda in Pakistan and Afghanistan, and to prevent their return to either country in the future.” He told the Turkish Parliament that “America’s relationship with the Muslim community, the Muslim world, cannot, and will not, just be based upon opposition to terrorism.” Guantanamo is closing. The budget for the State Department will increase by 10%. Meanwhile, Defense Secretary Gates has embarked on a strategic review with a greater focus on ‘irregular conflicts’.

A hundred days is a marker, an early indication of a president’s course. Anyone looking for a discernable policy at the comparable moment in the Bush administration, months before the terrorist attacks of 9-11, writes the *New York Times* David Sanger, “would have gotten it completely wrong.” To an audience in St. Louis, Obama argued that Americans have no choice but to engage the world saying, “a lot of the threats that we’re going to be facing – whether it’s international terrorism, cyberterrorism, nuclear proliferation, pandemic, climate change – a lot of these issues, they cross borders. So it’s not like we can just draw a moat around America and say, ‘I’m sorry, you know, don’t bother us. Keep your problems outside.’”

Looking for clues of an emerging Obama grand strategy, Sanger didn’t find one, recognizing “that may have been the point. Pragmatic, conciliatory, legalistic and incremental,” Obama has argued for giving more authority to existing international institutions and embracing the creation of new ones. It was, concluded Sanger, who also wrote the must-read *The Inheritance: The World Obama confronts and the challenges to American power*, almost anti-Bush doctrine – there was no talk of pre-emption or the American mission to eradicate tyranny.

At his White House news conference on the hundredth day, Obama noted that presidents usually have two or three big problems, “we’ve got seven or eight.” He then reflected on change:

The ship of state is an ocean liner. It's not a speedboat. And so the way we are constantly thinking about this issue, of how to bring about the changes that the American people need, is to say, if we can move this big battleship a few degrees in a different direction, you may not see all the consequences of that change a week from now or three months from now, but 10 years from now or 20 years from now, our kids will be able to look back and say, that was when we started getting serious about clean energy. That's when health care started to become more efficient and affordable. That's when we became serious about raising our standards in education.

Facing an economic meltdown, Obama has made a series of high-wire moves designed to build a new economic foundation built on better schools, alternative 'green' energy, more affordable health care, and a more regulated Wall Street. He's pushed through the biggest stimulus package in U.S. history giving his bigger agenda a boost in the process, steered GM and Chrysler to reorganization, and stress-tested the banking system. If polls are right, Americans certainly feel better under Obama; however, his personal popularity has not reduced party polarization and the economic crisis has fueled an angry populism that can vent capriciously.

While the GOP battle for self-definition, the Right is reduced to holding tea parties of protest and alternating Dick Cheney and Rush Limbaugh as their spokespersons. Holding to 'purity' and the divisions between fiscal and social conservatives will hold the GOP to a southern rump as youth and Latinos look elsewhere. In Congress, the Republican playbook is simple – 'Vote No.'

Obama's real challenge lies with the head-strong Democratic Congress whose leadership has its own agenda. Obama has been deferential to the Congress – respectful of Speaker Nancy Pelosi and Senate Majority Leader Harry Reid, while letting liberal committee chairs in the House and centrist committee chairs in the Senate legislate the details of the programs that bear his imprimatur. The likely achievement of a 'filibuster-free' Senate with the defection of Pennsylvania's Arlen Specter and, eventually, the addition of Minnesota's Al Franken, will not change the fact that party loyalty, unlike in Canada, defers to interests of section, region and personal philosophy.

Mindful of the Washington bubble and aware that he must sustain his personal base, Obama is continuing to do what he does very well – using the 'bully pulpit' in a series of roadside chats, that are magnified through the brilliance of David Plouffe and the technological reach of barackobama.com. He will need this support in the inevitable showdowns with congressional leadership on, for example, cap-in-trade and his next 'first' priority, healthcare, and, eventually, the long-promised immigration reform. But for now, it's still the economy that counts.

Time columnist Joe Klein offers this assessment of Obama after a hundred days:

Whether you agree with him or not – whether you think he is too ambitious or just plain wrong – his is as serious and challenging a presidency as we have had in quite some time...Obama won't stand up to everyone, always; he is, after all, a politician. But the quality of fights he does choose will determine whether he builds his legacy on rock instead of sand. He has had a brilliant time announcing his intentions, but the real game of governing is about to begin.

Obama's big, enormously bold, radical agenda could easily run afoul of its own ambition. The upcoming Supreme court nomination promises to reignite the culture wars, something Obama

has mostly managed to sidestep. And eventually, the bills for his programme are going to require some form of tax on Americans. It won't be popular.

In the meantime, the remarkable ride continues.

Campaigning in pursuit of the Ottawa Agenda

This stock-taking illustrates both promise and problems. The promise is that the new President likes us. He has invited us to sit at the table on the issues that matter – energy and environment, the border, international affairs. The problems are that his agenda means he won't have much time for us. Nor will his 'love' for Canada change American insecurity about its borders or the protectionist instincts of the Democratic Congress. The plight of Detroit and the auto sector underlines the desperate decline of American manufacturing. The drop in demand for Canadian products is further threatened by a return of 'buy America,' wrapped in the cloak of patriotism and national security.

The economic crisis has created a dynamic for change that offers both opportunity and threat. The White House swing set and the president's 'Beast' and blackberry illustrates the scope and depth of economic integration. The threat is a further thickening of the border and a 'made-in-America' regulatory framework on the environment and energy. On the border, we need to reframe the argument to a discussion about perimeter and on energy we need to quickly come up with a 'made-in-Canada' approach.

Act, we must. With over three quarters of our trade going to the U.S. and our prosperity dependent on trade, anything less than a successful partnership will quickly be felt across the country. That should provide us with a sense of focus, and determination that easier times might not require. The emerging resolution to the auto industry crisis demonstrates that we can act in collaboration and in complementary fashion.

The burden of American global primacy and the asymmetry of our economic relationship means that we have to be constantly on guard for Canada and making the case for Canada. The nature of the American political system and the role of Congress means that traditional diplomacy and the reliance on the executive branch to handle our interests is insufficient and inadequate.

Playing the Americans requires a diplomacy that resembles our national sport for speed, flexibility and energy. We need to make constant line changes and use different kinds of players, depending on the situation. Propinquity and relevance means that it is very public, everyone thinks they can play, and it can occasionally get very dirty. Always the focus must be on putting the puck in the net for Canada.

Shortly after I'd begun my job in Washington I spoke with Gordon Giffin, former American ambassador to Canada. He, like counterparts Jim Blanchard and Paul Cellucci, recommended that I should spend my time working Capitol Hill. I related my adventures, noting some thought that I was spending too much time there. In his laconic fashion he looked at me and replied, "you can never spend too much time on Capitol Hill." I wondered how long we'd have to keep it up. Raising an eyebrow he observed, "you never stop."

Because that is the nature of the American system we need to embark on a permanent campaign based on smart partnerships with an ever-shifting galaxy of players using all the tools at our disposal. It is a different kind of diplomacy – with Plunkett's *Very Plain Talks on Very Practical Politics* a better guide than Satow's *Diplomatic Practice*. But it is still diplomacy.

Canadian Defence & Foreign Affairs Institute

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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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