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IN THIS ISSUE:

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Introduction: How to Engage Our Unruly World?

by **ADAM FROST**

The international arena is as dynamic as ever. The rate of technological development continues to accelerate beyond the pace society is capable of adapting to it. Climate change indicators are approaching and surpassing key thresholds, fragile and failed states are proliferating, and great power competition has returned. Given the magnitude of these challenges, the cultivation of friends, partners and allies is paramount to furthering Canada's national interests beyond its borders.

The lead package of this issue examines some of the global challenges facing Canadian policy-makers and offers recommendations for how best to navigate this unruly world.

Colin Robertson outlines today's messy international arena and emphasizes the importance of Canada's active engagement. He explains why Canadian leadership must carefully manage the Canada-U.S. relationship and the necessity of supporting multilateral co-operation to stand up against disruptive revisionist powers. He also says Canada should enthusiastically support the implementation of recent trade agreements and address the causes of social upheaval in the Western world.

Considering the release of the Trudeau government's extensive defence policy review, Randolph Mank questions why a similarly extensive foreign policy review was not first conducted. He argues that Canadian foreign policy is misaligned with Canada's national interests, and therefore, a comprehensive strategic realignment is warranted. Canada's interests are not best served by ad hoc prescriptions.

Robert Hage turns to Canada's energy policies. He criticizes Bill C-48 for limiting transportation options for Canada's most valuable hydrocarbon resources. He argues that building infrastructure to the West Coast to facilitate the export of Canada's oil and gas resources should be handled as a nation-building project, vital to Canada's economic well-being.

Francisco Suárez Dávila's article provides an overview of President Andrés Manuel López Obrador's first 100 days in office. Mexico's new leader is a key figure for Canadian policy-makers to understand as they manage the trilateral North American relationship, and work to ratify and implement CUSMA.

David Bercuson, Julian Lindley-French and David Perry turn to Canada's defence and security. Bercuson argues NATO is alive, well, and not going anywhere soon, as the Russian threat to Europe remains ever-present. Lindley-French outlines the tactics of Russia's coercion, the extensive modernization of its military forces and the ambitions that threaten its European neighbours. Finally, Perry returns to Canada's Strong, Secure, Engaged defence policy two years after its release to provide an assessment of how closely the Trudeau government has followed its spending targets.

The 21st century has the potential to be the most violent and chaotic century in human history – or the most prosperous, providing more people with a higher quality of life than any previous era. If Canada's policy-makers are to successfully manage the challenges of this unruly, messy world, they will have to vigilantly align Canada's means with its desired ends, including working with other states, like-minded or otherwise, to advance common interests.

ADAM FROST *is the Managing Editor & Program Coordinator of the Canadian Global Affairs Institute.*

Positioning Canada in a Messy World

by **COLIN ROBERTSON**

Canadians live in a messy world, a three-ring circus of great power competition, shifting multilateralism and new transnational challenges.

While the losses are still shallow compared with the gains in the 20th century, Freedom House has recorded a decline in global freedom for 13 consecutive years. The decline is recorded in longstanding democracies like the U.S. and through the consolidation of authoritarianism in China, Russia, Turkey, Hungary and elsewhere.

This decline is accompanied by an increasing loss of popular confidence in the ability of liberal democracies to solve problems. Citizens feel that the next generation will be worse off than them. They blame growing inequality, seemingly uncontrolled migration, terrorism and climate change. These are the factors that fuel populism, nativism and protectionism and the appeal of strong men with simple solutions.

Positioning Canada in this changing environment will take skill, strategy and investments in security and diplomacy. Relative power among nations is changing. Borders are back. So is nationalism. In the absence of the guard rails that the United States provided during our lifetime, a world in disarray risks descending into chaos and conflict.

When it comes to relationships providing trade and security, for Canada it is still the U.S. and then the rest. Notwithstanding its increasingly polarized politics, the U.S. continues to be the most robust of nations economically, militarily and in terms of innovation. We can't change our geography, nor would we want to.

Changing circumstances mean that the free ride we enjoyed with the end of the Cold War now requires investment. So does our diplomatic service. Smart power blends hard and soft power. Smart power, for Canada,

also means active multilateralism and constantly looking for niches where we can play a constructive role. Canadians expect it. Our self-identity draws from how we are perceived abroad. As a nation we will always depend on talented settlers.

Ours is a world filled with both "known unknowns" and "unknown unknowns". Our digital age, on the cusp of broadly applied artificial intelligence enabled by Big Data and quantum computing, brings new meaning to complexity. These are areas where Canadian know-how and technological skill must be applied, not only for our own interests but also because know-how in the new domains of space and cyber-space gives us a place at decision-making tables.

Pollsters find the global public, including Canadians, have grave doubts about the future. It is small wonder that many feel adrift in uncharted waters. As we grasp for hope, there is a hankering for simpler times and strong leaders who say they can fix things. Whether traditional or new age, faiths that give comfort and meaning have increased appeal even when rooted in intolerance. Where once the main political divides were between the right and the left, the new divide is more about systems that are open versus those that are closed.

The world as we knew it is changing. History suggests we have the capacity to find a way out of our problems but the challenges, especially around climate, are daunting and time is not our friend.

For Canada, it's America First

For Canada it is American first – first for our trade, first for our security, first for stewardship of our shared environment, first for people-to-people connections in everything from business to popular culture. We are different but close enough that Americans always place Canadians as their favourite nation. That they like us more than we like them is something we underutilize.

Life with Uncle Sam is never easy but Canada is fortunate to have the U.S. as its neighbour. America is friendly, its market is the biggest in the world and its military is our default security umbrella.

Canada needs to mount a permanent campaign to remind Americans that their prosperity depends in part on their trade with Canada. It means we need a better understanding of a neighbour we think we know everything there is to know. We are wrong. It is shocking that we have no significant research institutions devoted to the study of the U.S.

Understanding starts with the U.S. Constitution with its checks and balances and separation of powers. It means more attention to Congress and the states and the various interests that fund it and provide it with ideas.

Contending Great Powers

U.S. Presidents since Franklin Roosevelt had persuaded Congress and Americans to step away from tariffs, to embrace large standing military organizations, to surrender some elements of sovereignty to give up their aversion to permanent international arrangements and to carry the burden when others fell short. This approach formed the foundation for the global operating system – liberal and rules-based – that guaranteed peace and prosperity for Canada after the Second World War and much of the rest after the Cold War.

Donald Trump has taken a different approach. Speaking for the first time to the United Nations, President Trump told the General Assembly that the sovereignty, security and prosperity of the American people are his sole objectives, and that these – not world order, not human rights – should also be the priorities of other nations. Trumpism is perhaps best expressed by then National Security Advisor H.R. McMaster and National Economic Director Gary Cohn (both have since left the administration) when they wrote that for President Trump "the world is not a 'global community' but an arena where nations, nongovernmental actors and businesses

engage and compete for advantage" and that the U.S. would practise "reciprocity in trade and commerce. Simply put, America will treat others as they treat us… America First signals the restoration of American leadership and our government's traditional role overseas—to use the diplomatic, economic and military resources of the U.S. to enhance American security, promote American prosperity, and extend American influence around the world."

Americans tell pollsters that they are tired of foreign adventures with their cost in blood and treasure. Reform of the health system - the most expensive in the OECD - continues amid controversy. Other well documented problems include obesity and the opiate crisis, gun violence and continuing racial tensions. The forces within the U.S. that President Trump successfully harnesses – populism, protectionism and nativism – are well entrenched with his supporters despite record low unemployment and a buoyant economy.

Even if no one else can match the U.S. for power and reach, a resurgent China and revanchist Russia are challenging the norms and mores of the current global operating system. Their leaders claim that the current system is tilted against them and does not serve their interests. Presidents Xi Jinping and Vladimir Putin want a system based on a concert of great powers, each with hegemony in its geographic neighbourhood – complete with vassal or tributary states.

For Xi, it is all about the stability of the People's Republic of China, based on an order that since 1949 has been directed and led by the Chinese Communist Party. For Xi and the CCP, the state is indivisible from the party and the party's job is to ensure the state's stability.

For Putin, the "greatest geopolitical catastrophe" of the 20th century was the collapse of the Soviet Union. Putin would like to re-establish a greater Mother Russia. He is using stealth and subversion to do this. As we witnessed in Georgia, Crimea and eastern Ukraine, he also uses force. Under Putin, Russia has upgraded its armed forces and weaponry, nuclear, conventional and unconventional ("little green men"). Using artificial intelligence and machine learning, it has developed hybrid capacities which it employs to disrupt democracies, especially their elections. Putin has also made himself a champion of the revived conservative and nationalist Russian Orthodox Church.

Both Russia and China have problems. Russia suffers from a sclerotic petro-based economy. It has an aging population with a high alcoholism rate. China's population is also aging. Despite abandonment of the one -child policy, the ethnic Han Chinese population is in decline. Dependent on imports of food and energy, China's Belt and Road initiative is designed to create a secure land and sea supply chain.

But Chinese and Russian leaders rely on a pervasive internal security apparatus. They are betting that the bulk of their citizens prefer stability and rising economic standards to nebulous democratic rights. They may be right. Increasingly, they think their security-state model is ready for export into the Middle East, Asia, Africa, Latin America and Eastern Europe.

Canadian relations with both China and Russia are currently in the deep freeze but we should look for areas to engage – with Russia, for example, on Arctic safety and environmental protection. With China, we need to keep the lines open through the annual heads of government and ministerial meetings and through co-operation on issues like climate and containing pandemics.

However, just because these countries are big does not give them a pass on bad behaviour. Canada sanctioned Russia for its occupation of Crimea and continuing incursions into Ukraine. Targeting the responsible individuals rather than nations, as we do through the Magnitsky Act sanctions for human rights abuse, is smart diplomacy. We are applying sanctions against Russians and Venezuelans. They should also be applied against those

Chinese officials responsible for keeping Michael Kovrig and Michael Spavor hostage in inhumane circumstances.

Return to a Concert of Powers?

The security environment at the outset of the 21st century is characterized by the U.S. versus China and Russia.

China will be the strongest competitor and the U.S.-China relationship in the 21st century will be the most consequential global relationship. There will be intense competition, brinksmanship and tension especially in the Indo-Pacific, likely centered around the South China Sea. Unless there is miscalculation, violent conflict – the Thucydides trap – probably can be avoided. For now, China's aspirations are essentially regional.

Astute diplomacy, like that applied by postwar Americans, should be able to contain or constrain China's rising power. But it will depend on robust alliances – an expanded NATO, for example – and a continuing strong U.S. naval presence in the Indo-Pacific. Asia is America's to lose, not China's to win. It will take a lot for China to disrupt this, although President Donald Trump's cavalier rejection of the Trans-Pacific Partnership was a strategic unforced error.

Russia is a power in decline. This makes it more dangerous, especially because it has weapons of mass destruction. This means there must be continued vigilance and deterrence through a reinvigorated NATO alliance.

Standing up for Liberal Democracies

The international system that the U.S. and its allies created after the Second World War has overseen an extraordinary period of global peace and prosperity. This operating system is characterized by freer trade and the market economy, alliances of representative governments, and rules-based international institutions with multilateral membership. Imperfect, it is better than previous systems and there have been continuous incremental improvements.

The essential relationships for the West in the 21st century span two oceans. There is the traditional transatlantic relationship of the U.S., the EU and Canada and now the transpacific relationship of these nations with Japan, Korea, Australia, New Zealand and like-minded liberal democracies in Asia and the Americas, beginning with Mexico.

From a liberal democratic perspective, the India-U.S. relationship could become an indispensable relationship in the pivotal Indo -Pacific region. India lives in a nuclear neighbourhood. Borders with China and Pakistan are contested. India is cacophonous, unruly and as much riven as united by its colourful diversity. It is embracing the digital economy, revitalizing its military and will soon surpass China in population.

Both NATO and the G7 are open communities of shared democratic scope. NATO membership should be broadened to include partner countries starting with Japan, Korea, Australia and New Zealand. The G7 should broaden its membership to include India and Mexico and, in time, Brazil. Membership in NATO needs a litmus test to weed out the authoritarians. The G7 booted out Russia when it invaded Crimea. Should Turkey and Hungary be suspended from NATO until they clean up their acts?

As a matter of urgency, both NATO and the G7 also need more focus on the use – already demonstrated by Russia, North Korea, Iran and China – of hybrid tactics and cyber-sabotage. They subvert our democracies and have the capacity to disrupt our critical infrastructure.

We need commonly agreed-upon standards on hybrid and cyber-warfare. Should we negotiate a Geneva Convention with our adversaries on cyber-weapons? World leaders did on the use of chemical and biological weapons after the First World War and while there have been violations it has mostly endured.

Multilateralism: Imperfect but Functional

Multilateralism, the means by which medium and small powers level the field against big and superpowers, is the greatest diplomatic innovation of recent times. Born out of Wilsonian idealism, its first manifestation in the League of Nations was handicapped from birth when the U.S. Senate rejected involvement. The Atlantic Charter gave multilateralism new life that took form in the Bretton Woods twins – the International Monetary System and World Bank - then the United Nations and its alphabet soup of agencies and, later, within the Geneva-based World Trade Organization.

Multilateralism has been at the core of Canadian foreign policy since the Second World War. It serves Canadian interests. But keeping these institutions relevant and efficient requires constant vigilance by Canada and other constructive powers. This means permanent efforts to cut waste, check corruption and streamline the tendency to mind-numbing bureaucracy.

Multilateralism is imperfect. It has not met the ambitiousness of its original design. It often limps along and disappoints. But that is the reality in a world order where great powers will always play a disproportionate role and where there is a trap door for the superpowers, especially in advancing their own interests. The wonder is not its flaws but that it operates as well as it does.

More Managed Trade

Trade, the lifeblood of globalization, is held accountable for de-industrialization in the U.S. and Europe even though the economic evidence points to technological innovation and automation as the reason. However, there is no doubt that a significant percentage of manufacturing jobs in traditional industries like steel, textiles and household appliances have moved to Asia, especially China.

For Canada nearly half our national income depends on trade. With the Canada-U.S. FTA and then NAFTA, trade-led growth has generated continuing prosperity for Canadians, notwithstanding internal trade barriers that remain the unfinished business of Confederation.

While trade helped to lift a billion people from poverty in Asia, it contributed to unemployment in the West at the same time that companies restructured to shed costs like pensions and health benefits for their employees. Trade, which led global economic growth, has slowed in recent years and there are counter-forces – in-shoring, piracy, protectionism – that threaten to upend global supply chains.

This has particular implications for Canada as more and more of our manufacturing trade is in what economists call intermediate goods – the parts, for example, produced by Canadian auto parts champions like Magna, Linamar and Martinrea, that move back and forth across borders.

With global trade talks (Doha Round) going nowhere and the WTO dispute settlement approaching impotence as the U.S. withholds agreement on the appointment of new judges, global trade policy will go into limbo. Trade will be more managed through quotas, voluntary restraints and other mechanisms. Future progress will depend on and take place within groupings of like-minded nations.

For Canada, regional trade blocs, like the Comprehensive Economic and Trade Agreement (CETA), the Canada-United States-Mexico Agreement (CUSMA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) are the best option to keep trade flowing. This is where new standards on intellectual property and e-commerce and disciplines on state-owned-enterprises will be developed and then tested.

The China Problem

There is a genuine problem with China. It is a highly non-transparent and less than free market economy. Its accession to the WTO was dubious. It was given privileges without

any enforcement mechanisms on intellectual property and industrial policies. These continue to violate the understandings that make the political economy of the trading system work.

Can China and the U.S. work out their differences on regulating state-owned enterprises, intellectual property and technology transfers? Will China recognize the value of protecting its own intellectual property? Self-interest would suggest an eventual deal especially if China is to succeed with its 2025 Made-in-China initiative. If his happens, there will likely be a critical mass to restore a rules-based global trading system because China will have skin in the game. For now, it's a messy world.

Social Movements and the Transnationals

The third ring in the global operating system includes social movements and transnational issues. Social movements that usually spring from the ground up and that are now empowered by social media.

Then there are the transnational issues notably pandemics, international crime, terrorism, inequality, climate, and non-proliferation. The global community has established procedures to address pandemics and it has devoted a lot of resources to crime and terrorism.

Protest for Change

Democracies and autocracies throw up movements that have the potential to change the current social, economic and political trajectories. Since the Second World War, these have included the peace movement (first nuclear disarmament and now anti-war), democratic movements (as in Eastern Europe in 1989 and then the Arab spring) civil rights (initially for African-Americans but now for all dispossessed groups - Occupy movement, Idle No More, #MeToo - with variant strands promoting issues like abortion, LGBTQ, marijuana, same-sex-marriage, privacy, consumer rights and diversity), and the environment (banning DDT, acid rain, ozone, climate).

Lack of confidence in leaderships means growing defiance of elites and established institutions, including government, Big Business, the church, and unions. Social change appears to follow a pattern: a few pioneer municipalities or provinces/states respond to a movement, and then a key event—often a court decision or a grassroots campaign—triggers a rush of activity that ultimately leads to change embodied in law. Social media is helping to speed the pace of change and in democracies, speed the defeat, even the demise, of traditional parties and rise of new ones. If these movements are mostly positive, those in reaction to globalization – anti-trade, anti-migrant, intolerant religious fundamentalism – are dangerous and feed a perverse nationalism that encourages authoritarianism.

Addressing Inequality

The middle class feels it is slipping. A small percentage has moved upwards to enjoy chardonnay and foreign chateaux, but the larger percentage of what used to be the middle class is drifting downwards into a precarious blue-collar existence that is one or two misfortunes away from poverty. They are employed, but their lives are full of worries: aging parents, insufficient pensions, inadequate health care and education. Most are pessimistic about the prospects for the next generation. Public trust in the government remains near historic lows.

Democracies are particularly vulnerable because of growing polarization and the time it takes to get stuff done. The safety nets that government is expected to provide – public education, public health, pensions – are fraying because there is also a growing allergy to taxation (always the case in the U.S.) and because of the growing perception that special interests like Big Business get their way.

Big Business' Reputational Problems

Big corporations such as Boeing, Monsanto, Goldman Sachs, Wells Fargo and SNC Lavalin are increasingly perceived as corrupt and their products and services as rotten, if

not dangerous. There is also a perception that they have undue influence on governments. Companies need to take social responsibility seriously, starting with their own employees. The balance between workers and shareholders is seen to have skewed too much to investors and the investment class.

Climate Change

The science is unambiguous globally and in Canada, but carbon mitigation is complicated. Environmentalists with an understandable impatience for action want governments to act now. Governments employ various strategies: mitigation through housing and transportation codes, research into carbon sequestration and battery storage, a shift to renewables and taxing pollution. It's all about getting the right balance so as to carry the public with them.

For a brief moment, Canada looked like it had its act together. Alas, a combination of stupidity, shrillness and politics has left us in a mess. Swedish schoolgirl Greta Thunberg gets it right when she says: "Since our leaders are behaving like children, we will have to take the responsibility they should have taken long ago."

Loose Nukes

Climate change may have replaced nuclear winter as the existential threat of our time, but nuclear proliferation kept every previous postwar American president awake at night. The Bulletin of the Atomic Scientists has re-set the Doomsday Clock at two minutes to midnight.

Arms control is heading south as the Russians and the U.S. set aside the INF treaty and reinvigorate their nuclear capacities, as are others. Pakistan, India and China are adding stock and North Korea's Kim Jong-un has demonstrated his new capacity in spectacular fashion. With the Iran deal in jeopardy, Saudi Arabia wants nuclear capacity. Obama initiated regular nuclear security summits and their re-institution would be a worthwhile Canadian initiative.

…How Bad is it?

Former president Barack Obama was close to the mark when he wrote in 2016: "If you had to choose any time in the course of human history to be alive, you'd choose this one. Right here in America, right now." Most of the world is at peace and people live longer. In the U.S., crime, poverty and unemployment rates are at all-time lows.

Multilateralism is still working. The UN Millennium Goals achieved many of their objectives. The proportion of people who can read and write is about the proportion that could not 200 years ago. While the emancipation of women still has miles to go, especially in the Middle East, Asia and Africa, smarter national leaders are beginning to acknowledge that educated and liberated women mean more productivity and better educated children. While there are more displaced persons than at any time since the Second World War, there is a global migration compact aimed at safe, orderly and regular migration. Even if President Trump took the U.S. out of the Paris Climate Accord there is growing global action on climate.

So What About Canada?

Every prime minister's desk has three permanent files: national security and well-being, national unity and Canada-U.S. relations.

The nation's security and well-being depend on managing the economy and attending to the nation's defence and security needs. Managing the economy means prudent fiscal and monetary oversight, investments in public infrastructure, open trade and a skills-based migration policy. All of these contribute to generating national income. National security means hardening border security, cyber-defences, ballistic missile defence and critical infrastructure – transportation, electricity and energy, and banking.

Trade Deals

While we have done a good job in opening the doors to trade, we need to improve in the

application of our trade deals. This is hard in a nation with a few big enterprises and lots of SMEs. There is no magic formula: all levels of government need to work with local business to identify opportunities. We could learn from Asian nations – Hong Kong, Taiwan, Korea and Japan.

Getting our products to global markets is also a problem. Inadequate infrastructure and social licence mean stranded assets, and the nation is then shortchanged.

Attracting Talent

Our skills-based immigration program has netted us a lot of talent. Expanding the annual target to about one per cent of our population makes sense. Canada's birth rate does not replenish our population.

Our refugee policy is generous, but Canadians expect people to play by the rules. Enforcement, including deportation of queue-jumpers and those found inadmissible, is necessary to sustain public confidence. It is also vital to preserving U.S. confidence that Canada holds up its end in a perimeter approach to whom and what comes into North America. The 9-11 Commission report worried about Canadian migration, especially from North Africa (the Millennium Bomber, Ahmed Ressam, was from Algeria) and it has remained a recurring American worry.

Canada needs a global education strategy. More Canadians should be encouraged to study abroad. Canada does well in attracting foreign students, but we could do better. Foreign students and foreign studies make our universities more cosmopolitan. Foreign students are also potential future talent for Canada. Those who return to their native lands are usually very positive about their Canadian experience and they become valuable bridges between our countries.

More Navy

Canada needs to embrace digital sea power and ensure we are prepared in the Indo-Pacific.

By harnessing technology and the application of big data, we will create the next generation of surface and underwater naval combatants. Manned and unmanned, they will be the weapons necessary whether the threat is traditional or in the grey zone.

What the Atlantic was to the 19th century, the Indo-Pacific will be to the 21st century. Canada needs to re-imagine our naval base in Esquimalt and our air base in Comox, and our next defence review needs to recognize that roughly 80 per cent of global trade is transported by sea. Sixty per cent of maritime trade passes through Asia, with the South China Sea carrying an estimated one-third of global shipping. Annual defence spending in the Indo-Pacific has doubled since 2000 to $450 billon – more than $200 billion of that by China – and the region is forecast to surpass the U.S. as the world's biggest spender on weapons by 2029. By 2035, half the world's submarines will patrol Indo-Pacific waters, according to Australia's 2016 defence white paper.

While we take justifiable pride in our armed forces, the burden of continental defence (through NORAD) and collective security (through NATO) is borne by the U.S. Successive presidents have complained about sharing the burden. Trump doesn't like multilateralism, nor will he underwrite the allies.

Self-interest and self-respect should oblige Canada to invest more. This means air defence – satellites, drones, and fighter jets – but especially our naval forces. We are ringed by three oceans. This means completing the promised Arctic patrol ships, icebreakers and new surface combatants. It also means commissioning the next generation of submarines and more multi-purpose ships.

The Americans regularly remind us: if you claim sovereignty in the Arctic, then exercise that sovereignty. We need an Arctic naval base - Nanisivik, Nunavut was proposed by the Harper government - and search and rescue posts. If the Russians can do it, so can we.

Keeping it Together

National unity is not easy in a nation that, by comparison to Europe or Asia, is new, covers more time zones than any nation but Russia and aims to make a virtue of its diversity. Canadians are progressive but prudent. The challenges of geography and climate mean that we also understand compromise. Unlike Americans, who run the gamut from A-Z, the Canadian spectrum would be F-M.

For the poet-philosopher Frank Scott, the mantra of our longest serving prime minister, Mackenzie King, was "do nothing by halves that can be done by quarters." Scott feared it encouraged mediocrity, but for a nation in development, initiatives like reconciliation with First Nations take time and patience. In contrast to the American mantra of "life, liberty and the pursuit of happiness", Canadians are well served sticking with "peace, order and good government."

Managing Uncle Sam

Life with Uncle Sam is never easy. Former prime minister Brian Mulroney's advice stands: "The golden rule of Canada-US relations is very simple. We can disagree without being disagreeable. The Americans are very important to us. We know they are, notwithstanding the differences, our best ally, our closest neighbour, our biggest customer. There is also a rule of global politics - Canada's influence in the world is measured to a significant degree by the extent to which we are perceived as having real influence in Washington."

The coda to the golden rule is that serious Americans (not Trump) appreciate the insights and intelligence our foreign service can bring to the table. This is why we need ambassadors in Tehran, Riyadh and Pyongyang. Diplomatic recognition is not a Good Housekeeping seal of approval. It's how we conduct business and protect Canadian interests. It's also why we need to invest in our diplomatic service and develop expertise and empathy in foreign cultures.

But this also means making investments and sharing the burden. Former Foreign Affairs minister John Manley observed that as the waiter bringing the tab approaches the table, the Canadian tendency is to head to the toilet and leave the bill to others (usually Uncle Sam). We still fall short (1.23 per cent of GDP) of the NATO target of two per cent GDP on defence spending. Our international development assistance (0.26 per cent GDP) remains well short of the 0.7 per cent endorsed by the G7. If the British can manage it, why can't Canada? A 2015 study for the Canadian International Council concluded that "Canada's engagement is so low that today it meets the statistical definition of an international 'free rider.'" Is Canada really back? If you want to play, you have to pay.

Avoid temptations

Canadian leadership need to avoid three temptations:

First, avoid smugness and the temptation to preach. In former U.S. secretary of state Dean Acheson's memorable phrase, Canadians have a tendency to act like the "stern voice of the daughter of God".

Second, recognize our limitations. Championing the cause of the Rohingya, participating in the Lima Group's efforts on Venezuela, hosting meetings on North Korea, and working to improve WTO dispute settlement are examples of useful diplomatic entrepreneurship. But we can't fix everything. We need to focus and decide what best serves Canadian interests. It means hard choices. Why peace operations in Mali? Why not more in Haiti or in Central America?

Third, playing diaspora politics hurts national security and bilateral relations. Prime Minister Justin Trudeau learned this during his magical mystery tour of India.

With one in five Canadians born abroad, including half of our biggest city, Canadians

are the people of the world. The Aga Khan set up his centre for pluralism in Canada because he thinks we get it right in how to manage diversity. Canadian citizenship is like winning the lottery, but sometimes it is taken a bit casually. We are more than the "greatest hotel on earth."

Looking Forward

Canada is a blessed nation – in its neighbour, in its resources, in its people. This good fortune can be sustained through prudent but progressive policies at home and constructive internationalism abroad.

In a messy world, providing good government and managing diversity at home will make Canada a country from which other nations can learn. Canada must always look outwards. Internationalism and multilateralism serve the national interest.

As a middle power, we accomplish more when we work with other like-minded nations This means cultivating our shared institutions to set and enforce the rules that level the playing field. It means finding niches where helpful fixing and diplomatic entrepreneurship can be constructively applied. It also means investing money and muscle in our alliances. But always, always with recognition of our limitations and a realistic appreciation of the world as it is, not as wishful thinking would like it to be.

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Lead image: **U.S. Department of State**

Does Canada Need a Foreign Policy Review?

by **RANDOLPH MANK**

Though far from perfect, Canada has been blessed with a favourable geographic location, enviable natural assets and effective democratic governance over the years. Today, in Justin Trudeau, the country is led by a prime minister who fits the idealistic mold of the polite, decent and earnest Canadian, intent on tackling the difficult task of managing conflicting constituency interests at home, while advocating progressive social issues abroad. His government deserves credit for concluding important trade deals and championing the liberal international order. It also deserves credit for undertaking several domestic policy initiatives, ranging from encouraging women in the workforce to incentivizing business investment.

Yet, like all others before it, the Trudeau government has faced criticism, fair or otherwise, over its handling of foreign policy since it took office in November 2015. Contentious Canada-U.S. relations around NAFTA renegotiations, missteps during bilateral visits to China and India, weak NATO commitments and even frictions with Saudi Arabia, have been among the targets. Domestically, criticisms have included the growing fiscal deficit and national debt, and problems in the energy sector.

Meanwhile, the global context is changing, with fundamental challenges arising from an ascendant China, a re-assertive Russia, and Britain's withdrawal from the E.U. This, against a backdrop of portentous changes in technology, energy markets and the global climate, along with mounting global debt, a growing wealth gap, failing states, religious conflict and massive refugee movements.

But by far the most important and unanticipated development for Canada has been the Trump administration's ardent nationalism. The president's apparent disdain for maintaining mutually beneficial bilateral relations with Canada and other key allies has been a wake-up call. Moreover, the

Trump administration's disregard for the Wilsonian tradition of promoting democratic values and international institutions has created new risks for global stability.
The question arises: have we reached a point where a full-scale foreign policy review is necessary in Canada? Is this the right time for it, and what might it achieve?

Let's look first at what foreign policy is and what it is meant to do.

What is foreign policy?

A country's foreign policy is both an expression of its international intentions and a roadmap for achieving its national interests beyond its borders. A country's international interests are highly dependent on its internal affairs and domestic policies, as well as its historical and geographic position and culture.

Components of an effective foreign policy normally include strategies for protecting national security, promoting trade and economic interests, and playing a role on the global stage. Political leaders and officials pursue these strategies through bilateral and multilateral institutions, using whatever levers of power and influence are at their disposal in conducting international relations.

Foreign policy interests can be further divided into the vital and non-vital. Vital interests are those upon which a country's very survival depends. These usually endure over time and involve the security of the population and borders, along with the viability of the economy and the political system itself.

Non-vital interests relate more to satisfying aspirations for influence in the world and often reflect moral values. Initiatives in this category can actually help advance a country's interest in maintaining beneficial international rules. They can also provide a sense of national purpose. Yet, a country's existence is not directly threatened (though it may be indirectly at risk) if these aspirations are not realized.

George Kennan, who led the U.S. State Department's policy planning function during the Cold War period, drew an important distinction between state interests and morality. Unfortunately, the pursuit of non-vital interests, if taken too far, can blur the hard necessity of protecting vital ones. To paraphrase British Lord Palmerston's famous 1848 remark, countries do not have permanent friends, only permanent interests. The recent American zero-sum approach to NAFTA renegotiations and Mexico's move to cut a bilateral deal without Canada were useful reminders of this reality.

How has Canada's foreign policy evolved?

We can't know where we want to go if we don't know where we've been. History shows a struggle to find balance between vital and non-vital interests and between dependence and independence in Canada's foreign policy.

Colonial ties to Great Britain, including to this day a shared head of state, shaped Canada's national and foreign policies following the country's formation in 1867. Resisting the pull of the U.S. was the central nation-building priority from the very start. The construction of a national railway to connect the east and west, coupled with the national policy centred on erecting a high tariff wall against U.S. imports, were key components of the national project designed to achieve this goal. Aggressive immigration policies of the early 1900s, aimed at settling Canada's western regions, were also part of a foreign policy designed to resist the pull of the more natural bilateral partner.

But geography is destiny in foreign policy and so, gradually and inevitably, the partnership with the southern neighbour grew closer. Already in the early 1900s, Canada and the U.S. had begun co-operation on trans-boundary water issues, which eventually led to the establishment in 1912 of the International Joint Commission

for co-operative management of the Great Lakes watershed.

Canada gained control of its own foreign and defence policy from Great Britain following passage of the Statute of Westminster in 1931. Canada's entry into both world wars preceded U.S. entry, and was based on enduring ties to Great Britain. But, by the 1950s, aided and abetted by the postwar baby boom and advances in transportation and communications technology, especially television, Canada slowly began to accede to the logic of closer integration with the U.S.

Overt resistance to the U.S. in Canada's foreign policy was gradually channelled into a strong internationalism centred on defining Canada's role in the world. Former prime minister Louis St. Laurent signalled this focus in a seminal foreign policy speech in 1947. In helping to resolve the 1956 Suez crisis, itself one of many events marking the ultimate sunset of British imperial power, Canadian diplomat and later prime minister Lester Pearson opened up a new multilateral role for Canada in international peacekeeping.

However, the tensions and even contradictions between strong nationalism and closer bilateral integration continued into modern times, with a noteworthy burst of anti-Americanism in the 1960s, partly fuelled by opposition to the Vietnam War. This occurred despite already deeply integrated bilateral economic and security arrangements in the form of the Auto Pact, the bi-national North American Air Defence (NORAD) arrangement, as well as the multilateral North Atlantic Treaty Organization (NATO). To add to the contradiction, some 20,000 Canadians reportedly volunteered to fight in Vietnam.

Former prime minister Pierre Trudeau and his successors carried Canadian internationalism forward in the 1970s and 1980s with occasional displays of foreign policy independence from the U.S. Examples included maintaining bilateral relations with Cuba during the Cold War, extending official recognition to China in 1970, ahead of the U.S., and later declining to participate in the "Star Wars" Strategic Defence Initiative (SDI) program the Reagan administration introduced.

The notion of a more integrated North America still met with great resistance in the 1980s. Fear of American dominance led to deeply divisive national debates in 1987-1988 prior to concluding the first Canada-U.S. Free Trade Agreement. Equally fractious debates preceded the 1994 signing of the trilateral North American Free Trade Agreement (NAFTA), which brought Mexico into the arrangement. Liberal leader Jean Chrétien ran a successful campaign in 1993 opposing then-prime minister Brian Mulroney's NAFTA deal, but once in office concluded the agreement with former president Bill Clinton who, interestingly, needed side agreements on labour and the environment to gain congressional support. As if to salve the shift in his own position, as prime minister Chrétien initiated a fundamental review of Canada's foreign policy, which resulted in a government white paper published in 1995, again emphasizing Canadian multilateralism.

Since then, however, national debates over whether or not to have such bilateral trade agreements have largely given way to broad public recognition of their benefits, with the only arguments being what provisions should or should not be in them. In that sense, the country has changed fundamentally, with resistance to the economic pull of the U.S. largely replaced by its embrace.

Under the surface, however, deep cleavages still remain in Canada. As economist and historian Harold Innis illustrated in his "staples theory", the country has developed economically and politically from east to west around the exploitation of specific natural resources, from fish and furs to forests, grains and minerals. The development of western energy resources, with political tensions over their control, very much fits this pattern. The struggle to balance these interests has been further

complicated by a federal-provincial political structure, French-English linguistic duality and Indigenous people's rights, all of which pose fundamental domestic challenges to the pursuit of a united, interests-based foreign policy.

What are Canada's foreign policy interests?

This brings us to where we are today. It would be difficult to deny that Canada's overarching vital interest is to maintain a secure and open border for bilateral trade and a strong security alliance with the U.S. Some 75 per cent of our exports go to the U.S., our main economic sectors are deeply integrated, and our security depends on bi-national joint command arrangements with the world's pre-eminent military power.

Other vital interests include defending our sovereign borders, and protecting ourselves and the global system through a strong NATO alliance, a viable United Nations organization, and a rules-based global trading system adjudicated by the World Trade Organization (WTO).

The pursuit of even these interests, however, requires careful management of Canada-U.S. relations. For example, the U.S. does not accept Canadian sovereignty over the Northwest Passage. Similarly, the U.S. applies pressure on Canada (and other allies) to spend two per cent or more of GDP on defence, which is about double the amount that Canada has recently been willing to spend. Meanwhile, Canada's passionate advocacy of the post-Second World War rules-based international order and its international institutions – founded and funded by the U.S – have now been called into question by the Trump administration, with potentially destabilizing consequences.

The multilateral side of foreign policy includes promoting human rights, advocating international conventions via the UN, participating in peacekeeping and so on. Pursuing these interests not only signals support for the international order upon which we depend, it also has domestic value for creating a sense of national purpose. Unfortunately, however, might is right has been a reality in international affairs throughout history. Even in the modern world, advocating basic human rights can lead to bilateral tensions, as for example in the August 2018 bilateral dispute with Saudi Arabia over the arrest of Samar Badawi, sister of imprisoned Saudi activist Raif Badawi.

The space for such internationalism has always largely depended on Canada's status as a client state, first of Great Britain and now the U.S. As "a state that is economically, politically, or militarily subordinate to another more powerful state", Canada could confidently advance a globalist agenda as long as its dominant partner was set on the same path. In effect, this has meant that foreign policy decisions taken in Washington D.C. have been as consequential to Canada's interests as our own foreign policy decisions. The Bush administration's decisions after 9/11 – the temporary closure of the Canada-U.S. border and the decision to go to war in Afghanistan – were just two very clear demonstrations of this reality.

Of course, Canada has still been able to pick and choose its points of resistance. Canada did not follow the U.S. into war with Iraq in 2003. But Canada has nevertheless had to leaven its differences with shows of support. So, for example, Canada quickly fell into line with the U.S. perimeter defence strategy for North America post-9/11, passing a security budget with almost C$8 billion in spending within months of the attacks.

Yet, the Trump administration's new hardline approach forces Canada to address the fundamental question of whether or not its foreign policy continues to serve its national interests.

Is Canada's foreign policy aligned with its interests?

The Trudeau government's foreign policy can be discerned from the Liberal Party platform prior to its election, by ministerial

speeches and statements in public forums and the House of Commons, by already completed development and defence policy reviews and by budgetary spending. Officially, the priorities are to promote international order, advance feminism, pursue progressive trade and maintain constructive relations with the U.S.

Whereas an effective foreign policy should cohere with domestic policy and advance national interests, unfortunately we see a series of real discontinuities. Let's look at arguably the three biggest.

The first is in the area of Canada-U.S. trade. A proactive strategy of renegotiating NAFTA was clearly not among the Trudeau government's priorities when it was sworn in. But the Trump administration's threat to withdraw from NAFTA vaulted the bilateral trade relationship to the top of Canada's foreign policy priority list where, in reality, it always belonged.

Canada attempted to make a virtue of necessity by quickly signalling support for modernizing NAFTA, but the objective really became to preserve as much of the existing agreement as possible. Despite fielding a strong negotiating team, the government was clearly unable to control the agenda and appeared to be on the back foot throughout. As the negotiations wore on, the U.S. eventually sidelined Canada in favour of concluding a deal with Mexico first. In the end, presented with a take-it-or-leave-it proposition, Canada had little choice but to declare victory on several hard-fought points and concede the rest.

Though not yet ratified, the new U.S.-Mexico-Canada Agreement, (USMCA) will clearly perpetuate economic integration with the U.S., which is both positive and negative. The positive side is that Canada will retain favourable access to the world's pre-eminent market. Already highly integrated economic sectors should also avoid major disruption. The negative side is that Canada will remain subject to potentially damaging trade protectionist policies, including tariffs on steel and aluminum and on goods from China and elsewhere, and to U.S. domestic policy moves around taxation, deregulation and the like. America's economic vitality itself is potentially undermined by an annual fiscal deficit approaching US$1 trillion, a growing national debt now at US$21 trillion (100 per cent of GDP), and mounting state, corporate and consumer debt. Deep bilateral integration means that, by choice, Canada is subject to any negative consequences of these factors.

A second major discontinuity concerns domestic and foreign policy on energy and the environment. The government's commitment to limiting carbon emissions, in line with the UN Sustainable Development Goals and the Paris climate change agreement, has been fundamentally undermined by the Trump administration's withdrawal from that accord. Canada's commitment has also been contradicted by its support for pipeline construction to sell oil and gas to Asian markets. The government's purchase of the stalled Trans-Mountain pipeline project from Kinder Morgan in 2018 appeared to demonstrate its intention to see the project through to completion. However, ongoing efforts to pass bills C-48 and 69, which would further tighten environmental regulations around oil tankers and pipeline construction, have sent contradictory signals to the industry.

With energy being the country's single largest export sector, the fact that Canada had been selling Western Canada Select heavy oil as low as the US$15 per barrel range, when the West Texas Intermediate price hovered in the $50 per barrel range, indicates just how damaging the lack of infrastructure is to Canada's economic interests. But infrastructure isn't the only issue. The U.S. – virtually the only customer for Canadian oil and gas – has become the world's largest oil producer and sits on massive reserves of oil and gas of its own that it intends to export as well. Thus the U.S. will shift from customer to competitor, raising an obvious competitiveness challenge for Canada.

To boost its own competitiveness, the U.S. government introduced corporate tax reductions, accelerated capital write-offs, and deregulation. Rather than meeting these

challenges head on, the Canadian government's February 2018 budget continued to emphasize its overarching gender theme. By the time tax relief arrived in the November 2018 fiscal update, it was criticized as being too little, too late. Moreover, the government's reconfirmation of the controversial carbon tax to be implemented in 2019 further alienated the energy sector. Several provincial governments have also rejected the tax, setting the stage for a rupture in federal-provincial relations.

As an aside, while controversy has surrounded the morality of selling C$15 billion in armoured vehicles to Saudi Arabia, Canada has imported over C$20 billion worth of oil from the Kingdom during just the past 10 years for energy needs that arguably could have been met at home.

The third major discontinuity arises from the government's decision to conduct development and defence policy reviews without the umbrella of an overall foreign policy review to provide context. The government's gender priority again drove the aid review, which was published as Canada's Feminist International Assistance Policy.

More critically, the defence review, Strong, Secure, Engaged, failed to set out a convincing plan for meeting Canada's own needs and its NATO military spending commitments. The U.S. decision to create a new space force came later, and Canada's role in it is therefore left undefined. Persistent problems surrounding defence equipment procurement also remain unresolved. The situation has festered to the point that the former commander of the navy is facing trial for allegedly trying to expedite shipbuilding inappropriately, and the government has been forced to purchase used aircraft from Australia to fill the gap caused by a decade of delays in the jet fighter replacement program. In sum, unfortunate timing and poor sequencing rendered both policy reviews far less relevant to changed circumstances than they could have been and, as a result, leave Canada looking out of step.

While these may be the three biggest discontinuities, there are certainly others. Canada's demand that Russia return Crimea to Ukraine has been accompanied by sanctions and military support for the region, including military training in Ukraine and a deployment to Latvia. Yet, the more fundamental foreign policy questions around NATO enlargement up to the borders of Russia, and the longer term viability of denying spheres of influence to Russia and China, have yet to be considered in the broader geopolitical context. With the U.S. in the clear lead, Canada significantly lacking military capacity and Canada's Foreign Affairs Minister Chrystia Freeland barred from even visiting Russia, Canada's reach probably exceeds its grasp on Eastern European diplomatic and security issues.

Last, after a delay of many years the government has finally committed Canada to a new peacekeeping role. But its decision to send an air support mission to Mali is widely seen as a move to bolster Canada's bid for a non-permanent UN Security Council seat in 2021. Aside from the merits of the Mali mission itself, there is no clear agenda for what we would hope to achieve in the Security Council role.

These discontinuities suggest gaps in Canada's foreign policy thinking and a lack of alignment with, and clarity about, a range of its key interests.

Addressing global challenges

In addition to these policy discontinuities, there have certainly been global changes in recent years that affect Canada. President Donald Trump's disruptions go beyond the bilateral relationship. Language in the USMCA deal that effectively constrains Canada's latitude to negotiate a free trade deal with China is one significant example.

But there are many other challenges. Great Britain's decision to withdraw from the European Union following the Brexit referendum continues to unfold and will have profound implications for Europe. Canada needs to position itself for the effects of the split. At minimum, Canada will need a new trade agreement with Great Britain, while working with the private sector to reap benefits from the still new Canada-Europe

Comprehensive and Economic Trade Agreement (CETA).

Re-emergent Russian aggression in regional hotspots has been mentioned. But Russia's alleged meddling in the 2016 U.S. presidential election also raises issues of Canada's own election security. To its credit, the Canadian government initiated a cyber-security review in 2016, led by Public Safety Canada, and its rollout is ongoing. But the convergence of rapid technological advances around computing power, Big Data, social networking, artificial intelligence, robotics and nano-technology raises unprecedented security threats and suggests the need for a new kind of quantum diplomacy. The arms control and disarmament treaties of the future may well centre on these areas.

Asia is another area deserving special focus, given its size and growth prospects. China's move to extend sovereignty over the South China Sea by building artificial islands and placing military installations on them has changed fundamental security calculations in the region. China's Belt and Road Initiative, designed to revive the old Silk Road trade routes over land and sea, has further regional and global implications.

Though the successful conclusion of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) Agreement has assured Canada an improvement in market access in Asia – most importantly in Japan – we continue merely to study the desirability of a free trade agreement with the Association of South East Asian Nations (ASEAN). In the absence of such an agreement, Canada is shut out of the ongoing negotiations to create a regional comprehensive economic partnership (RCEP). While largely ignored in Canada, when negotiations are completed in 2019, the RCEP will become the world's largest liberalized trading zone with a combined population of 3.5 billion people and a GDP of US$25 trillion, linking China, India, South Korea, Japan, Australia, New Zealand and ASEAN.

Elsewhere, the near-collapse of Venezuela, combined with stresses in the Middle East and Africa, has increased the potential for economic disruption and conflict. Debt and foreign exchange crises in various countries have posed threats to global economic stability. Massive refugee movements have put strains on immigration and social services in Canada and other countries. The thawing of the polar ice cap and the increased interest in shipping through the Northwest Passage portend yet another disruptive development.

In short, change is constant and the challenges numerous. But would a foreign policy review help?

When are foreign policy reviews conducted?

A case can be made for re-examining foreign policy whenever the global context has changed substantially, as it has now. But timing is a crucial consideration and the electoral cycle is key. The last Canadian foreign policy review was begun in early 2001, and was characterized at the time as a modest "update". The Chrétien government had been re-elected to its third mandate in November 2000 and was looking for fresh ideas.

With Lloyd Axworthy in the foreign minister role from January 1996, there had been some genuine achievements in the multilateral arena: the Ottawa Convention banning anti-personnel landmines, the establishment of the International Criminal Court (ICC) and the UN's Responsibility to Protect initiative. However, the U.S. did not accept the ICC's jurisdiction and the court's proceedings were slow and inconsistent. Canada's rhetoric about the responsibility to protect was contradicted by even its own reluctance to get involved in the messy internal affairs of other countries when it came to specific cases. And the commitment of resources to peacekeeping had actually declined.

The shift to a new foreign minister, John Manley, in late 2000, meant the timing was right to take a fresh look. The foreign affairs policy planning team at the time believed that the goal should be to achieve a better balance between the pursuit of interests and values, and between the use of bilateral and multilateral instruments. As an explicit proposal, it meant admitting that managing practical relations with the U.S. had to be Canada's top foreign policy priority, with government spending aligned accordingly, rather than looking for new multilateral initiatives.

As a counter-balance, it also meant prioritizing other key bilateral, instead of mainly multilateral, relations in foreign policy. This included bilateral relationships with other G7 partners, the U.K., Germany, France, Italy and Japan, along with other emerging giants such as Mexico, Brazil, China and India.

The proposal to place Canada-U.S. relations front and centre failed to gain traction at the political level even up to the summer of 2001, not because the U.S. relationship wasn't obviously important, but because the Canadian public would not necessarily want to hear it formulated so explicitly. After all, as St. Laurent had said: "It is not customary in this country for us to think in terms of having a policy in regard to the United States."

The terrorist attacks of Sept. 11, 2001 changed that and demonstrated how thoroughly U.S. imperatives could shape Canadian priorities. The low-key foreign policy update suddenly became an urgent action item. Proposals for strengthening Canada-U.S. relations, including better management of the border, became top priorities, with the post-9/11 emergency security budget focused on precisely these measures. The U.S. invasion of Afghanistan drew Canada's military into a major deployment of its own. Canada assumed the chair of the G8 process in 2002 and, at the U.S.'s insistence, delivered not only a counter-terrorism action plan, but also a $20 billion Global Partnership Against the Spread of Weapons and Materials of Mass Destruction. As its contribution to this, Canada itself committed an unprecedented $100 million annually for 10 years.

Subsequent rifts in the Liberal caucus, which led to Paul Martin taking the prime ministerial role in December 2003, along with changes in foreign ministers, shifted the still ongoing foreign policy review to the back burner after that. It took several more years to draft, consult and, finally in 2005, publish the official documents. A Global Fund for Peace and Security was established as a key deliverable. But by then, the world and Canada had moved on. The new Stephen Harper government, which took office in February 2006, promptly shelved and ignored the review.

As for the current situation, Canada faces a similar timing problem for a foreign policy review, three years into the Trudeau government and less than one year from the next federal election. The renegotiation of NAFTA has been completed and, if ratified, has arguably already affected Canadian interests beyond any other policy initiative that might be conjured up.

The government certainly has the valid option of sticking with its current policies and waiting to see how events unfold. Yet it is open to the criticism that its foreign policy directions have not been subjected to broad public debate or a more comprehensive search for areas of improvement.

What foreign policy options might be considered?

If the government's ambition extends only to minor adjustments, there are certainly things that could be done, with or without a foreign policy review. Ideas left on the table after the last review include the creation of a special agency for trade policy along the lines of the U.S. Trade Representative (USTR), further improvements in Canada-U.S. border management and crossing facilities, the strengthening of defence co-operation, including ground-based ballistic missile defence, and the doubling of the Trade Commissioner Service to assist companies abroad and attract foreign investment.

However, the truth is that none of these will address the more fundamental problems in Canada's foreign policy. For that level of ambition, a foreign policy review would be useful. But it would only be truly productive if everything were on the table for Canadians to consider and debate, including the discontinuities outlined previously, as well as the fundamental connections between domestic and foreign policies. If such a review resulted in a conscious choice of even closer co-operation with the U.S., then devising a package of initiatives to strengthen relations would yield the benefit of driving improved policy coherence.

However, a review might also reveal that Canadians wish to reduce dependence on the U.S. The Trudeau government created a new Minister of Trade Diversification portfolio in July 2018, already seeming to signal its intention to move Canada away from its current level of trade dependency. However, such a move will require more than a change in ministerial title. It will require pulling off the delicate trick of preserving as much benefit as possible from the relationship with the U.S., while investing heavily in the conditions for its reduction in relative importance over time.

As the world's second largest economy, China is sometimes viewed as the key to diversification, but a free trade deal with China must be approached cautiously. First, the caveat implicitly requiring U.S. approval of such a free trade deal, under the USMCA, limits Canada's scope of action. More fundamentally, increased trade with China would bring a different set of problems, especially around security, human rights and democratic governance. The December 2018 arrest in Vancouver of Meng Wanzhou, Huawei's chief financial officer, in response to a U.S. request for her extradition, and the subsequent retaliatory detentions of two Canadians in China, illustrate just how exposed Canada is in the U.S.-China rivalry. It also demonstrates that, despite Canada's spirited defence of international law, powerful countries often play by different rules when their interests are at stake.

In any case, China will be less amenable to increased trade with Canada until the Huawei issue is resolved. Of course, China isn't Canada's only option for diversification. But any concerted move in that direction would require a deep review of the policies necessary to achieve it, along with broad buy-in from the Canadian public and provinces.

In Conclusion

Foreign policy reviews are intensive exercises. They should not be undertaken lightly and shouldn't be begun at all if there is no appetite for real change.

The Trump administration's actions against NAFTA and the post-Second World War global order pose a profound challenge to Canada's foreign policy assumptions. While 9/11 drew the two countries closer together bilaterally, the Trump administration's moves have driven a wedge into the relationship. Whether it will endure into the future, no one can predict. In the meantime, global geopolitics are changing profoundly, as well.

In the end, the Canadian government can choose between two main options: it can follow its current path and only adjust foreign policy as necessary, while waiting out the Trump administration and hoping for more favourable successors, or it can try to set Canada on a new path. The first option has the benefits of being cheaper and less time consuming than a full policy review. It also preserves flexibility, though at the cost of ceding initiative.

The second option would require greater cost and effort, but there would be merit in looking for new ways to reset Canada-U.S. relations, perhaps even searching for some new leverage. This might mean options for even closer co-operation on border efficiency and security, as well as on

continental defence, including a joint space force and ballistic missile defence.

Following the bruising NAFTA renegotiations, looking for ways to reduce our dependence would also be justifiable, not least because of the signal it would send bilaterally. Of course, the Brexit experience offers a cautionary tale; Canada cannot defy its geographic destiny. Reducing economic dependence on the U.S. even over a decade or two, though not impossible, would require a national project with costly and divisive elements.

In sum, Canada has arrived at an inflection point. Given the deep issues at play, a full foreign policy review would seem warranted, if not prior to the 2019 election then early in the new government's mandate. Given the country's historical evolution and today's geopolitical realities, Canada could only benefit from an opportunity to define and pursue its national interests more clearly and purposefully. Change is being thrust upon the country and Canadians should have a voice in how their government is handling it.

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Lead image: **The Canadian Press**

Why Limit Pipeline Choices For Alberta Oil?

by **ROBERT HAGE**

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The federal government had three pipeline options to ship Alberta's oil to the West Coast. It cancelled one (Northern Gateway) and is in the process of shutting down another (First Nations Eagle Spirit Energy Corridor). It is left with the most challenging environmental option, the expansion of the Trans Mountain pipeline to Vancouver.

The government has put all of its eggs in the Trans Mountain basket (it now owns it). Although the National Energy Board (NEB) has approved the Trans Mountain expansion for the second time, the project is meeting stiff opposition from environmentalists, the cities of Burnaby and Vancouver, and coastal First Nations. The government is currently engaged in court-ordered consultations, and it is facing a BC government court challenge.

In the meantime, the government is actively pursuing Senate passage of Bill C-48, the West Coast Oil Tanker Moratorium Act. Peter Harder, Government Representative in the Senate, says the act will simply enshrine in law "the longstanding moratorium on bulk shipments of crude oil along the northern coast of BC." But there is no such moratorium: there is, however, a tanker corridor that (voluntarily) keeps Alaskan tankers 100 nautical miles off the BC coast. It has nothing to do with BC's northern coast, which is where the new legislation would apply.

If Bill C-48 proceeds, it will put an end to the Eagle Spirit Energy Corridor, which would run from the oil sands across Indigenous lands to BC's northern coast, along with Indigenous peoples' hopes for a better economic future.

In 2002, Calgary's Enbridge Northern Gateway began feasibility studies and public consultations on a pipeline from the oil sands to a west coast terminal, which was to

ship Alberta crude to Asian refineries and markets. Four years later, the federal Minister of the Environment appointed an independent review panel to work with the NEB to assess the Northern Gateway proposal.

The panel heard from hundreds of participants in 21 communities, including First Nations; reviewed 175,000 pages of evidence; and received 9,000 letters. It determined that, overall, "Canada and Canadians would be better off with the Enbridge Northern Gateway than without it." In May 2014, the Harper government accepted the panel's recommendation to approve the proposal for pipeline and its Kitimat terminal on BC's northern coast.

During the 2015 fall election campaign, Liberal Leader Justin Trudeau vowed to ban tankers from BC's northern coast and to stop the Northern Gateway project. The Federal Court of Appeal ruled that the Harper government had failed to fully consult First Nations on Northern Gateway. The new government did not appeal this decision, but it passed an order-in-council to put an end to the project. The government subsequently reimbursed Enbridge $14.7 million for its regulatory fees, but offered nothing toward the company's $373 million in lost costs.

The federal government went a step further. In May 2017, it introduced Bill C-48, a law that would ban tankers carrying crude oil from stopping or unloading at ports along the BC coast between Alaska and the northern tip of Vancouver Island, as well as at Haida Gwaii. (It allowed tankers to use BC's southern ports and waters.)

The Bill passed in the House of Commons last year and is being debated in the Senate. From the beginning, nine First Nations who see an energy corridor not as an intrusion but as an opportunity for economic development — a seemingly unlikely group — opposed the Bill. They created a chief's council to administer the Eagle Spirit Energy Corridor company and oversee the pipeline's construction.

To get the Bill through the Senate, the government has resorted to the gambit of saying it is putting into law what has been in place for some time. Harder told the Senate that a "moratorium on crude oil shipments along the northern BC coast has been in place since 1985, with the voluntary tanker exclusion zone. . . created in response to the completion of the Trans-Alaska Pipeline system in the early 1970s." He said it was formalized in a 1988 agreement between the United States and the Canadian coast guard.

However, Harder did not provide all of the details. The United States first established the voluntary tanker exclusion zone in 1977, putting Alaskan tanker traffic 100 nautical miles west of Haida Gwaii. After tanker owners complained about compliance costs, the zone was cancelled in 1982. Following discussions between Canada, the US and the tanker industry, an interim tanker exclusion zone was put in place in 1985 and finalized by the two countries' coast guards in 1988. Author Ted McDorman outlines the events in his 2009 book Salt Water Neighbors.

Harder told the Senate that Prime Minister Justin Trudeau made a commitment to Canadians "to give the crude-oil tanker moratorium the strength of law." How can a voluntary tanker route that applies only to Alaskan tankers 100 miles off BC's coast be called a crude-oil moratorium that applies to waters along the BC coast?

The goal of Bill C-48 is entirely new: to ban crude-oil tankers from using Canadian ports along the northern BC coast. Even the Sierra Club, in its submission in support of Bill C-48, stated the Bill would do nothing to stop existing petroleum tank barges passing by BC's north coast in transit between Alaska and Washington State, as they do not stop at BC ports. Even the Canadian Coast Guard, in its October 6, 2017 advisory, says the exclusion zone "does not apply to tankers travelling to or from Canadian ports."

In 1972, the federal government announced a proposed moratorium on crude oil traffic through the north coast's Dixon Entrance, Hecate Strait and Queen Charlotte Sound off Haida Gwaii. This moratorium was never put into law for the very good reason that the US contests the status of these waters. Since the 1890s, Canada has claimed that the waters of Dixon Entrance immediately south of the Alaskan panhandle are internal waters of Canada. It has extended that claim southward to include Hecate Strait and Queen Charlotte Sound.

The US has sent a series of diplomatic notes over the years contesting all these claims and has even drawn boundaries for its own territorial sea in Dixon Entrance. Under international law, Canada could only impose and enforce a tanker ban in these waters, particularly at Dixon Entrance, if they were considered internal waters of Canada, which the US opposes. Bill C-48 attempts to avoid this difficulty by applying the moratorium only to ships entering or leaving Canadian ports where Canada has uncontested control.

In April 2018, the coastal Lax Kw'alaams First Nation, part of the Eagle Spirit group, filed a legal challenge against Canada and BC, asking for a court declaration that if Bill C-48 passes, it would have no effect in Lax Kw'alaams territory, which includes Grassy Point, near Prince Rupert, where a planned terminal would go. If Bill C-48 becomes law and their legal challenge fails, the Trans Mountain pipeline expansion will be the only remaining pipeline proposal to transport oil from Alberta to the west coast.

However, Trans Mountain's Burnaby terminal, which is part of the Port of Vancouver, is not ideal as a west coast terminal. The Port of Vancouver is Canada's busiest port. Last year, it shipped a record 142 million tons of grain, chemicals, containers, bulk goods and crude oil. Approximately 250 vessels a month use the port, but only 2 percent are oil tankers. The Trans Mountain expansion will increase the full capacity of the pipeline system from 300,000 barrels a day to 890,000 barrels a day. This would result in a seven-fold increase in the number of oil tankers using the Burnaby terminal, to around 34 per month (14 percent of total ship traffic). By comparison, the areas around Northern Gateway's now-abandoned port at Kitimat and Eagle Spirit's yet-to-be-developed Grassy Point terminal are relatively free of congestion.

Petroleum is by far Canada's largest export. Over the past 10 years, oil has allowed Alberta to provide a total of $220 billion in transfers to the rest of Canada – almost three times more than Ontario. Expanding Alberta's oil markets beyond the United States by pipeline to the west coast is, as the NEB noted, for the benefit of all Canadians.

Getting Alberta's oil to west coast terminals should be seen as not just a provincial or regional project but a nation-building project. Canadians have an interest in seeing Trans Mountain proceed. In the event it does not, however, the government should not needlessly shut down the Eagle Spirit Energy Corridor, a viable alternative route on First Nations' lands with First Nations in control. It is essential that Bill C-48 be either defeated or amended to exempt Lax Kw'alaams Nation's territory and the development of the Grassy Point terminal.

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He was also Director of four divisions including International Financial and Investment Affairs and relations with the European Union; Principal Counsel for the Canada-U.S. Free Trade Agreement; Counsel on the Environmental Side Agreement to NAFTA and a representative for Canada at the United Nations Conference on the Law of the Sea. He has written and commented on a range of subjects including West Coast energy issues, maritime boundaries and Canada-EU relations. Mr. Hage formerly taught a course on Modern Diplomacy at the University of Ottawa's graduate school.

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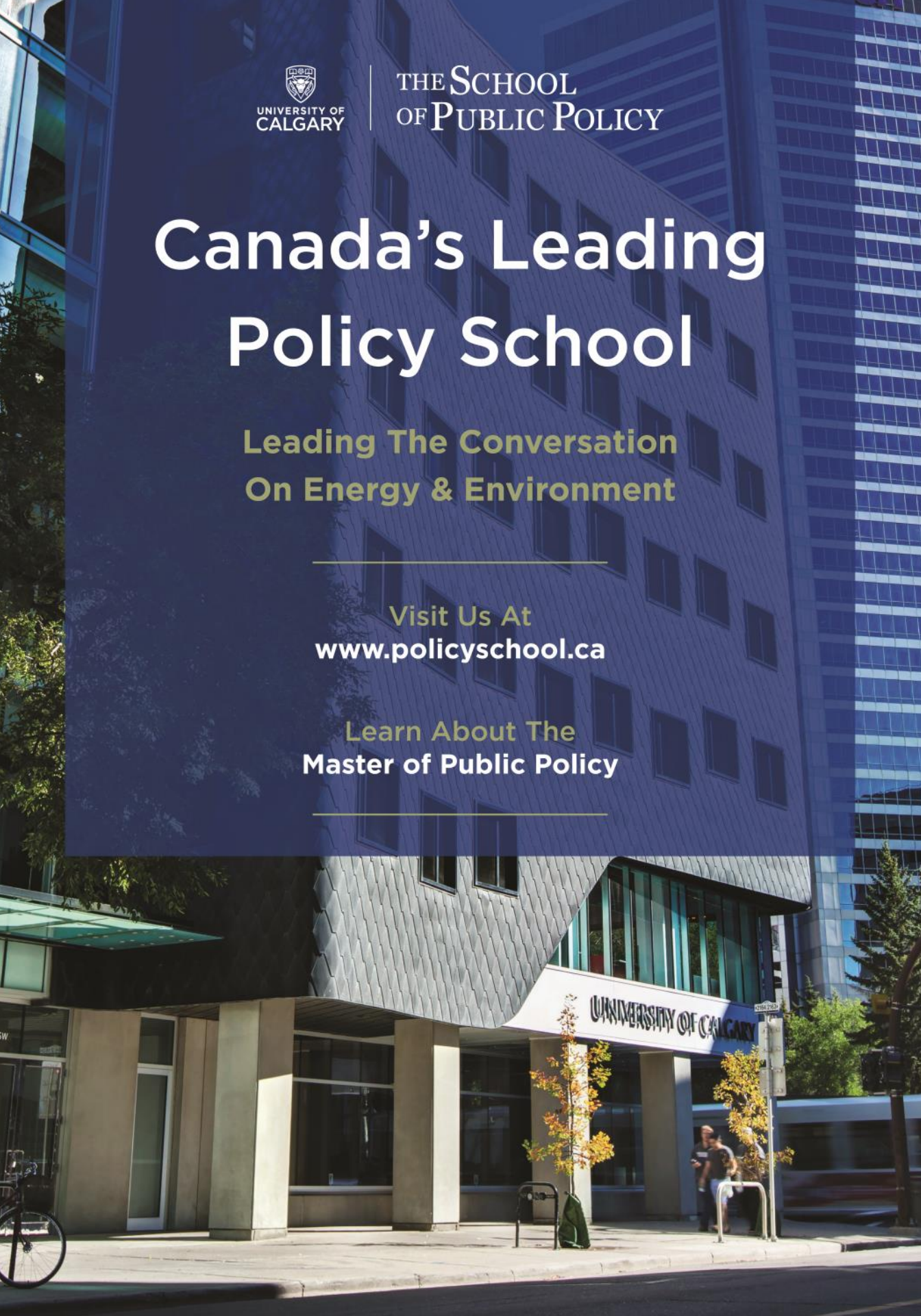
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President López Obrador: His First 100 Days

by **FRANCISCO SUÁREZ DÁVILA**

Andrés Manuel López Obrador, the president of Mexico, has passed the emblematic number of 100 days in government. He won the presidency with a clear majority of 53 per cent and his party won control of the two legislative chambers and of many state assemblies, in an unequivocal mandate for change. As in other countries, the stage was set for a populist leader by a populist anti-establishment anger directed at the traditional parties and the elites. This anger is the result of a crisis provoked by inequality, poverty, widespread corruption, insecurity and uncontrolled violence by organized crime.

AMLO, as he is called, has really rocked the boat beyond expectations. He holds a daily press conference at 7 a.m., covering a broad range of topics and responding to questions with a reasonable degree of knowledge, although he sometimes resorts to "alternative facts". He sets the agenda, and provokes debates, reactions and support. He demonstrates a marvelous knowledge of the common man, the use of popular language and catchy slogans.

His blueprint for the nation is not a haphazard one. It was basically laid out in 2018, The Starting Line: The Decline and Renaissance of Mexico, the most recent of his several books, which was published in 2017. There are few surprises regarding his model of government.

Economic Policies

López Obrador is a fiscal conservative, which is unusual for a populist. He presented a sound budget, close to equilibrium (three per cent of GDP), little resorting to debt, committed to price stability and to respecting the Central Bank's autonomy. He has proposed two nominees for its board, respectable economists from two different schools of thought. The budget is based on reasonable macro assumptions. Further proof of his fiscal conservatism is

that he has rejected introducing fiscal reforms until his third year, with no new taxes or an increase in existing ones, including a more progressive income tax. On the other hand, in the border regions, he reduced the corporate tax from 30 per cent to 20 per cent as U.S. President Donald Trump did, and he lowered the value-added tax from 16 per cent to eight per cent.

A key issue is increasing Mexico's growth from a mediocre two per cent per annum, which is near stagnation, to a minimum level of four per cent. To do so, he must increase public and private investment from a historic low. To achieve this goal, he needs the private sector. The government has gone out of its way to establish cordial relations with business leaders. López Obrador recently set up a joint public private council to promote investment, employment and growth.

López Obrador believes there is a need for regional development to correct the huge income gap that exists between the country north of Mexico City and the backward southern and southeastern regions. Large infrastructure projects will figure prominently in his plans. His first major project is a sensible Trans-Isthmus of Tehuantepec corridor. This is basically a land channel with fast road and railroad links for freight between the revamped port of Salina Cruz on the Pacific and Coatzacoalcos on the Gulf coast. His other ambitious plans include a Maya tourist train which will circle the Yucatan Peninsula. One part of this project may by economically profitable, because it covers the northern arc of the peninsula where there is heavy tourist traffic between Tulum, Cancún, the Mayan Riviera and the capital cities of Merida and Campeche. On the other hand, an 800-kilometre southern arc through the jungle, similar to that of other tourist trains like the Malayan Peninsula Orient Express, risks damaging the environment and the Mayan habitat, and its profitability and financial soundness are in doubt.

Possibly the government's worst mistake thus far is cancelling the proposed new Mexico City airport in Texcoco, a megaproject beautifully designed by architect Norman Foster, that was 30 per cent complete and practically fully financed. The new airport would have made Mexico City a regional hub. The government has had to bail out US$2 billion worth of bonds, with some $4 billion more outstanding among bondholders who will continue to receive the proceeds of airport taxes. This will mean over $10 billion buried in the ground with no benefit. Since the current airport is at capacity, the idea is to expand the military airport at Santa Lucía, 80 kilometres away, which would require construction of a costly suburban railway.

Another major economic issue relates to energy policy. López Obrador has essentially declared a halt to major energy reforms, including future stages of bidding. There will be a review of the progress and the status of contracts as well as the degree of compliance achieved. However, the real issue is Pemex itself, the state-owned petroleum company, which has been downgraded by the rating agencies and barely maintains investment grade. The new Pemex administration has failed to command investors' confidence in its business plan. López Obrador is committed to a costly new refinery in Dos Bocas Tabasco, on swampy land that is not technically or financially feasible for the project. Lack of investment in exploration and extraction has not reversed the drop in production to below 1.7 million bb/d from a maximum of 3.4 million bb/d. After the initial rating agency reaction, the government injected further capital and reduced its very large tax burden, but only by insignificant amounts. Further financial support from the government to Pemex is now seen as a rating risk to itself, if it is not done convincingly. Pemex is perhaps the most vulnerable point in Mexico's economic prospects.

Strengthening the Social Welfare State

López Obrador is introducing some new elements into the social welfare state. One of these is a youth program along the lines of one that made up former U.S. president Franklin Delano Roosevelt's New Deal, to cover more than two million young people who neither study nor work. There is also a fixed amount for relief for the elderly outside of the formal pension system. Also introduced was a farm support program, based on price guarantees for basic products in poor, rural areas, but which won't be enough to solve farmers' social problems.

Foreign Policy

López Obrador's government strongly endorsed the new treaty with the United States and Canada that replaces NAFTA. He supported the need for Canada to be part of it and sides with Prime Minister Justin Trudeau as a necessary counterbalance to our neighbour in between. Mexico and Canada are third trading partners to each other and either Mexico or Canada is the main trading partner of all the states in the United States. There is uncertainty as to whether the Democratic majority in the House of Representatives will ratify the agreement in the middle of an electoral free-for-all. Ratification might be delayed until 2020. No major uncertainties should be created except for the risk that President Donald Trump will throw a tantrum and denounce the current pact.

López Obrador has sought to maintain cordial relations with Trump and has prudently learned to disregard his antics regarding building the "wall". Migration is, however, a difficult political and social issue. There is no longer a new net migration of Mexicans to the United States. However, there remain large numbers of Mexican legal and illegal immigrants from previous years, including children. The new problem is that Mexico is a pass-through territory for a large movement of people from Central America. López Obrador supports a proposal for North American countries to set up a type of Marshall Plan to tackle the root causes of this migration, which are the severe poverty, unemployment and stagnation in Guatemala, Honduras and El Salvador, through economic investment and trade.

On the Venezuelan crisis, Mexico has opted for a neutral stance favouring dialogue and negotiation, opposing armed intervention and staying at arm's length with respect to United States policy on the issue. Mexican foreign policy principles reject the idea of recognition or non-recognition of foreign governments, but simply retain the right of maintaining diplomatic relations with whom we please.

Mexico is a founding member of the Lima group, which is a worthwhile initiative among several Latin American democracies to help address Venezuela's crisis. Canada's participation has also had a positive impact. However, recently Mexico has become lukewarm toward the group. With the addition of pro-military President Jair Bolsonaro, Brazil's newly elected leader, the group is perceived to favour policies associated with U.S. interventionism.

Mexico should take a significantly more belligerent public stance condemning Maduro for his responsibility in Venezuela's serious humanitarian crisis, pushing for a negotiated agreement while staying short of intervention.

Strategy Against Corruption and Violence

The two most important issues besides the economy are the fight against organized crime and violence, and an anti-corruption strategy. López Obrador recently succeeded in achieving unanimity in Congress on a constitutional reform to set up a new permanent National Guard, initially based upon 70,000 existing well-trained military police, but under a civilian top command. This was the result of a democratic process that involved listening to civilian experts who wanted a civilian command. It should yield early encouraging results.

On the other hand, the fight against corruption is lagging, although the government is tackling the serious

problem of widespread theft of gasoline from the pipelines network. One of those thefts recently resulted in a serious explosion and more than 100 dead.

To prevent corruption, López Obrador has also embarked upon a republican austerity program, setting a salary cap of US$5,000 per month (his own salary) for all civil servants and eliminating most perks. There had evidently been much abuse before, but this extreme measure has meant the flight of top officials from government, and has provoked a brain drain of qualified civil servants who will be sorely needed. This has led to a paralysis in current expenditures, over and above that which occurs in a new administration, and economic activities have decelerated. Mexico might even face a recession in the first half of this year.

The Politics of His New Popular Style of Government

López Obrador's new style of government has introduced a number of initiatives that have had great popular appeal, including converting the presidential residence (Los Pinos) into a museum. He has sold the presidential plane and eliminated the presidential guard so that he now relies on a very small civilian protection squad. He drives around in a Jetta and travels on commercial flights.

Thus, in spite of the mistakes mentioned above, people are delighted with the political change. His popular support rating is around 80 per cent, one of the highest in recent Mexican history and no doubt the envy of many heads of government. The conservative minority at the top, however, is highly critical and skeptical of the results, although everyone acknowledges that he is a talented political and communicator.

López Obrador clearly has much in common with other world populist leaders, including Trump. Populists now rule the majority of nations, including the United States, China, Brazil, Russia, Turkey, the Philippines, and some Eastern European and African countries. López Obrador desires to increase his power over all institutions. He is committed to basic policies and holds irreducible beliefs on some issues, but on others, he listens to other people's views and when he meets resistance or finds he is wrong, he rectifies the matter.

Political analysts are concerned that he needs more checks and balances. Democracy everywhere is subject to new threats and challenges, and Mexico is no exception. However, there are already some checks and balances. The adverse behaviour of financial markets is a key check. Up to now, our armed forces, the Supreme Court, the autonomous public institutions like the Bank of Mexico, vocal minorities in Congress, state governors who do not belong to his party, Morena, and business leaders have also proven to be checks. However, sometimes they have tended to resort to accommodation rather than confrontation. Mexico has a very active civil society with activists in human rights and women's issues. López Obrador will, of course, through the political process, try to weaken those checks and balances to strengthen his power. This is his political instinct.

He knows his Mexican history well and identifies the country's three greatest moments of transformation. These are Mexico's war of independence; the era of Benito Juárez, the reformist who expelled the French and limited the church's power; and the Mexican Revolution and former president Lázaro Cárdenas, a nationalist who brought about social reforms and expropriated oil from foreign companies. López Obrador believes he will lead the fourth transformation. He undoubtedly has a sense of history.

Some very exciting 100 days have passed, full of shifts and turns as well as some basic trends. There are many uncertainties both domestically and internationally. Each policy move must be examined individually with the

utmost objectivity and equanimity. Mexico undoubtedly needed a change after 30 years of mediocre growth (two per cent), in one of the world's most unequal countries, in a region of extreme poverty. Fortunately, change came through a peaceful electoral process, through votes and not by violence in the countryside or in the streets, as with the French "yellow vests". The issue now is: what strategy and direction will overcome existing problems without creating new ones? We shall see in the coming months where the fourth transformation will lead us, or if instead it will be a de-formation.

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Lead image: **Getty Images**

Seventy Years After Its Creation, We Have Never Needed NATO More

by **DAVID J. BERCUSON**
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The North Atlantic Treaty Organization (NATO) turns 70 this week. In April 1949, representatives from Belgium, Canada, Denmark, France, Great Britain, Iceland, Italy, Luxembourg, the Netherlands, Norway and Portugal joined the United States in signing the NATO agreement. The heart of the agreement was and still is Article 5, which states that each member is to consider an armed attack against one member to be an armed attack against them all. The purpose of the treaty was to provide the European member states and Canada with the nuclear umbrella held by the United States (which still had a nuclear monopoly in April 1949) to deter an armed attack by the Soviet Union.

After the Second World War, the Western states disarmed rather quickly — Canada led the chase for defence budget cuts — but the Soviet Union did not. The Soviets, after all, did not have to worry about what the Soviet public wanted in the way of post-war spending. And the Soviets, who had occupied all the central and east European nations that had been allies with Hitler or had been swallowed up by him, set up puppet governments in all of them.

NATO had two purposes; to build up the military forces of its members to deter a Soviet Attack and to ensure that non-Communist countries such as Finland did not fall under the sway of the mighty military of the USSR.

From the beginning, NATO was a military alliance and the first such organization that

either Canada or the United States had ever joined in peacetime. It gave military muscle to American plans to "contain" the Soviet Union — not to try to push the Soviets back by war, but to draw a line around the USSR and its satellite states and dare the Russians to cross it.

They never did. From the spring of 1949 to the fall of the Berlin Wall in 1989 and the disappearance of the Soviet Union in 1991, NATO held the line. It expanded, built its nuclear and conventional forces and prepared for the Armageddon everyone hoped would never come.

But why did NATO not disappear after the disappearance of the Soviet Union? After all, the threat of Soviet aggression had held it together for 50 years, but suddenly the threat of Soviet aggression seemed to disappear.

The initial reason why NATO survived was inertia. It was there with its councils, agencies, command structures and its troops and weapons. Far easier, it seemed, to keep it all going even if defence budget cuts rippled throughout the NATO nations. Better to use the efficient NATO military command to stop the war in the Balkans in the nineties and intervene in other crises that the United Nations had shown it could not handle. The best example was the takeover and expansion of ISAF — the International Security Assistance Force — in Afghanistan. At its height in the late 2000s more than 20 NATO nations sent troops to Afghanistan encompassing some 45,000 soldiers and air crew.

But what of the future? We now live in the age of so-called populism. Several European nations have expressed displeasure with the EU. Is NATO next?

Geopolitics says no. The USSR is gone, but Russian history from the 16th century on was a history of autocratic expansionism. From a small state near present day Moscow to the vast Soviet empire, Russia expanded. Russians — like Americans — thought of their great enterprise as that of a chosen people. The Soviet Union is no more, but Russia today still has great power aspirations. It is building its military, intervening far beyond its borderlands, and using new technologies such as cyber measures to intervene in the affairs of other states. Russian aspirations today are not those of a hostile ideology. Communism was a great and bloody failure but Russian nationalism — the same Russian nationalism that defeated Hitler in the Second World War — is alive and well.

Thus NATO today is stronger than it was 10 years ago, not because of U.S. President Donald Trump, but because of the Russian menace that Vladimir Putin represents. Putin will continue to push and meddle — in Syria, in Venezuela, elsewhere — because that is what great powers have always done. Which is why the need for NATO has never been greater.

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Source: https://nationalpost.com/opinion/david-j-bercuson-seventy-years-after-its-creation-we-have-never-needed-nato-more

Lead image: **The Canadian Press**

Complex Strategic Coercion and Russian Military Modernization

by **JULIAN LINDLEY-FRENCH**

"A transition from sequential and concentrated actions to continuous and distributed ones, conducted simultaneously in all spheres of confrontation, and also in distant theatres of military operations is occurring."

- Gen. Valeriy Gerasimov, as reported by the Russian Academy of Military Sciences, March 24, 2018

The purpose of this short briefing paper is to consider the capability and utility of contemporary Russian forces in relation to President Vladimir Putin's strategic goals. Specifically, this paper examines the critical role played by Russia's "New Look" military force in the realization of Moscow's political goals via complex strategic coercion.

Complex strategic coercion is the use of all national means and beyond by a "securitized" state such as Russia to systematically undermine the command authority, as well as the political and social cohesion of adversary states and institutions. This end is achieved by creating and exploiting divisions within diverse societies, interfering in national political processes and exacerbating tensions between democracies. Complex strategic coercion is underpinned by the threat of overwhelming conventional military power against weaker states at a time and place of the aggressor's choosing. This type of coercion is allied to the implicit threat of nuclear and other means of mass destruction to confirm the changed facts on the ground by preventing strategic peer competitors from mounting a successful rescue campaign.

Western strategists increasingly confuse strategy, capability and technology, thus undermining deterrence and defence efforts. Russian Chief of the General Staff Gen. Valeriy Gerasimov has been pioneering precisely the fusion of the three elements of warfare for a decade. The modernization of Russia's armed forces must thus be seen in

the context of a new form of complex strategic coercion that employs systematic pressure across 5Ds: disinformation, destabilization, disruption, deception and implied destruction. Russia's strategic goal is to conduct a continuous low-level war at the seams of democratic societies, and on the margins of both the EU and NATO, to create implicit spheres of influence where little or no such influence would otherwise exist. In the worst case, complex strategic coercion would be used to mask Russian force concentrations prior to any attack on NATO and EU states from above the Arctic Circle and Norway's North Cape in the north, through the Baltic States and Black Sea region and into the southeastern Mediterranean. The strategy's enduring method is to use the implicit threat of force to keep the Western allies permanently off-balance, strategically, politically and militarily, and thus to offset any innate advantages afforded Western leaders by either their forces or resources. If the Alliance concept of deterrence and defence is to remain credible, an entirely new and innovative concept of protection and projection must be considered as a matter of urgency.

Why complex Russian strategic coercion?

There are three elements to Russian strategy which provide the all-important strategic rationale for Russia's military modernization: intent, opportunity and capability. The intent of Moscow's complex coercive strategy is driven by a world-view that combines a particular view of Russian history with the Kremlin's political culture, which is little different from that of Russia prior to the October 1917 Bolshevik Revolution. For Russia, the end of the Cold War was a humiliating defeat which saw power in Europe move decisively away from Moscow to Berlin and Brussels. For Moscow, the loss of all-important prestige was compounded by NATO and EU enlargement as proof of an insidious West's designs to destroy what Russians see as the legitimate legacy of the Great Patriotic War and with it, Russian influence in Europe.

The 2014 EU Association Agreement with Ukraine reinforced the Kremlin's paranoia that Russia's voice no longer mattered. The traditional Russian reliance on force as a key component of its influence reinforced the Putin regime's tendency to imagine (and to some extent manufacture for domestic consumption) a new threat to Russia from the West. The increasingly securitized Russian state thus has come to see the threat of force as a key and again legitimate component of Russian defence, albeit more hammer and nail than hammer and sickle. Hard though it is for many Western observers to admit, it is also not difficult to see how Russia, with its particular history, and Putin's Kremlin with its particular world-view, has come again to this viewpoint. The West's mistake would be to believe that such a world-view is not actually believed at the pinnacle of power in Russia. It is.

An under-defended Europe, a fractured transatlantic relationship and an over-stretched America faced with the rise of regionally aggressive China all afford the opportunity for Moscow's complex coercive strategy. The Brexit fallout has reinforced Russian prejudices about the EU. From the Russian perspective, the supine British political and bureaucratic elites are an example of what happens to an old power that tries to negotiate constructively with a German-centric European Commission that sees itself on an historic mission to unite all the peoples of Europe via the aggregation of state power into a superpower organized around and for Berlin. For the Kremlin, there is no such thing as community in international relations, only power, the balance or otherwise thereof and the zero-sum reality of winners and losers.

Military-strategic analysis

Russia's military modernization began with the 10-year State Armament Program of 2010 and the so-called New Look reforms. The main elements are:

Russian Aerospace Forces

Strategic communications are central to Moscow's method of coercion, particularly for an aggressive but weaker power in competition with stronger, albeit more diverse and passive powers. The Russian Aerospace Forces are thus a vital component in Moscow's complex strategic coercion and act as a showroom to the West of Russian military capability. Together with the development of highly deployable airborne forces, the Russian Air Force and air defence have received the biggest tranche of funding in the 2011-2020 Strategic Armaments Program. Since 2014, the air force has acquired more than 1,000 aircraft – both fixed and rotary wing. Much investment has been made in new hypersonic missile systems such as the Avangard, Kinzhal and Zircon systems. A new intercontinental ballistic missile, SR28 Sarmat, has been deployed together with further deployments of mobile systems such as TOPOL M, as well as a raft of short and (controversially) intermediate-range systems, such as 9M729 Novator. The latter breaches the 1987 Intermediate Nuclear Forces Treaty (INF) and once again raises the prospect of the U.S. strategic arsenal being de-coupled from the defence of NATO Europe. Nuclear torpedoes have also been tested as well as new ship-busting systems, such as the nuclear-capable SS-N-X18. Russia's air defence forces have been markedly upgraded to form a multi-layered air defence with the creation of 44 new missile battalions armed with the advanced S-400 surface-to-air missile and other systems. Russia's space-based systems are also being modernized with 85 military satellites, 21 of which offer high-resolution imagery and high-speed data transfer.

Russia is also seeking to better exploit unmanned and robotic systems, with a particular emphasis on the use of drones to enhance tactical and operational reconnaissance. However, while Moscow is keen to develop a heavy reconnaissance and strike drone, its programs are still some way from being completed.

Strategic Command and Control

The National Defence Management Centre (NDMC) acts as the brains of the force charged with considering the utility and application of force in line with presidential strategy. The NDMC balances centralization of strategic command with decentralization of operational command. Four smaller versions of the NDMC have been recreated in the four military oblasts (districts).

Critically, the NDMC has overseen a radical root-and-branch reform of Russia's strategic, operational and tactical command and control allied to the creation of new joint forces. This reform includes a particular emphasis on new airborne forces that combine airborne units, naval infantry (marines), special operating forces (Spetsnaz)) and the deployment of high-tech capabilities that enhance battlefield mobility and offensive and defensive performance. Particular improvements are apparent in the situational awareness of commanders, and communications between the supreme political authority and operational commanders. The adoption of a new joint battlespace information system has further enhanced the force's flexibility. Live streaming for commanders has also been introduced to improve real-time operational command and decision-making.

Personnel

The design aim is to improve the strategic and political utility and flexibility of Russia's future force. The creation of a core professional force is central to that ambition with a large augmentation force, built mainly around conscripts, reinforced, in turn, by significant reserves. The shift in the balance between conscripted personnel and professional personnel aims to achieve a 4:5 ratio. A particular emphasis has been placed on making all cadres of non-commissioned officers (NCOs) professional to improve the junior leadership qualities of the force. Achieving such a change has been complicated by a decline in the attractiveness of military contracts since

2010 compared with civilian alternatives, but significant progress is apparent in making a military career more attractive compared with the recent past.

Russian Army

The Russian army has proved to be the most resistant to the changes Gerasimov has been driving in his long tenure as Chief of the General Staff. The central effort to modernize the force has focused on upgrades of artillery and armoured systems and formations, albeit with mixed success. Much has been made of the new T-90M main battle tank and its enhanced active armour protection. However, tests of the T-90M are unlikely to be completed before 2020 at the earliest. A sustained effort has also been made to improve the army's fires and counter-fires capability as the use of mass artillery still remains central to Russian land doctrine. New multi-launch rocket systems (MLRS) have been deployed, together with heavy-guided artillery munitions reinforced by the increasing use of drones to enhance the battlefield intelligence of artillery regiments. Russia's missile brigades are also capable of operating at a greater range than before with double the number of launchers compared with 2010. They are also equipped with new short-range systems, such as Iskandr M, with ranges up to 500 km.

Russian Navy

The Russian navy has benefited least of all by services from the reform program, even though a massive new missile arsenal is nearing completion on the Kola Peninsula close to the base of the Russian Northern Fleet, Moscow's principal naval force. While significant enhancements have been made to the fleets of Russian nuclear ballistic submarines with the (eventual) deployment of the four Borei-class boats (three of which are under construction), the development and deployment of the eight boats of the advanced hunter-killer Yasen class greatly concern Western navies. Russia has also deployed 11 boats of the effective Akula class and some very quiet conventional submarines of the improved Kilo class, as well as the new Varshavyanka and Lada classes. The Russian submarines' ability to fire a range of munitions, including cruise missiles and nuclear-tipped torpedoes, makes them potentially highly effective ship-busters.

However, the surface fleet has not fared so well. The shipbuilding yards have been unable to meet the navy's demand to replace principal surface craft, with budgets for such construction in any case reduced in recent years. The 30-year-old aircraft carrier, Admiral Kuznetsov, is undergoing a problematic extended refit following its return from operations in the Mediterranean in 2017 and 2018.

Lacunae

Russia's military lacunae confirm the nature, scope and ambition of Moscow's complex strategic coercion because they emphasize the ability of Russian forces to potentially do a lot of damage around Russia's self-declared near-abroad, but with limited strategic effect beyond without resorting to the use of nuclear weapons. Specifically, Russian forces lack strategic manoeuvre and strategic lift, which limits the range of likely conventional action from Russia's borders. The blocking of the two French-built Mistral-class amphibious ships was a particular blow. The Russian air force also lacks precision-guided munitions, although steps are being taken to close that gap in the arsenal, and the development of so-called smart munitions is a priority. Russia's strategic bomber fleet is also very old, even though systems such as the Tu-22M and the latest variants of the Tu-95 are still capable of providing platforms for the launch of new long-range, stand-off hypersonic missile systems.

Assessment

The modernization of the Russian armed forces since 2010 has been impressive. However, the impression of an irresistible force that Putin likes to portray is still some way from the truth. The specific threat from the force comes in its role within, and relationship to, other forms of warfare Russia could wage, particularly on European

democracies close to its borders. Today's Russian armed forces are certainly capable of undertaking a lightning 30-day conventional war at the margins of NATO and the EU that would enable them to seize strategic, albeit limited, objectives. Russia's nuclear forces are being modernized at pace (see the 2019 deployment of the Avangard system) with the objective to deter and prevent the major Western powers from intervening in sufficient force until a fait accompli land grab was completed. Russian grand strategy and military strategy are thus closely aligned either through the threat of force or, in extremis, the actual use of force. Why Russia would actually use such force is harder to discern, although the Kremlin's failure to reform either the Russian economy or society could create the conditions in which a desperate regime felt compelled to resort to extreme measures.

There are also significant constraints on the Russian defence budget. The slowdown in investment planned in the 2021-2030 Strategic Armaments Program suggests that Putin's original level of military-strategic ambition might also be somewhat reduced in the coming years. Much will depend on foreign-generated income from oil and gas sales and the extent to which Russian civil society is willing to accept the cost of the onerous burden of the Russian security state (civil and military). While no democrat, Putin has shown himself sensitive to the public mood, if not to the public voice.

Strategic welfare and countering complex strategic coercion

Europe is slowly awakening from a 30-year strategic slumber, as evidenced by the talk of strategic autonomy and even a possible European army the French and Germans are leading. For all the challenges the British face, the shift from an equipment/cost-led defence strategy to an effects-led strategy is also indicative. As with all such moments, the awakening is marked by an explosion in concepts that tend to create more heat than light for leaders and the policy and strategy choices they must make. Definition at such moments is thus vital for defence, particularly when it concerns the need to understand adversaries and their strategic aims. The future defence of Europe must thus be seen in the context of two main drivers. First, an offensive Russian strategy based on Moscow's systematic identification of the coercive strategic effects the Kremlin seeks to generate and the role of both implied and actual force in the creation of such effects. Second, a revolution in military technology that is ever more apparent as the prospect of hyper-war-driven artificial intelligence, quantum computing and machine-learning, nano-technologies, drone and other semi- or fully autonomous delivery systems start to appear in an increasingly singular battlespace. This battlespace now stretches from the ocean depths to outer space, across all landmasses and within and between changing societies and communities.

The mistake the Americans have traditionally made at such moments is to see technology as strategy. Gerasimov and his staff have adopted a very different approach. They have considered the strategic and political objectives that Putin has set for them and the ends, ways and means (including technology) available to Russia to realize those goals. American concepts such as the technology-led cross-domain warfare in which the battlespace becomes an integrated air, sea, land, space, cyber, information (including electronic warfare) and knowledge super-domain for the conduct of operations are vital, but to the Russians of secondary important to strategy – a means to an end. Indeed, Gerasimov and his staff see cross-domain warfare as an outcome and a consequence, as well as a realizer of strategy. Europeans appear to embrace neither strategy nor technology in any meaningful and systematic way, rather seeing defence as what can be afforded after the costs of social welfare have been expended.

Russia's military modernization must thus be seen first and foremost as the foundation instrument for the application of complex strategic coercion across 5D continuous warfare in pursuit of the greatest influence at

the least war-fighting cost to the Russian Federation. In other words, for Moscow, the utility of the Russian future force as a political extortion racket – the ultimate tool of strategic blackmail – is aimed primarily at the states around Russia's western and southern borders, with a particular focus on what the Kremlin would call the old Soviet Empire.

The logic of such a strategy is created by Europe's leaders, too many of whom continue to be in denial of the strategic ambition implicit in Russia's force modernization and the need to counter it. If Europeans and their allies are to successfully counter Russian strategy they need to see a 5D defence as strategic welfare and organize accordingly. To that end, new partnerships are needed between institutions, states and peoples to harden both systems and populations in addition to deterring Russia's implied use of force. Back in 1967, Pierre Harmel called for a dual-track approach to the then-Soviet Union – defence and dialogue. Dialogue with Russia remains vital to convince Moscow that the aggressive narrative about the West is not only wrong, but it will eventually be self-defeating. At the same time, if Europeans are to successfully demonstrate the errors in the assumptions that underpin Russian strategy, the defence of Europe will need to be recast with forces and resources applied systematically across the 5Ds and seven domains of 21st-century warfare. Such a strategy presupposes a strong albeit adapted transatlantic relationship, and a Europe that finally pursues strategic unity of effort and purpose. The need is great. As Russia has demonstrated and continues to demonstrate in and around Ukraine and elsewhere, 5D warfare is already a reality.

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Lead image: **Anthropoliteia**

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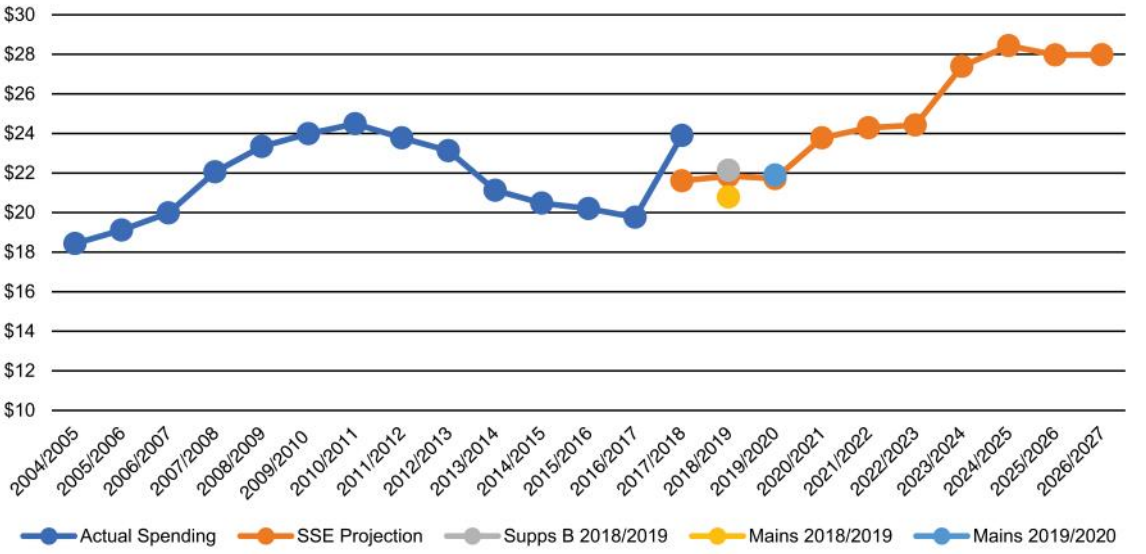
Strong, Secure, Engaged: A Two-Year Review

by **DAVID PERRY**

The Trudeau government released its defence policy, *Strong, Secure, Engaged*, in June 2017 with considerable fanfare around the publication's fiscal underpinnings. It was stated that the policy review that led to the document was the most rigorously costed Canadian defence policy exercise ever. The policy was supported by external auditors and accompanied by several fiscal transparency initiatives. The document included a 20-year projection of the underpinning budget – in the accrual accounting format used in federal budgets – as well as a projection of cash spending, which is the accounting format used in the Estimates and reports to Parliament. The policy also included a projection of how Canada would measure up to the NATO spending targets to which it had committed as a member of the alliance, spending two per cent of gross domestic product (GDP) on defence and spending 20 per cent of that money on equipment purchase and related research and development. These spending projections are all a novel feature of Canadian defence policy under *Strong, Secure, Engaged* and they allow progress on the policy to be measured. While funding never tells the full story on any public policy file, it is a critical indicator of policy implementation.

Two years after the publication of *Strong, Secure Engaged*, the Trudeau government's record of spending the money to implement its policy is a largely positive one. The government is struggling to spend as much on capital (equipment and infrastructure) as it hoped, and spending on equipment and related research and development as a share of the defence budget is falling short of expectations. However, spending on those procurement projects is rising in inflation-adjusted dollars for the first time in years. Meanwhile, total defence spending is meeting, or exceeding, the expectations set with the policy's publication.

Figure 1:
Total Canadian Defence Funding ($2019/2020B)



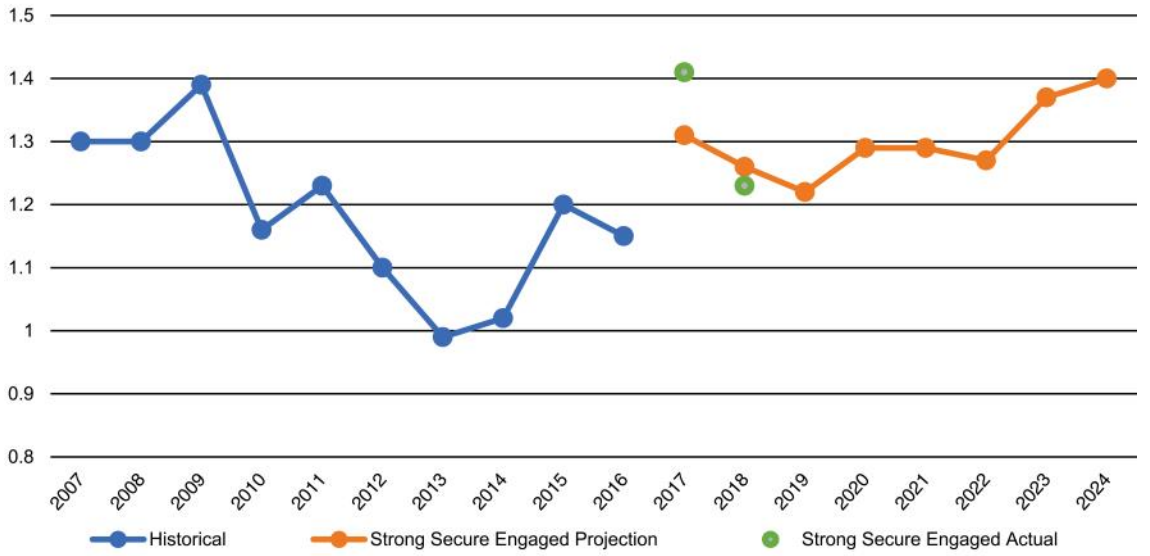
In the first year of *Strong, Secure, Engaged*, (2017/2018), overall defence spending actually exceeded the level of spending projected by roughly $2 billion, reaching almost $23 billion (nominally – nearly $24 billion in 2019/2020 dollars – see Figure 1).[1] As a share of GDP, the latest NATO statistics show that $23 billion in spending translated into 1.4 per cent of GDP, again surpassing the projection of 1.3 per cent outlined in the policy (See Figure 2).[2] The higher-than-anticipated spending came on the back of a nearly $2-billion, one-time pension adjustment. But if that pension funding is factored out of the analysis, defence spending would have ended up at almost exactly the level projected in the policy.

For the policy's second year, the funds allocated in the Supplementary Estimates B for 2018/2019 (the last allocation of funding for the fiscal year – Supps B 2018/2019 in Figure 1) show the Department of National Defence (DND) again meeting the overall spending projection outlined in the policy, while falling just short of projected spending as a share of GDP. Because of the one-time infusion of pension funding in 2017/2018, defence spending in real dollars and spending as a share of GDP are both projected to drop for 2018/2019.[3] The total funding allocated to DND for the policy's second year was just over $22 billion, which represents 1.23 per cent of GDP, very close to the 1.25 per cent projected in Strong, Secure, Engaged.

For 2019/2020, the amount allocated to DND in the Main Estimates (the first substantive allocation of funding in the fiscal year – Mains 2019/2020 in Figure 1) is just slightly less than the total allocation from the year previous, at a little less than $22 billion. This puts DND roughly on the same spending trajectory projected in *Strong, Secure, Engaged*, without factoring in any additional funding which may be supplied during the remainder of the year. As Figure 1 shows, after the Main Estimates 2018/2019, more than $1 billion was added to DND's funding line by the Supplementary Estimates B 2018/2019. In sum, with respect to overall defence spending, the Trudeau government is doing what it said it would with *Strong, Secure, Engaged*.

Below the topline spending data, the Trudeau record when it comes to capital spending is more complicated. Three distinct trends have emerged regarding spending on equipment and infrastructure under *Strong, Secure, Engaged*. First, spending on capital – the money that is actually expended to acquire equipment or infrastructure – in the policy's first year is significantly less than projected in the policy.

Figure 2:
Canadian Defence Spending as a % of GDP

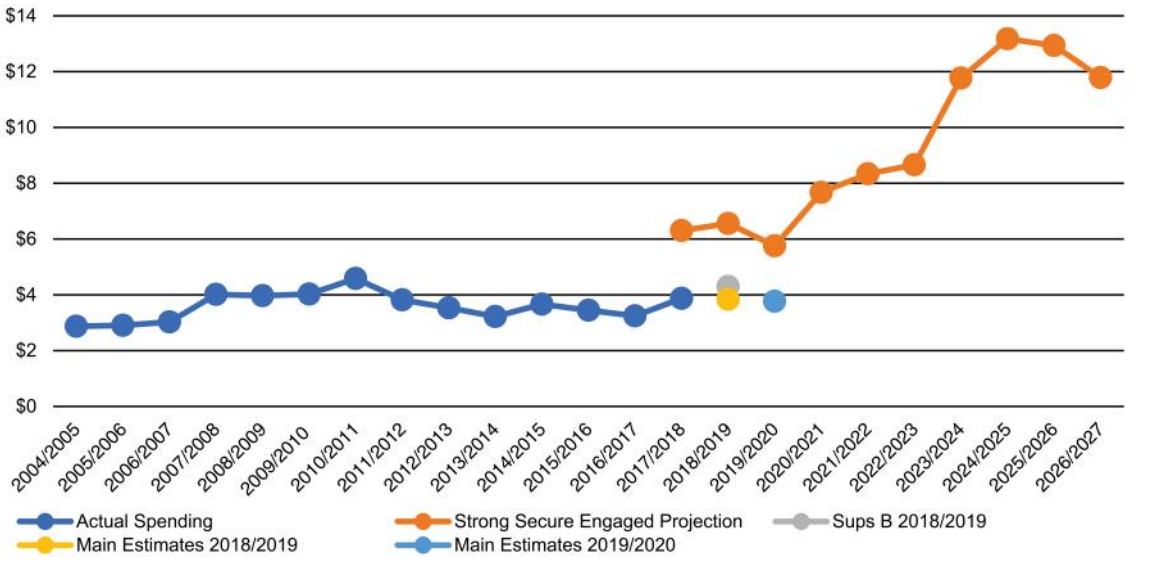


The allocation of capital funding – the money that Parliament gives DND each year, through the Estimates, based on the department's spending plan – in its second year and so far in its third, is also significantly less than projected. In the first year, $2.5 billion less than projected was spent. In the second, $2.3 billion less than projected was allocated for the year, and as of the Main Estimates 2019/2020, the allocation is $2.1 billion short of what was outlined in the policy, although the fiscal year is not complete (See Figure 3).

Defence officials have indicated that four factors explain the discrepancy between actual spending and the policy – contingencies not being used, project efficiencies, industry not delivering on schedule and project delays internal to government. The latter two reasons for spending shortfalls are problematic as they result in the military not getting its equipment on time. The first two reasons, on the other hand, do not reflect actual problems with procurement; rather, they mean that projects required less money than budgeted. However, regardless of the cause, capital expenditures falling short of what had been projected do leave Canada short of its NATO spending commitment. While under *Strong, Secure, Engaged* Canada indicated clearly it would never meet the NATO target of spending two per cent of GDP on defence, the document does show Canada quickly reaching, and then exceeding, the 20-per-cent target for equipment spending. While the policy had predicted DND would meet the 20-per-cent target in the first two years of *Strong, Secure, Engaged*, in reality only 11 per cent and 13 per cent were spent on equipment in the first two years (See Figure 4). Not spending as much as *Strong, Secure, Engaged* suggested would happen, even for "good" reasons, leaves Canada short of the mark on the only NATO spending target it had intended to meet.

On a positive note, capital spending is increasing in inflation-adjusted dollars, and as a share of overall spending. For 2017/2018, final spending was $3.9 billion, an increase of more than $600 million over the year before (figures are $2017/2018). Similarly, the final capital allocation for 2018/2019 has provided DND with $4.2 billion to spend on infrastructure and equipment. This means that when DND's books are closed off for 2018/2019, capital spending will likely have risen by more than 25 per cent in inflation-adjusted dollars, compared to 2016/2017 – the year before *Strong, Secure, Engaged* was introduced. This is the case because a second positive development is that DND is back to spending most of its money. For roughly a

Figure 3:
Canadian Defence Capital Funding ($2019/2020B)



decade prior to *Strong, Secure, Engaged*, DND had been under-spending its annual allocation of capital funds by several hundred million annually. This historically unprecedented divergence between the funds allocated by Parliament and actual defence spending meant that while it was occurring, as much as 30 per cent of planned spending would not actually happen. Happily, DND has returned to a situation where its planned and actual spending are more or less in line with each other again, as Figure 5 shows. To be clear, however, this is a different metric than assessing how closely spending is following the policy's projection, as discussed above. Prior to *Strong, Secure, Engaged*, no such spending forecast was published, so such comparisons were not possible. Figure 5 includes the difference between the projection, allocations and actual spending for the first three years of the Trudeau policy.

The Trudeau government is mostly delivering the money needed for *Strong, Secure, Engaged*. Overall, defence spending has exceeded or kept pace with the policy, with the share of GDP

Figure 4:
Spending on Equipment as a Share of the Total Spending

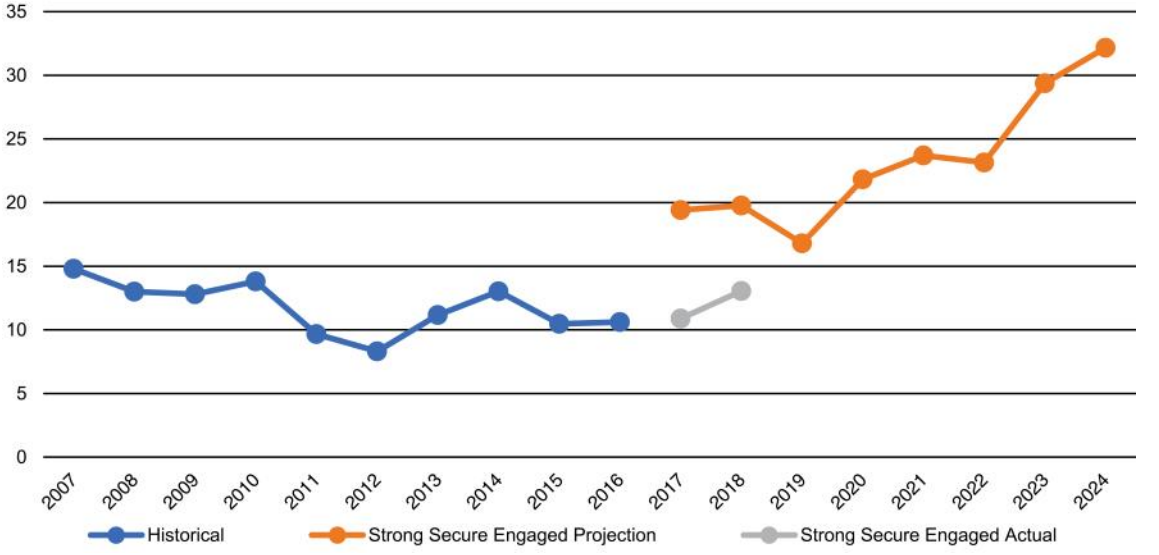
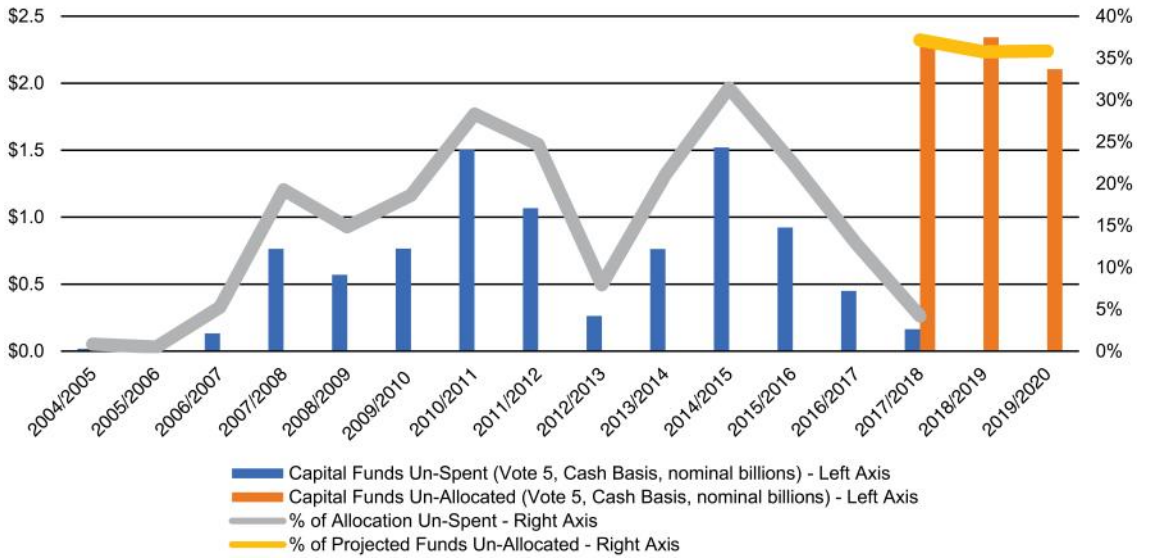


Figure 5:
DND Capital Procurement Funds Un-Spent



having already reached the maximum share projected of 1.4 per cent of GDP (albeit due to a one-time spending measure). Spending on equipment and infrastructure has lagged behind projections, but the trend lines are positive, with real capital spending increasing and the share of spending going to equipment also rising. Absent the overly optimistic projections in the policy, the Trudeau record on procurement spending would look even better. The last time this much money was spent buying new equipment, the Canadian Armed Forces were at war in Afghanistan. Set against a too ambitious projected pace of procurement increase, however, capital spending thus far is falling short of expectations.

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End Notes

[1]Inflation adjustments use the defence economic model. The spending forecast in Strong, Secure, Engaged is shown as SSE Projection.

[2]As part of the defence policy review that led to Strong, Secure, Engaged, Canada revised the way it reports defence spending to NATO, and now includes greater amounts of other government departments' spending than it did previously. This new calculation means Canadian data for 2015 and beyond are not directly comparable to those from earlier years.

[3]Final year-end spending will not be known until the release of the Public Accounts of Canada in the fall of 2019.

Lead image: **Sgt Jean-Francois Lauzé/Garrison Imaging Petawawa**

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