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Security and Prosperity in the Canada-United States Relationship Two Sides of the Same Coin

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By

Thomas d'Aquino

Senior Counsel, Gowling Lafleur Henderson LLP

And

Distinguished Lifetime Member, Canadian Council of Chief Executives

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ABOUT THE AUTHOR

Thomas d'Aquino is an entrepreneur, lawyer, corporate director, author and educator. He is Chairman and Chief Executive of Intercounsel^{Ltd.}, a private company that provides advice to chief executives and entrepreneurs in Canada and internationally on business strategy and public policy. He is also Senior Counsel at Gowlings, one of Canada's largest law firms, chairs the firm's Business Strategy and Public Policy Group, and is a member of the Gowlings International Strategic Advisory Group. His principal areas of practice are finance, international trade, energy and the environment.

Mr. d'Aquino serves on the Board of Directors of Manulife Financial Corporation, CGI Group Inc., and Coril Holdings Ltd. and is Chairman of the National Gallery of Canada Foundation.

He is associated with two of Canada's leading academic institutions: as Distinguished Visiting Professor, Global Business and Public Policy Strategies at Carleton University's Norman Paterson School of International Affairs; and as Honorary Professor at The University of Western Ontario's Richard Ivey School of Business. Earlier in his career, he served as Special Assistant to the Prime Minister of Canada and as Adjunct Professor of Law at the University of Ottawa lecturing on the law of international trade and global business transactions.

From 1981 to 2009, Mr. d'Aquino was Chief Executive and President of the Canadian Council of Chief Executives (CCCE), an organization composed of the chief executives of 150 of the country's leading enterprises and pre-eminent entrepreneurs. Mr. d'Aquino assumed leadership of the Council in its formative stages. Upon his retirement from the CCCE as of December 31, 2009, member companies accounted for \$850 billion in annual revenues and \$4.5 trillion in assets. With a combined Canadian stock market value of \$675 billion, the companies are responsible for the majority of Canada's private sector exports, investment and training. In recognition of his exemplary leadership, he was named by the Canadian Council of Chief Executives Board of Directors, a Distinguished Life Time Member.

Mr. d'Aquino's has played an influential role in shaping the direction of fiscal, taxation, trade, energy, environmental, competitiveness and corporate governance policies in Canada. In the international arena, he has been a leading thinker and activist on a wide range of North American and global issues embracing international finance, competitiveness, trade, energy, the environment and global security. One of the private sector architects of the Canada-United States free trade initiative and of the North American Free Trade Agreement, he currently is helping to spearhead private sector initiatives aimed at defining a new era in Canada-United States relations and is active in negotiations aimed at deepening Canadian relations with China, India, Japan and the European Union. His work includes G20 related issues.

A native of Nelson, British Columbia, Mr. d'Aquino was educated at the Universities of British Columbia, Queen's and London (University College and the London School of Economics). He holds B.A., LL.B., and LL.M. degrees, and an Honorary Degree of Doctor of Laws from Queen's University and from Wilfrid Laurier University.

Mr. d'Aquino has been referred to as Canada's most influential policy strategist and the country's leading global business ambassador. He is the author of numerous publications including the influential book *Northern Edge: How Canadian Can Triumph in the Global Economy*. He is a regular commentator on radio and television, and a frequent speaker on platforms in Canada, the United States, Europe, Asia and Latin America. Mr. d'Aquino has addressed audiences in forty countries and in over one hundred cities worldwide.

On the fateful morning of “9/11”, I was in Montreal en route to New York City to attend a board meeting at the Americas Society. Along with hundreds of millions of stunned people in the United States and around the world, I watched in real time the unfolding of a great tragedy that was to profoundly change the politics and economics of our planet.

Waves of emotion swept over me that day – disbelief at first, followed by sorrow for the families of the thousands of innocents that were murdered in cold blood, followed in turn by anger at the perpetrators of this heinous crime – and, yes, a desire to see them brought to justice and punished.

When I learned that same day that hundreds of flights were diverted in mid-air to Canada and that Canadians opened their hearts and homes to thousands of stranded travellers, I felt that our country had responded as the best of friends always do – instinctively, generously.

Who among us in this room did not mourn that terrible week? Many of us, I know, joined some 100,000 of our fellow citizens on Parliament Hill in a solemn demonstration of our grief and solidarity. Our actions were mirrored in countless towns and cities across Canada, a mark of the profound sense of kinship and respect that we have for our neighbour and ally.

The consequences of the terrorist actions began to be felt immediately. At the Canada-United States border, tense security preoccupations resulted in long and unprecedented delays in the movement of people, cars and trucks. The situation, which imposed serious economic costs on both sides of the border, was not helped by false claims in the American media and among some highly placed Americans that several of the 9/11 terrorists launched their mission from Canada.

Canadian business leaders were quick to raise the alarm that without a quick resolution, the cross-border paralysis could lead to a catastrophic impact on trade, investment and jobs. Working hand in hand with senior American colleagues, we at the Canadian Council of Chief Executives, pressed hard for a rapid bilateral commitment to “a zone of confidence” and to “a smart border” that would keep the wheels of commerce rolling while safeguarding security. More than once in those difficult days, we were warned not to get our hopes too high. “Security trumps trade” we were told. Our argument in response was that security and economic strength are indivisible – two sides of the same coin.

The Chrétien government and the Bush administration acted quickly to stabilize the situation. The result was the December 2001 *Canada-United States Smart Border Declaration*, which pledged the two governments to work together “to develop a zone of confidence against terrorist activity...[and] build a smart border for the 21st century...that securely facilitates the free flow of people and commerce.”

The more ambitious *Security and Prosperity Partnership (SPP)* launched by the Prime Minister and the Presidents of the United States and Mexico in March 2005 sought to clothe continental security and economic imperatives within a grander political design. The *SPP*'s agenda was vast and gave economics and security virtually equal billing. It included a common border security and bioprotection strategy, critical infrastructure protection, greater intelligence sharing and expanded border infrastructure. It included as well efforts to improve productivity through regulatory cooperation, more efficient movement of people and goods within North America and sectoral collaboration in energy, transportation, financial services, technology and other sectors.

In time, the *SPP* lost its way, a victim of excessive complexity, bureaucratic overload and political inertia. Its demise was accelerated by changes in government in Canada, the United States and Mexico. In all three countries, the *SPP* had failed to ignite the imagination and attracted growing opposition from the critics of continental integration. The *SPP* was a genuinely big idea orphaned by the neglect of its political sponsors.

The fate of the *SPP* shed light on another reality of the post 9/11 environment. It revealed the vulnerability and limitations of trilateralism – the idea that the *North American Free Trade Agreement* could serve as a springboard for Canada, the United States and Mexico to move in concert towards deeper economic and security cooperation. The vision of a “*North American Community*” has lost some of its appeal in recent years, and it may very well be that the era of the *SPP* represented its high water mark.

Looking back to the road travelled since 9/11, there can be no doubt that Canada and the United States have made major progress in advancing our national and collective security interests. In the case of the border, our two countries have applied significant resources to making it more effective in dealing with security risks.

Beyond the border, we have invested heavily in reorganizing our respective security establishments and in building tighter bilateral linkages in policing, intelligence and military cooperation. This has been to our benefit overall and has allowed our two countries to go on the offensive against those who would do us harm. In this regard, there is no better example than the heroic efforts of our men and women in uniform as they wage war against a common enemy and seek to build the peace in Afghanistan.

While I salute these extraordinary achievements at home and abroad, I must confess to having some serious disappointments about the evolution of Canada-United States relations during the past decade. My principal concerns are two-fold and let me begin with the border itself. While we have built a more formidable border that is a powerful bulwark against criminals and terrorists, at the same time we have reduced significantly the freedom of movement that is so vital to commerce and jobs in our respective countries. We have been slow, much too slow in harnessing the technologies that would mitigate the effects of increased surveillance. And when it comes to cross-border infrastructure improvements, we score badly once more.

Second, we have failed to cast aside the tyranny of small differences and petty politics in favour of a more integrated, dynamic and competitive continental economy. The *Canada-United States Free Trade Agreement*, an extraordinary achievement in its time, served as a powerful catalyst for moving forward and our trade and investment performance since then offers ample proof. However, we have failed to move much beyond the free trade paradigm in advancing economic cooperation. We have dithered and fallen short of our potential as dynamic new economies and regions have gained on us and threaten to bypass us before long.

It is not because of a shortage of good ideas that have not achieved more. Early in the decade, far-seeing academics and think tanks in both countries called for a radical rethinking of Canada-United States border management. Some went further and advanced bold concepts that would profoundly redefine the Canada-United States economic relationship. The Canadian Council of Chief Executives (CCCE), for example, in 2003 launched its *North American Security and Prosperity Initiative (NASPI)* suggesting that “a Canadian strategy for managing its future within the continent should be based on five pillars: reinventing borders; regulatory efficiency; resource security; the North American defence alliance; and new institutions.” In April 2004, the CCCE

tabled *New Frontiers: Building a 21st Century Canada-United States Relationship in North America*, a thirty-page report with fifteen far-reaching recommendations.

Despite the Council's work and the excellent contributions of so many others, security continues to trump trade in the Canada-United States relationship to this very day. Several weeks ago, an important initiative raised hopes that economics might move up the ladder of bilateral priorities and that at long last our two countries would step up efforts to create truly "smart borders." On February 4, Prime Minister Harper and President Obama issued a *Declaration on a Shared Vision for Perimeter Security and Economic Competitiveness*. The *Declaration* "establishes a new long-term partnership that will accelerate the legitimate flows of people and goods between both countries, while strengthening security and economic competitiveness." Little that the two leaders said was new to the long list of "to do" items that has grown ever larger over the past decade. However, the commitment of the Prime Minister and the President to a concrete plan of action hopefully will inject some badly needed momentum in favour of moving the bilateral relationship forward and achieving some transformative changes.

In an essay published in Canada's *Financial Post* on February 9, Professor Michael Hart of the Norman Paterson School of International Affairs at Carleton University joined with me in enthusiastically saluting the Harper-Obama initiative. We said, "Hats off to Prime Minister Stephen Harper and President Barak Obama for forging a new start on a project that for too long languished on the back burner... [and] We like the fact that the two leaders have taken full ownership of this initiative and staked their personal political capital on making significant progress over the next two years."

To avoid the mistakes of the past decade, Professor Hart and I stressed three key points: first, the need to hold responsible officials accountable for progress with zero tolerance for inaction due to bureaucratic rivalries; second, the need to effect speedy implementation of best practices and the use of modern technologies to pre-clear as many people and goods as possible before they arrive at the physical border; and third, the need to reduce regulatory compliance, which today occupies a large part of commercial border clearance, to what is absolutely necessary.

Speaking of regulation, I was especially pleased to see a commitment from the Prime Minister and the President to the creation of a *Regulatory Cooperation Council (RCC)* composed of senior regulatory, trade and foreign affairs officials from both governments. The Council's mandate to eliminate unnecessary burdens on cross-border trade, reduce costs, faster cross-border investment, and promote certainty by coordinating, simplifying and ensuring the compatibility of regulations is worthy of strong support.

The challenge of achieving compatibility of cross-border regulations reminds me of an anecdote about jelly beans. At a meeting of the *North American Competitiveness Council* with Prime Minister Harper and Presidents Bush and Calderon in Montebello, Quebec, in August 2007, my business colleague David Ganong explained to the three leaders the seemingly unresolvable differences in Canadian and American regulations governing the colouring and nutritional labelling of jelly beans, a much loved product of Mr. Ganong's New Brunswick-based company. This example of regulation gone wild hit home with the leaders and in the coming days the jelly bean conundrum attracted widespread media coverage including a mention in *The Economist*. Earlier this week, I spoke with Mr. Ganong and he confirmed that the issue remains unresolved – not a reassuring outcome!

The decision of the two leaders to focus the work of the *RCC* on a limited number of sectors "that are characterized by high levels of integration, significant growth potential and rapidly

evolving technologies” is both wise and necessary. Having had direct experience with attempts to reconcile cross-border regulatory differences, the task is far from simple. The work can often be numbingly tedious and not a subject that will sustain the interest of political overseers. By directing that the *RCC* is to be convened within 90 days by the relevant agencies in Canada and the United States, the Prime Minister and President have signalled a sense of welcome urgency. But I am willing to bet that without tenacious political oversight and concrete results early on in the process, the *RCC* will wither on the vine.

At the Harper-Obama meeting, no issue captured more attention in Canada than the commitment to expand management of the border to the concept of a North American perimeter. The Prime Minister was quick to add that such a perimeter would not replace the border but would serve where possible to streamline and decongest it. In boldly embracing the idea of a perimeter, the Prime Minister has gone where none of his predecessors dared to go. As a veteran of past “perimeter wars” and interminable wrangling over phantom sovereignty issues, I congratulate him for his readiness to tackle at last an idea that makes so much sense in dealing with threats to the common security of our two countries. In a simple but elegant sentence, Mr. Harper captured the spirit of what truly smart borders are about “while a border defines two peoples,” he said, “it need not divide them.”

Having commented on various bilateral opportunities, both seized and missed by our two countries since 9/11, what should be our top priorities going forward? Prime Minister Harper and President Obama are off to a good start: the perimeter initiative, harnessing technology to free up the border, and tackling regulatory impediments to stimulate trade, investment and job creation deserve top priority status.

To these, I would add the need for specific action in three areas, mindful that we would be well advised not to overload the agenda. Let me begin with the subject of *military cooperation*. We should continue to enhance the interoperability of our armed forces. Joint efforts to protect airspace and maritime approaches would benefit from the inclusion of ground and naval forces within an expanded NORAD command structure. In terms of ballistic missile defence, Canada should embrace the system as our NATO allies have done. It is in our national interest to do so and we should proceed without delay.

On the *economic front*, relying principally on the *North American Free Trade Agreement* is not enough. We need to renew our efforts to enhance the joint competitiveness of our two economies by leveraging our interdependence in the manufacturing, resources and services sectors. My experience with the *North American Competitiveness Council* demonstrated to me the benefits of bringing creative ideas and practical solutions directly to our political leadership. The challenge here is enormous and there is no time to lose. The competitiveness of our two countries in relation to the most powerful of the new and emerging economies is in decline. The *Canada-United States Free Trade Agreement* was introduced at a time when our two countries faced severe competitive challenges and it has served us exceptionally well. The time has come for a bold new initiative that will respond to our joint challenge and harness the superb capabilities of our leading thinkers, innovators and educators – a 21st century undertaking that will capture the imagination of our two peoples. Why not a *Canada-United States Accord on Global Competitiveness* served by a Council composed of our most creative private and public leaders?

Third and last, let me offer some brief comments about *institutions*. The experience of the past decade has reaffirmed that there is little interest in either of our countries in European-style structures requiring significant sharing of sovereignty. However, I believe that the status quo

suffers from an institutional deficit. In too many cases, complex issues are dealt with on an ad hoc basis, or suffer from discontinuity, or outright neglect. One idea that was championed in the post-NAFTA period by Professor Hart and that was embraced by the CCCE in our *Frontiers* paper in 2004, was that Canada and the United States should utilize joint commissions on a sectoral or issue specific basis to better manage our bilateral affairs. The outstanding record of the *International Joint Commission* which has operated since 1909 and successfully managed our joint waterways can serve as a good example.

I conclude my remarks today with a simple plea – the plea of a veteran of some thirty-five years of engagement in Canada-United States affairs. As the seminal free trade negotiations of the 1980s proved, making *big* things happen in our relationship is difficult and rare. Incremental progress as an alternative is not without its merits. The record points to some important step by step achievements as a result of close collaboration at the level of our two leaders and also through the hard work of bilateral coalitions.

However, there is so much more that we can do together – and some of the ideas on the table would qualify as transformative. The supreme challenge, to quote my friend, Colin Robertson, is “*getting it done*,” and here Colin has done us all a service by publishing his recent paper “*Now for the Hard Part: A User’s Guide to Renewing the Canadian-American Partnership*.” His ten lessons on doing business in Washington and America are filled with good suggestions and common sense. The bottom line is that achieving transformative change in the relationship will require a fresh vision, brilliant strategies, the unprecedented deployment of resources, and boundless tenacity in execution. All of these ingredients are within our reach. Now the challenge for Canadians and Americans alike is to “*get on with it*.” The result of our collective efforts will be a significantly more secure and prosperous North America able to once again punch above its weight in a rapidly transforming world.

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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