



Former Prime Minister Brian Mulroney warns of a rising tide of protectionism in the US and emphasizes the need for Canada to build pipelines to tide water to diversify Canada's energy markets and break the American discount as our only customer for Canadian oil and gas. Photo courtesy the Business Council of Canada

Verbatim / “Leadership for a Changing World”

Brian Mulroney

With the US election campaign bogged down in protectionism, the former Prime Minister makes a case for ratifying CETA, engaging bilaterally with TPP partners rather than relying on a trade deal opposed by US presidential candidates, and diversifying Canadian oil and gas markets beyond the US by building pipelines to tidewater. He thinks Justin Trudeau has the skill set for this nation building role. “He strikes me as having the style, the interest and the instinct necessary to bring the premiers and the aboriginal leaders and environmentalists together,” the former PM told the Business Council of Canada.

Today, I want to share with you some thoughts on how I think Canada should meet the challenges ahead in what promises to be an increasingly complex, uncertain and volatile world.

My premise is that whoever wins the US election in November is likely to be more inward than outward-focused, coping primarily with immediate problems on the home-front—serious income inequality that has shattered the American dream for many in the middle class, a decaying infrastructure in major cities, a highly polarized political

mood that stymies major initiatives and a pervasive fear about the threat to the US from terrorism.

It is not a pretty picture. It is also increasingly evident that America is becoming weary and wary of inconclusive global entanglements and less enamoured with its role as leader of the western alliance. None of this is good news for Canada or frankly for any US ally but the most worrying aspect of the presidential campaign has been the fervent, anti-free trade rhetoric that has monopolized the debate in both parties thus far.

None left in the running is openly supportive of free trade principles or initiatives. Though normally supportive of free trade, the Republican candidates are pitching populist, almost nativist positions that are simply protectionism wrapped in a pretty ribbon.

The leading Democratic candidate has been pulled leftward by her surprisingly strong competitor and not just on trade. Prominent members of the private sector have been remarkably silent.

The mood of America seems to have moved a long way from the wisdom of past presidents like John F. Kennedy, who said “Economic isolation and political leadership are incompatible. A creative, competitive America is the answer to a changing world.” Or Ronald Reagan, who warned bluntly: “We should always remember, protectionism is destructionism”.

We could certainly use more leadership embodying those sentiments these days in Washington. If there is a saving grace it is that, despite all the campaign rancor, the US economy continues to grow. Employment numbers are increasingly proving that the resilience of the economy continues to be an underlying strength for America.

Regardless of the election outcome, Canada will definitely need to be “on guard” as never before to defend what is still our most vital market access, emphasizing to

“The mood of America seems to have moved a long way from the wisdom of past presidents like John F. Kennedy, who said “Economic isolation and political leadership are incompatible. A creative, competitive America is the answer to a changing world.” Or Ronald Reagan, who warned bluntly: “We should always remember, protectionism is destructionism”. ”

the new administration and Congress the mutual benefit and advantage of our bilateral trade and investments.

We should take nothing for granted.

The role of our respective private sectors will be pivotal in maintaining a sense of balance and a better appreciation of mutual self-interest. The network of personal and private sector ties between us is the strongest bulwark against punitive lunges by Washington.

One lesson we should have learned from the unfortunate veto of the Keystone pipeline is that we must not rely exclusively on the US market for any single export—energy or otherwise. I believe that we need as a matter of priority to broaden our global footprint on trade while simultaneously building the necessary infrastructure in Canada to support an expanded trade horizon.

First of all, we need to conclude and implement the Comprehensive Economic and Trade Agreement (CETA) with the EU swiftly. By implementing what has already been negotiated with the EU, we would inject a counter-balancing note of confidence into the trade debate, one that may encourage like-minded Americans to speak out as well.

Secondly, since the prospects for early ratification of the Trans-Pacific Partnership (TPP) are dim at best, we should quickly implement what has already been agreed bilaterally with TPP partners like Japan, Malaysia and Vietnam; agreements that are estimated to generate more than \$10 billion in benefits for our economy. After all, TPP is the umbrella of basic principles

under which a cluster of bilateral negotiations were concluded. By moving bilaterally and expeditiously, I believe we would reinforce the prospects for eventual ratification.

“Since the prospects for early ratification of the Trans-Pacific Partnership (TPP) are dim at best, we should quickly implement what has already been agreed bilaterally with TPP partners like Japan, Malaysia and Vietnam; agreements that are estimated to generate more than \$10 billion in benefits for our economy.”

Thirdly, we should initiate systematically the negotiation of an FTA with China, now the world’s second largest economy. If it made sense for Australia and New Zealand, we should not hesitate any longer. We do have different political systems and different geopolitical concerns but closer economic ties, anchored by a broad agreement, can be conducive both to more candid dialogue and greater stability.

Each of these initiatives has significant merit of its own but I would add that each would also enhance our leverage on trade in Washington. After all, that is the essence of healthy competition.

For these trade initiatives to bear fruit, we do need to adopt a more concerted and more coherent

strategy to approve and build infrastructure—LNG plants and pipelines—that will enable us to ship energy products, in particular, to markets beyond North America.

We have enormous potential—the third largest supply of crude oil in the world—174 billion barrels, much of which lie in the oil sands. More importantly, what we have in Canada represents more than half of the global oil reserves that are open to the private sector for development. Can there be any better magnet for investors?

“Canada ranks first in the world in potash and titanium, second in uranium, third in natural gas and aluminum, fourth in diamonds and fifth in nickel. We are also a significant source for iron ore. We are the world’s third largest producer of hydroelectricity and have the potential to more than double our current capacity.”

Just think of this as well:

Canada ranks first in the world in potash and titanium, second in uranium, third in natural gas and aluminum, fourth in diamonds and fifth in nickel. We are also a significant source for iron ore. We are the world’s third largest producer of hydroelectricity and have the potential to more than double our current capacity.

And it is important to recognize that the natural resource sector generates a disproportionate share of Canada’s wealth, accounting for roughly 15 per cent of nominal gross domestic product (GDP) and nearly 800,000 jobs.

An additional 800,000 jobs in other sectors are supported by the purchase of goods and services by the resource sector. Bear in mind, too, that extractive industries are also some of the most innovative and productive

sectors of the economy, now being driven by space-age technology and computers.

Yet, while Canada does have abundant supplies of oil and gas, we do not have the capacity to export either to more than one market. That is precisely why we are obliged to sell at a discount to the world price.

A senior Chinese official has already expressed concern publicly about our ability to move forward on essential infrastructure projects that would enable exports. Other potential investors like Petronas of Malaysia are expressing frustration about the cumbersome and uncertain regulatory review procedures in Canada.

We need to correct those concerns before it is too late. It will not happen by osmosis, nor will more consultations and lengthier reviews magically produce a national consensus.

Despite all that you may have heard or read, the age of fossil fuels is not about to end any time soon. In fact, the International Energy Agency estimates that demand for oil, coal and gas will increase steadily into 2040. Heavily subsidized “renewables” will also increase but will still be a small part of the total. That is the reality of the world we are in.

The debate has become highly polarized, with more emotion than analysis at centre stage.

The biggest challenge in Canada today is uncertainty. The resource sector has hugely capital intensive projects with a long life. But these projects cannot go forward if they become captives of seemingly endless processes and reviews. Public policy has a critical role to play in reducing some of that uncertainty and promoting the Canadian resource sector in emerging markets.

We cannot allow our regulatory regime to be gamed by those who simply want to disrupt any form of development. There are clear lessons from history on this tendency.

Thirty-five years ago, Ottawa introduced the National Energy Program. This crippled the energy industry in Western Canada, drained the treasury of Alberta in particular of billions of dollars, significantly damaged our international reputation for reliability and trustworthiness and established a new low in federal-provincial relations in the modern history of Canada.

“Thirty-five years ago, Ottawa introduced the National Energy Program. This crippled the energy industry in Western Canada, drained the treasury of Alberta in particular of billions of dollars, significantly damaged our international reputation for reliability and trustworthiness and established a new low in federal-provincial relations in the modern history of Canada.”

Four years later, my new government abolished the NEP and consigned it permanently to the dustbin of history. I thought we would never again see political attitudes in Canada that would give rise to such egregious and nation-wounding policies.

But I was wrong.

Recently a group of Luddites attempted to seize control of a major political party in Canada by articulating a new philosophy of economic nihilism that would devastate the economy of Western Canada and seriously damage the long term economic prospects of our country as a whole. This must be resisted and defeated.

As it is, by arbitrarily extending the scope, the time and the expense of the regulatory reviews the government is actually

injecting more uncertainty into the process and undermining the credibility of the regulatory institutions charged with that responsibility. There is a growing risk that, due to protracted delays, mounting opposition, escalating costs and the lack of distinct political support, essential pipeline projects may die stillborn, just like the ill-fated MacKenzie Valley pipeline—with severe damage to a vital sector of our economy that is already reeling from depressed prices.

We need sensible environmental policies, of course, because Canadians are justifiably proud of our pristine environment. My government earned plaudits for our action on the environment, which was an important priority for us in all of our initiatives. I was greatly honoured to have been voted Canada's Greenest Prime Minister in history by leading environmental groups. But we were always conscious of the need for balance between sustainability and growth.

There will be no powerful explosion of development in our entire energy sector unless there is agreement among the major players and interests.

And who are they?

- The affected provinces that control the resources
- The First Nations
- The stewards of our environment

Without their active involvement and enthusiastic cooperation, our natural resources will remain in the ground.

Dead as a doornail.

Canada is a vibrant federation. We are not a unitary state. The government of Canada cannot act unilaterally to resolve this matter. The federal government must urgently initiate avenues of cooperation with all stakeholders to ensure that we move forward in the national interest.

This vital initiative must be led by the Prime Minister himself. In this area, there are no substitutes for him. He strikes me as having the style, the in-

“ This vital initiative must be led by the Prime Minister himself. In this area, there are no substitutes for him. He strikes me as having the style, the interest and the instinct necessary to bring the premiers and the aboriginal leaders and environmentalists together. ”

terest and the instinct necessary to bring the premiers and the aboriginal leaders and environmentalists together and emerge with a common position that speaks to Canada's future with optimism and hope.

A vigorous national commitment to develop the resources and build the necessary infrastructure must be complemented by three essential undertakings:

- 1) a principled partnership with the provinces through meetings with the premiers—as our Progressive Conservative government did successfully on free trade;
- 2) honourable agreements with First Nations that move beyond debates about past grievances and focus on opportunities for employment and economic growth in the future, as we did in creating the vast new Inuit aboriginal territory of Nunavut;
- 3) a realistic plan harnessing new technologies to reduce greenhouse gas emissions, as we did with acid rain. I say “realistic” deliberately because, while Canada should do more, we are a very small part of the global problem.

The most essential ingredient, however, is political leadership. Leadership that anticipates the need for change and is determined to implement change. Not in pursuit of popularity but to serve the national interest.

Change of any kind requires risk—political risk. The perfect should not become the enemy of the good.

It is time for Canada to move to create our future by serving notice to the world that we intend to turn our competitive advantage—our immense resource base—to our national

advantage in a respectful, responsible manner, before it is too late.

Like other privileged nations, Canada is often extremely resistant to change. Deep and important structural changes are indispensable however to maintain a growing economy and ensure the flourishing of peace and liberty and they can only be brought about by a firm expression of political will.

“ It is time for Canada to move to create our future by serving notice to the world that we intend to turn our competitive advantage—our immense resource base—to our national advantage in a respectful, responsible manner, before it is too late. ”

In fact, “transforming leadership”—leadership that makes a significant difference in the life of a nation—recognizes that political capital is acquired to be spent in great causes for one's country. This is precisely such a time. **P**

Brian Mulroney was Canada's 18th Prime Minister, serving from 1984-1993. Excerpted from a keynote address to the Business Council of Canada's 40th anniversary annual meeting in Toronto on April 19, 2016.