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## **Canada-U.S. Relations: No Time for Complacency**

By

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## **ABOUT THE AUTHOR**

Derek H. Burney is Senior Strategic Advisor to Ogilvy Renault LLP. He is Chairman of the Board of Canwest Global Communications Corp. and a Visiting Professor and Senior Distinguished Fellow at Carleton University. From October 2007 to February 2008, Mr. Burney served on the Independent Panel on Canada's Future Role in Afghanistan. In September 2008, he was appointed as the Chair of the Selection Committee for the "Canada Excellence Research Chairs" programme of the Government of Canada.

Mr. Burney was born in Fort William (now Thunder Bay), Ontario, and was educated at Queen's University, where he received an Honours B.A. and M.A.

Mr. Burney headed the Transition team for Prime Minister Harper from January to March, 2006. He was President and Chief Executive Officer of CAE Inc. from October 1999 until August 2004. Prior to joining CAE, Mr. Burney was Chairman and Chief Executive Officer of Bell Canada International Inc. (1993-1999).

From 1989-1993, Mr. Burney served as Canada's Ambassador to the United States. This assignment culminated a distinguished thirty-year career in the Canadian Foreign Service, during which he completed a variety of assignments at home and abroad.

From March 1987 to January 1989, Mr. Burney served as Chief of Staff to the Prime Minister. He was directly involved in the negotiation of the Canada-U.S. Free Trade Agreement. He was the Prime Minister's personal representative (Sherpa) in the preparations for the Houston (1990), London (1991) and Munich (1992) G-7 Economic Summits.

In February 1992, Mr. Burney was awarded the Public Service of Canada's Outstanding Achievement Award. In July 1993, he was named an Officer of the Order of Canada.

Mr. Burney was conferred Honorary Doctor of Laws degrees from Lakehead University, Queen's University, Wilfrid Laurier University and Carleton University.

His memoir of government service - Getting it Done - was published by McGill-Queen's in 2005.

He is a Director of TransCanada Pipelines Limited and a Senior Research Fellow at the Canadian Defence & Foreign Affairs Institute.

Mr. Burney is married to Joan (Peden) and has four sons.

## CANADA-U.S. RELATIONS: NO TIME FOR COMPLACENCY

Canada-U.S. relations are often characterized as being like two people examining one another through opposite ends of a telescope. Canadians can be a bit obsessed and hyper-sensitive, if not a bit neuralgic, and even a tad smug, about a relationship that touches virtually every aspect of our public policy. Yet, despite the fact that we are still America's largest trading partner, allies in war and peace and neighbours with extensive family, as well as border linkages, this priority is seldom reciprocated. In fact, Americans can be a bit indifferent, almost taking for granted the connections and the advantages of ties with Canada. As Goldie Hawn casually observed in the movie "Protocol", "I have never been in a foreign country. I was in Canada once but it is kind of attached."

"Not foreign but attached" can make management of the relationship very tricky. Small irritants become three alarm fires in Canada but barely hit the radar in Washington where other, more immediate, global issues capture attention.

I suspect that few Americans know that Canada is a larger market for U.S. goods than all 27 EU member states combined. Or that Canada-U.S. trade supports more than 7 million U.S. jobs. Nor do many realize that Canada is the #1 foreign (but attached!) supplier of all forms of energy to the U.S., with more than 2 million barrels of oil each and every day.

We hear a lot these days about Washington being dysfunctional or polarized into political paralysis. Customary U.S. resilience and optimism is being severely tested while Wall Street, and most recently BP, have become easy targets for shame and blame. Tea partiers are rejoicing in their political strength and moderates are being pushed to the side in both parties. The country seems to be in a deep funk and that is not good news for Canada. Make no mistake, we need a resurgent U.S. economy. We need the U.S. to put its financial house in order. And we also need more confident global leadership from America.

On day to day management, the choice and the initiative usually rests with Canada but, for all the attitudinal reasons mentioned, Canadian governments, especially minority governments, usually tend to be more careful and correct than inspired. That is essentially the state of affairs today.

Some prefer a bold new vision for Canada-U.S. relations with an EU-style Customs and Monetary union as the goal. I do not see that as politically viable. Complacency, or allowing matters to run in neutral, may be the path of least resistance but it is not, in my view, the best guarantor of either Canadian or American interests. The fact that we are more "attached" than "foreign" and that so much of our economy is integrated with the U.S. means that we can and should do more together to resolve real problems and chart creative, new ways to strengthen our relationship.

Here are some priority areas I believe we need to focus on.

First the **border**. Since 9/11, the border has been steadily thickening. Increased inspection fees, country of origin labelling, major penalties for minor infringements, more intense scrutiny of business visitors and a host of other measures undermine the basic purposes of the NAFTA and the WTO.

It is tempting to place all the blame on American paranoia about security. The thwarted terrorist attacks of late in Detroit and New York intensifies this preoccupation. Although these events had

nothing to with border security we need to recognize that some American concerns about Canadian immigration and refugee policies may be legitimate. We should not shy away from trying to address valid concerns, nor indulge in the false luxury of made-in-Canada sentiments.

I would like to see our Prime Minister propose to the President establishment of a new, **Bi-national Border Commission** that, consistent with Parliamentary and Congressional prerogatives, would be empowered to do the following:

- a) Streamline customs and entry provisions along our shared border and remove blockages that are protectionist, not security, inclined. The new Detroit-Windsor bridge and the new Gateways along the border should be used as pilot projects employing innovative technology to this end. Exporters and importers should have direct access to the Commission to air complaints about border restrictions.
- b) Spearhead coherent rationalization of overlapping and needlessly different standards and regulations that hobble the integrated nature of our two economies. The auto sector alone has more than 150 different regulations for vehicles manufactured by the same companies. Now that governments are the beneficial owners of most of this North American industry, there should be even greater reason to improve, rather than retard, its efficiency and competitiveness.
- c) Examine the merits of a Common External Tariff as a means to reduce complex Rule of Origin provisions and promote greater efficiencies. With most MFN tariffs already below 5%, excepting of course the agricultural sector, this should not be too difficult to consider.
- d) Recommend sensible harmonization of immigration and refugee policies, countering the myths about security, while redressing aspects of genuine concern.
- e) Intensify police collaboration to address security concerns, illicit traffic of drugs, the activities of organized crime and broader threats from cyberspace.

This should be bi-national, not tri-national. The problems faced by the U.S. on its northern and southern borders are different both in character and degree, as are the fundamental bi-lateral relationships. It is essential not to allow U.S.-Mexico border issues to drive U.S.-Canada border policy.

The **energy security and climate change** debate needs a pragmatic, bilateral solution. Even if the oil spill in the Gulf, and the reckless fumbling and bumbling by those involved, is changing the tenor of the debate at the moment in the U.S., and perhaps even some attitudes about the oil sands, we should try to get our collective minds around a few home truths. One is that for both Canada and the U.S., energy security and climate change are joined at the hip. Canada's role as the largest supplier of all forms of energy to the U.S. will only increase over the next decade. This gives us a unique position from which to influence a constructive dialogue on these twin issues.

There is a risk of serious economic damage if either country goes its own way. Putting a price on carbon by whatever means has to take account of the competitiveness impact on a sector that is fully integrated. The negative potential is amplified by a spaghetti bowl of provincial and state measures whose purpose seems, often to me, to be more a demonstration of political correctness rather than a serious commitment to emissions' reduction.

A few decades ago Canada and the U.S. dealt with the problem of Acid Rain and the need to clean up the Great Lakes with bold, bilateral undertakings. The same spirit and commitment could help us shape consensus from rancour and establish a balanced outcome that preserves our shared environment while respecting our mutual economic need for a stable energy sector. The ideal would be a joint Canada-U.S. plan. If that is beyond our reach we need to align our objectives and seek to harmonize most of our measures. It is not a question of “waiting for” the U.S. to act. Rather it is choosing to “work with” the U.S. to find a sensible solution. Canada should not hesitate to lead, initiating concrete proposals in pursuit of a new accord.

There is a pernicious threat from green protectionism masquerading these days as climate change virtue. Proposals in the U.S. Congress and various states would exclude electricity generated from large-scale hydro projects from a unique definition of “qualified” sources for the national renewable electricity standard. Other measures deliberately discriminate between domestic and foreign heavy oil of the same carbon intensity. We need to confront these threats to legitimate energy exports and the basic principles of international trade. To do that effectively we need to get our act together here on the homefront. Content provisions of Ontario’s new Feed-in Tariff (FIT) program are regarded as clear violations of both NAFTA and the WTO.

Whatever priorities are selected for the bilateral agenda, Canada needs to engage systematically and confidently with the Administration and key Congressional leaders to ensure that our ideas, as well as our own concerns, register. Re-instating **annual Summits** between the Prime Minister and the President would certainly help drive the agenda. Despite the vast and complex network of relationships between our two countries, the institutional underpinnings are decidedly skimpy. It is no time for complacency.

Never forget, too, that what we choose to do or not do on global issues of great concern to America can influence our leverage and our credibility on a bilateral issues.

It is important to note that giving greater attention to the U.S. does not mean we need to be exclusive to be more effective. About two-thirds of global growth is occurring in emerging-market economies. They account for close to 50 percent of imports over the past decade, will stimulate commodity prices and are thought to be leaders and innovators in public policy and business. They should command priority. We should focus particularly on the fast growing economies of Asia.

We can bolster our competitive edge vis-à-vis the U.S. and our competitive attraction to markets in Asia with advantageous corporate tax regimes, prudent fiscal policies, improved productivity and more open access for trade and investment.

Above all, we need to shake free from the national pastime of complacency and address underlying domestic challenges. Too often our wealth in natural resources and our proximity to the largest, most dynamic economy in the world leads us to put off serious decisions about what we need to do here at home.

We are making solid progress on the tax front, moving us to the goal of a tax and regulatory regime in Canada that is demonstrably better than that of the U.S.. But we also need a comprehensive strategy to bolster sagging productivity. Canadian business tends to be risk averse, wary of innovation and reluctant to invest in game-changing technologies. The hand-maiden of complacency is mediocrity. To secure a more vibrant economic partnership with the

U.S. and the key emerging markets, including particularly the fast growing economies of Asia, we need a more vigorous competitive spirit from governments and our private sector.

## **Canadian Defence & Foreign Affairs Institute**

CDFAI is the only think tank focused on Canada's international engagement in all its forms: diplomacy, the military, aid and trade security. Established in 2001, CDFAI's vision is for Canada to have a respected, influential voice in the international arena based on a comprehensive foreign policy, which expresses our national interests, political and social values, military capabilities, economic strength and willingness to be engaged with action that is timely and credible.

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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