

Canadian Politics and Public Policy

Policy



Foreign Policy



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Policy

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From the Editor / L. Ian MacDonald

Foreign Policy

Welcome to our special issue on Canadian foreign policy, in which we are partnering with the Centre for International Governance Innovation.

Since its founding by BlackBerry co-founder Jim Balsillie in 2001, CIGI has become Canada's pre-eminent think tank on foreign policy and international governance. Led by experienced foreign affairs hands and leading academics, CIGI advances real-world policy debate and ideas for improved multilateral governance outcomes. An outstanding group of writers from the CIGI circle has contributed informed and informative writing to our cover package on foreign policy.

To begin, pollster Darrell Bricker and his Ipsos colleague Sean Simpson note that foreign policy is rarely a top of mind concern with Canadians and an Ipsos ranking of public policy issues, taken just days before Canadians voted last October, bears this out. The economy, taxes and the desire for a change of government topped the list, while the Trans-Pacific Partnership trade deal, the mission against ISIS and the Syrian refugee crisis all ranked near the bottom.

UBC professor and author Taylor Owen has a must-read piece on the enormous impact of the internet and its social, financial, criminal and political players on international power structures and the legacy institutions of global governance.

Derek Burney and Fen Osler Hampson examine the state of Canada-US relations during a presidential election season, and conclude that Canadians should fasten their seat belts for what looks like a bumpy ride no matter who wins the White House next November.

CIGI President Rohinton P. Medhora draws on his experience as a former executive at the International Development

Research Centre to offer historical context for the Trudeau government's foreign aid review.

Paul Heinbecker and Andrew S. Thompson look at the global refugee crisis and write that: "The world is struggling to cope with roughly 60 million refugees and displaced persons," approaching three per cent of the global population, an urgent humanitarian crisis.

Former CIBC chief economist Jeff Rubin, now an author and CIGI Senior Fellow, looks at the future of Canada's oil sands and says it was already precarious before the Fort McMurray wildfire due to both COP 21 emissions reduction targets and the crash in oil prices. For her part, Céline Bak examines climate change and innovation after COP 21.

Veteran trade policy analyst Dan Ciuriak considers the prospects for pending trans-Atlantic and trans-Pacific trade deals and sees them running into heavy political headwinds. Thomas Bernes and Domenico Lombardi ask "Whither the G20?"

University of Waterloo Professor Hongying Wang looks at the relationship between Canada and China, and suggests the arrival of the Trudeau government presents an opportunity for turning the page, especially on trade.

In *Canada and the World*, Contributing Writer David McLaughlin takes us inside the Progressive Conservative campaign that swept Manitoba on April 19. McLaughlin served as campaign director for the Conservatives, who won 40 out of 57 seats in the Legislature, and tells how they did it.

By rare coincidence, both the federal Conservative and Liberal parties held policy conventions the last weekend in May. In Vancouver, Yaroslav Baran found the Tories in a surprisingly

upbeat mood, while in Winnipeg the Liberals took a victory lap. The concurrent conventions offered a striking role reversal in terms of open media coverage that reflected the Conservative and Liberal reversals of fortune. As Don Newman notes in his column: "Clearly, once a party is in government, it acts like a government. The simple fact is that if it didn't, it would be unlikely to be the government for very long."

Contributing Writer David Mitchell looks at the Liberal climb-down from stacking the special committee on parliamentary reform, and how resolving the deadlock over process may enhance the prospects for success on substance. From the University of Ottawa law faculty, court watcher and author Carissima Mathen follows the assisted dying bill from the House to the Senate, where it missed the June 6 deadline set by the Supreme Court for compliance with its decision of last year.

Finally, in a *Verbatim*, former Prime Minister Brian Mulroney takes a look at the US and Canadian political scenes and their possible impact on public policy. With the US presidential campaign bogged down in protectionism, and prospects for TPP approval "dim at best", he urges Canada to pursue bilateral trade agreements with our Pacific partners. He also calls for Prime Minister Trudeau's leadership in a nation-building project of building pipelines to tidewater and moving Canada's vast oil and gas resources to markets beyond the US. "He strikes me," Mulroney says, "as having the style, the interest and the political instinct to bring the premiers and the aboriginal leaders and environmentalists together."

Enjoy your summer. **P**

Canadian Public Opinion and Foreign Policy

Darrell J. Bricker and Sean Simpson

The Canadian public rarely concerns itself with foreign policy issues. When it does, the government of the day has three options for managing it—it can align policy to match opinion, it can shape or lead public opinion in the direction of policy, or it can gamble with an unpopular policy that is opposed by the public. We explore some recent foreign-policy issues and look at the degree to which government policy was aligned with public opinion.

Since being elected in October, the new federal Liberal government has interpreted its mandate as broad public support for change in general (absolutely correct), but also very specific support for all that they promised during the election campaign (not so correct). Put another way, the Liberals said they would do “X” and they won a majority of seats (although only 39 per cent of the popular vote), therefore “Canadians” have now endorsed implementing every promise detailed in the Liberal Party platform. This is why the new government feels justified when it announces changes from

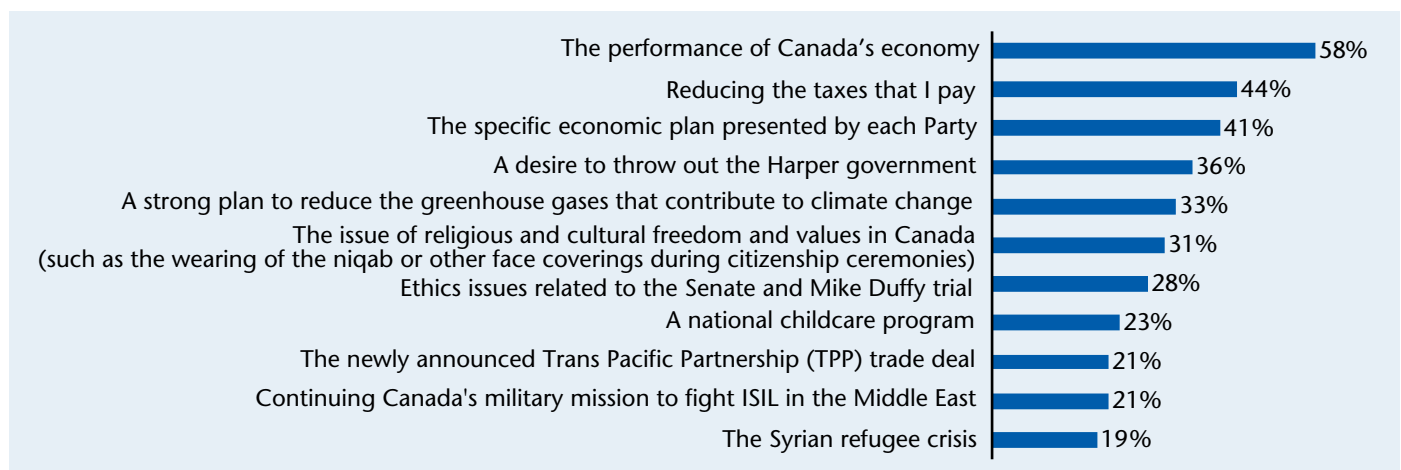
the previous government’s policies, or introduces any of its own policies, saying that “this is what Canadians have asked us to do.”

The Trudeau government says it is responding to the will of Canadians, as well as to Canadian values. We’ve certainly heard this message when it comes to changes in domestic policy, including implementing a national inquiry into missing and murdered aboriginal women and girls, bringing back the long-form census, and beginning a massive investment in infrastructure to stimulate the economy and create jobs. They’ve also cited the views of Canadians—and Cana-

dian values—as justification for some of their internationally-focused decisions, such as signing the Paris Agreement on Greenhouse Gas Emissions, and ending air strikes on ISIS targets in the Middle East.

How does all of this square with prevailing public opinion in Canada? In our view, the relationship between public opinion and any government’s policies can be categorized in one of three ways. First, a government’s decisions can be in sync with public opinion and be regarded as the government giving the public what it wants. Second, a government can be ahead of public opinion on a policy but understand that, with the right persuasion, it can bring the public on side, effectively shaping public opinion. Third, a government can enact a policy that is at odds with public opinion, either because it is being forced to (by the legal system, external actors or events, etc.), because it feels the policy isn’t a priority for the public and won’t serve as a flash point for organizing opposition, or because it firmly believes it is the right thing to do and is prepared to gamble with the electoral consequences.

FIGURE 1: Priority Issues for Canadians: 2015 General Election (Ipsos: October 14, 2015)



In our experience, almost all government policy falls within the first two categories—the government is aligned with public opinion, or believes that with the right information the public can be brought onside. The last category, especially at the extreme (a major stand on principle), is a big gamble for any government in our democratic system. Some political parties and prime ministers believe that a gamble is worth taking for the good of the country. An example of this would be former Prime Minister Brian Mulroney's championing of constitutional reconciliation with Quebec with the Meech Lake Accord in 1987 and again in 1990. For Mulroney, this really was a gamble—he described it as “rolling the dice.”

Turning now to recent Canadian foreign policy, there are a number of examples over the last few years that show our governments aligning, shaping or going against public opinion. It's early days for the Trudeau government, but we've already seen a few examples of where they've wrestled with the public-opinion implications of their foreign policy decisions. But, while these may have been high profile issues from the perspective of our media and political elites, they have been back-burner issues for most Canadians. As a result, they have represented relatively low risk confrontations with public opinion for the new government.

It's low risk because Canadian politics is dominated by domestic issues. In an Ipsos poll conducted during the 2015 election, Canadians were presented with a list of eleven key issues and asked the degree to which each was “absolutely critical” in determining the party for which they would vote. Topping the list was the performance of the Canadian economy (58 per cent), followed by tax reduction (44%), the specific economic plan presented by each party (41 per cent), a desire to throw out the Harper Conservatives (36 per cent) and a strong plan to reduce greenhouse gases that contribute to climate change (33 per cent). While some aspects of climate change could be considered a matter of foreign policy, the dominant issues in the campaign were all clearly domestic.

The issues at the bottom of the list were all matters of foreign policy. These included the newly-announced Trans-Pacific Partnership (TPP) deal (21 per cent), continuing Canada's military mission to fight ISIL in the Middle East (21 per cent), and the Syrian refugee crisis (19 per cent). This is not to say that some voters weren't thinking about foreign policy issues when they marked their ballot, but that these issues were less important to how they voted than the domestic (especially economic) issues on the agenda.

The 2015 federal election was not an anomaly. We saw a similar ordering of domestic

and foreign policy issues during the 2011 election when the Harper Conservatives won their majority government. An election-day poll conducted by Ipsos with over 30,000 voters showed that just 1 per cent chose “international issues,” such as the war in Afghanistan, as the most important question in determining their vote. Regardless of whether the Tories or the Grits won the election, foreign policy simply didn't have a significant impact on the outcome.

Going back further, there are a number of other interesting examples of the interplay between public opinion and foreign policy. For example, the Kyoto Protocol, which was signed by the Liberal Government in 1997 and ratified in 2002, was definitely aligned with public opinion during its early days. Ipsos polling at the time showed that 74 per cent of Canadians supported the Kyoto Protocol. Yet, it became a millstone for then Liberal leader Stéphane Dion in the 2008 federal election because this foreign policy initiative ended up being defined in terms of its domestic costs. Once again, a foreign-policy initiative was trumped by domestic-policy considerations.

More recently, the Trudeau Government jumped feet-first into the climate change issue at the Paris Climate Conference. However, unlike Dion, who was seen by most voters as lacking the leadership skills and

FIGURE 2: Support for Kyoto Protocol
(Ipsos: November 8, 2002)

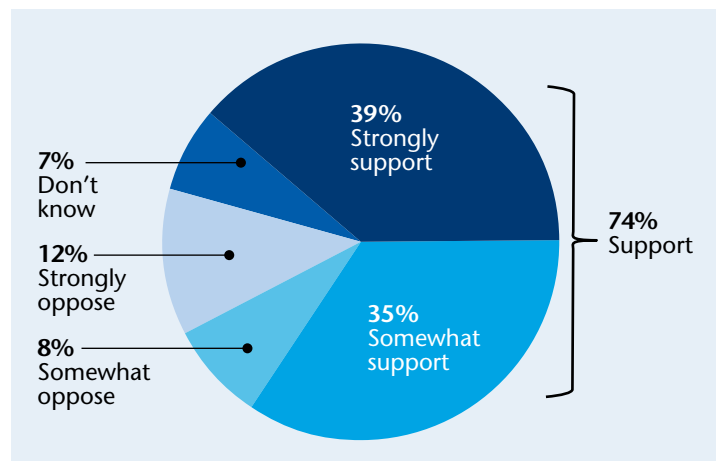
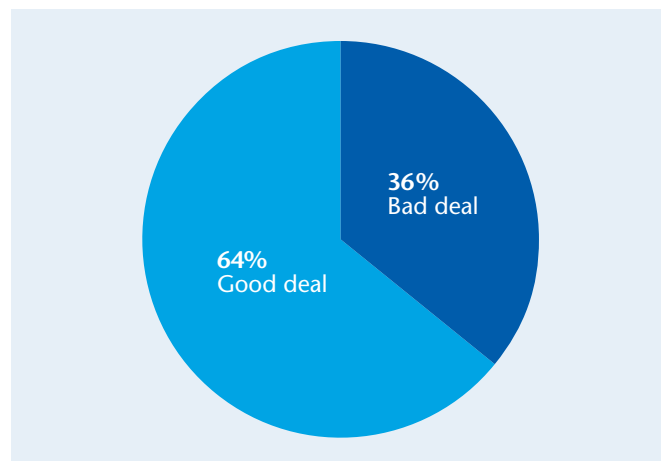


FIGURE 3: Opinion on Trans-Pacific Partnership Deal
(Ipsos: October 14, 2015)



judgement to be trusted with the fundamental domestic changes required by his Kyoto-driven Greenshift program, Trudeau was able to use his charisma and new electoral mandate to confidently sign an agreement in Paris that was greeted with support by most Canadians. How did Trudeau pull this off? A big reason was because over much of the last decade public opinion had been “shaped” by the growing international and domestic consensus about the priority of climate change. This was not the case back in 2008 when Dion sought a mandate to implement the Kyoto Accord. Also, during his election, Trudeau didn’t stake everything on this one issue, as Dion had. Remember, the environment ranked fifth—not first—in influencing vote choice during the last federal election.

Moving on to the issue of international trade during the last election, while the Trans-Pacific Partnership (TPP) didn’t prove to be a big vote driver, it was broadly supported by Canadians. An Ipsos poll released on October 14, 2015, showed that 64 per cent thought that it was a good deal for Canadians, compared to 36 per cent who believed it was a bad deal. While the TPP should have given the Tories an opportunity to tout their ability to effectively manage foreign relations for our domestic benefit, they had already lost their reputation with voters as effective economic managers due to the recession.

Economic growth, trade and environmental protection are mostly consensus issues in Canada, and so far the new government has done a good job of sticking to what works on all three. But, as any student of Canadian politics knows, the devil can be in the details. In particular, the issue of climate change stands out due to strong regional discontinuities in public opinion—especially those dividing Alberta and the provinces east of Ontario. Even though the Trudeau government has been widely lauded for signing the Paris Agreement, its implementation could prove to be difficult given the prevailing negative economic mood in Alberta.

“While the TPP should have given the Tories an opportunity to tout their ability to effectively manage foreign relations for our domestic benefit, they had already lost their reputation with voters as effective economic managers due to the recession.”

While the government and public are mostly aligned on trade, climate change and the economy, they are not aligned these days on military

intervention and refugee policies. On refugees, Canadians are much more concerned about security than the Government has argued is reasonable, and most (60 per cent) opposed Trudeau’s plan to settle 25,000 Syrian refugees by the end of 2015.

On Canada’s military mission against ISIL, Canadians were more aligned with the previous government’s policy than with what the Trudeau Government has now started to implement, as 66 per cent supported an extension of the air strikes in Iraq and Syria. As much talk as there was about both issues during the election campaign, neither was decisive in terms of voter opinion.

Going forward, of the two issues, refugee policy has the most potential to create a public opinion problem for the government. That’s because it’s a foreign policy issue with serious domestic security implications. As we’ve seen in a number of European countries recently, Canada is one security incident away from major tension on the refugee file. **P**

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FIGURE 4: Accepting 25,000 Government Sponsored Refugees in 2015 (Ipsos: November 20, 2015)

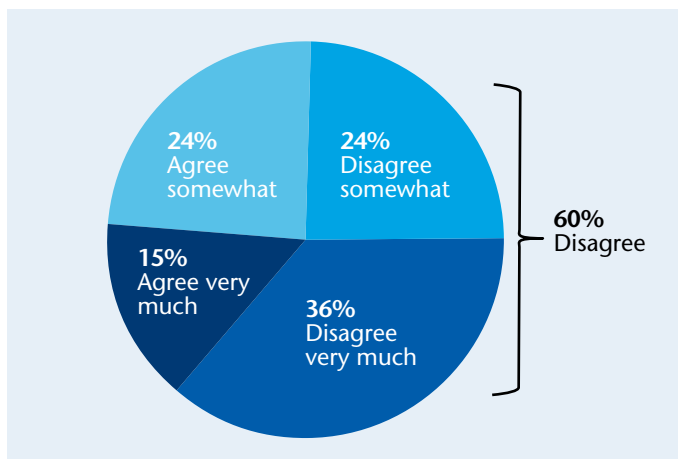
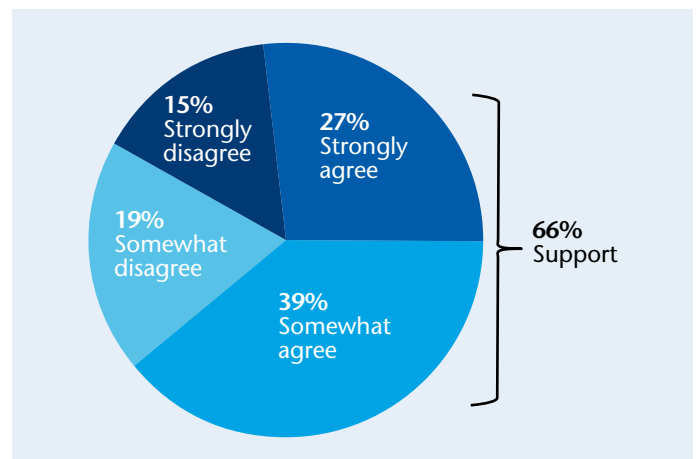


FIGURE 5: Extending the Canadian Forces Mission in Iraq Against ISIS (Ipsos: March 23, 2015)





Digital technology has revolutionized everything, but government has much catching up to do, particularly in foreign policy. Adobestock photo

Towards a Whole of Government Digital Strategy

Taylor Owen

The world has changed drastically in the two decades since the advent of the internet, but our policy making and public discourse have failed to reflect the invisible shifts in global power distribution that have revolutionized politics, conflict, economics, social disruption and, as Taylor Owen writes, foreign policy.

Foreign policy was once the bastion of the elites. In military, diplomatic and humanitarian affairs, nation-states and the small group of individuals and institutions that governed their actions used primarily kinetic and broadcast channels to influence the actions of others. Control was largely exerted through hierarchical structures, and collective action through industrial organizations.

Digital technology has radically shifted this reality by flattening the operating environment in which global affairs is conducted. While nation-states of course remain powerful, the financial, political and ethical costs of controlling people and events are much higher. This digital shift has four consequences for Canadian foreign policy, that together require a rethinking of what it means to act and have influence in the world.

First, digital technology has enabled a new form of decentralized power in the international system.

Ten years ago, the following didn't exist: social networks, smart phones, the internet of things, AI, crypto currencies, the Silk Road marketplace, drones, consumer virtual reality, 3D printing, mpesa, blockchain, the Syrian electronic army, Anonymous, ISIS, Avaaz, Ushihidi, wikileaks. We can debate their individual importance, but taken together they tell us something interesting about a new layer of power in the global system; a layer that shares some important characteristic.

“Policies that exemplify this desire for control and the extent states are willing to go to exert it include the rapidly expanding the surveillance state, vast international data sharing, efforts to break encryption, unprecedented prosecution of whistleblowers and online crime and new limitations on free speech.”

Collectively, these tools and capabilities are getting increasingly powerful. Quickly. The trend is clear. While some technologies come and go, and impact can wax and wane,

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there is no question that decentralized digital capabilities are growing in significance. Faced with increased individual agency and potential for collective action, societies around the world have clearly chosen the messier economies and politics of decentralized tools. This power is at least in part dependent on technology, and these tools and groups share a common set of emerging practices, norms and ethics. They are formless, highly resilient, rapidly evolving, and collaborative. Finally, they are empowered in ways that sit outside of and in many ways challenge our 20th century hierarchical organizations—our international system.

Second, emerging technologies also have a recentralizing effect.

This is occurring in two ways. First, states are using these same networks to seek to re-establish control over a world of empowered digital citizens. Because of the behaviour of perceived negative actors, both autocratic and democratic governments have chosen to treat the digital space as a battlefield. To, as they state in the Five Eyes surveillance collection posture, “To collect it all, process it all, know it all.” Policies that exemplify this desire for control and the extent states are willing to go to exert it include the rapidly expanding the surveillance state, vast international data sharing, efforts to break encryption, unprecedented prosecution of whistleblowers and online crime and new limitations on free speech.

Second, power is being recentralized

in the digital space through a new generation of high-cost, large scale digital innovation, including quantum technologies, algorithmic governance, predictive policing, AI and autonomous weapons. These technologies concentrate power in a handful of state and corporate powers.

“Power is being recentralized in the digital space through a new generation of high-cost, large scale digital innovation, including quantum technologies, algorithmic governance, predictive policing, AI and autonomous weapons. These technologies concentrate power in a handful of state and corporate powers.”

Third, despite this tension, those seeking control are in my view fighting a losing battle.

States have lost their monopoly on collective action. Command and control systems were once required to make large numbers of people do things. This is no longer the case. States can't creatively destruct. Unlike in the private sector, government institutions can't be replaced by new organizations. They must evolve, which is a challenging proposition when faced with the structural shifts enabled by digital technolo-

gies. Digital actors are empowered by the very “problems” that the modern nation state was designed to overcome (a lack of structure, instability, decentralized governance, loose and evolving ties). This means there is a disconnect between the structures and institutions that govern the international system, and the groups that increasingly have power. Finally, in the digital world, what enables the good also enables the bad. In seeking to target perceived threatening actors, the state risks also shutting down all the positive benefits that the internet and digital networks allow. In seeking to control, the state risk breaking the network itself.

There are three major implications of this shift for Canadian foreign policy.

First, in general terms, we need to decide which side of this divide we want to be on. Are we seeking to protect the network at all costs, and to support empowering technologies, or are we doing things that undermine its viability? For example, we can’t both support breaking encryption and use encryption to promote the speech of Iranian dissidents. They are morally and practically and strategically incompatible. Or, are we taking dual-use surveillance technologies as seriously as military weapons? In the production, sale and global deployment of surveillance tools, the state risks negating many of the positive steps it might otherwise be taking, online and off. Finally, should we be scaling back the surveillance state in order to preserve a single internet? What are the trade-offs of our participation in the Five Eyes surveillance network? These are the types of question we need to start taking seriously. Not on the fringes of our foreign policy debate, but as fundamental challenges for reshaping our posture in the world.

Second, we should be asking, what are the new spaces of governance in which we could be acting? Our tra-

ditional global governance approach focused almost exclusively on elites and sought impact and influence in state-based international institutions. But what does a rules-based system of norms and institutions to protect the freedoms and security of the individual look like in a world of rapidly evolving technological capacities?

“Taking digital foreign policy seriously means moving beyond siloed digital foreign policies. The idea that surveillance policy, digital diplomacy, autonomous weapons development and digital humanitarianism can be discussed in isolated departmental silos is absurd.”

This will first and foremost require a rethinking of the approach to online governance. It means addressing the misalignment between our international institutions and the actors and technologies that currently have power. The status quo governance discourse delegitimizes many of the emerging actors with real power, and because of this it is blind to some of the core policy challenges of the 21st century.

It also means assessing what new technologies or socio-technological processes currently sit outside of our international governance structures. Algorithms, autonomous weapons, quantum computing and cryptocurrencies all exist in ungoverned spaces that fundamentally challenge the legitimacy and authority of the state. What does governance in this rapidly evolving space look like?

Finally, taking digital foreign policy seriously means moving beyond siloed digital foreign policies. The idea that surveillance policy, digital diplomacy, autonomous weapons development and digital humanitarianism can be discussed in isolated departmental silos is absurd. They all intimately effect each other, are based on the same data flows and algorithmic tools, and contradictions between them seriously harm our credibility and impact in the world.

Put another way: What does a Whole of Government Digital Strategy look like—one that addresses surveillance, IP, C-51, dual-use technologies, cyber war, autonomous weapons and online finance? Taking this question seriously, with all of the complexities it entails, is a pre-requisite for for any country seeking to engage with responsibility, legitimacy and continued relevance in the emerging global digital system. **P**

Taylor Owen is Assistant Professor of Digital Media and Global Affairs at the University of British Columbia, a Senior Fellow at the Columbia Journalism School and the founder and Editor of OpenCanada.org. He is the author, most recently, of Disruptive Power: The Crisis of the State in the Digital Age (Oxford University Press, 2015) and the co-editor of The World Won't Wait: Why Canada Needs to Rethink its Foreign Policies (University of Toronto Press, 2015, with Roland Paris). He serves on the Board of Directors of CIGI. His work can be found at www.taylorowen.com and [@taylor_owen](https://twitter.com/taylor_owen). taylor.owen@gmail.com



Prime Minister Justin Trudeau and President Barack Obama walking in the Rose Garden at the White House in March. Adam Scotti photo

Careening off the Rollercoaster: Canada-US Relations Under Trump or Clinton

Derek H. Burney and Fen Osler Hampson

Prime Minister Justin Trudeau has identified Canada-US relations as a key agenda item for his new government, a commitment manifested in his visit to Washington in March. While the new warmth marks the highest point in bilateral relations since the days when Brian Mulroney and Ronald Reagan were singing “When Irish Eyes are Smiling” together in Quebec City, it will require a reset in January, 2017. That recalibration will either be drastic, if Donald Trump is president, but only somewhat less so if there is a Democrat in the White House.

Over the past three decades, Canada-US relations have been on a roller coaster. There have been peaks and there have been troughs, but the cart never completely came off the rails. That may well change if either Donald Trump or Hillary Clinton gets elected to the White House.

There is a new mood in American politics and American voters are angry. They are angry at Washington’s political class, who they see as self-serving

and out of touch. They are also angry at Wall Street and America's super rich who have only gotten richer. The fact that virtually no-one from Wall Street went to jail after the financial crisis of 2008-09 while many Americans lost homes and jobs is also a major contributor to that anger. Middle class incomes have been stagnant for more than a decade and traditional American optimism is decidedly on the wane. To some extent, the negative mood is a reflex against the Obama Administration's unfulfilled promise of "hope and change" eight years ago.

The mood in America is not confined to the US, but lies elsewhere, especially Europe, where unemployment is stuck in double digits in many countries, economies are stalled, the refugee influx only gets worse, and there is little enthusiasm anywhere for Brussels' bureaucrats and their suffocating rules.

However, there is also a deeper disquiet in America about the country's place in the world and the liberal international order that was constructed out of the ruins of the Second World War, which America essentially ran and from which it prospered. Many Americans now believe that the liberal international order, which is based on the principles of free trade and open competition, no longer serves their interests. They also believe that America can no longer afford to underwrite a disproportionate share of the security of the Western world.

It is that belief and a widespread sense of disenchantment against its elites that has driven voters into the arms of populist leaders like Donald Trump and Bernie Sanders. Both of them have hawked the same wares in America's primary presidential season—an anti-free trade, anti-NAFTA agenda and a view of foreign policy that seeks to shed America of its global security commitments and costly alliance partnerships.

Even Clinton, the "establishment" candidate who secured the Democratic nomination

“ There is a new mood in American politics and American voters are angry. They are angry at Washington's political class, who they see as self-serving and out of touch. They are also angry at Wall Street and America's super rich who have only gotten richer. ”

after a bruising fight with Sanders, has been forced by her political rivals to veer into the anti-free trade, protectionist lane. Like her Democratic and Republican contenders for the presidency, she has come out swinging against the Trans-Pacific Partnership (TPP) agreement negotiated by her former boss, which is supposed to be a cornerstone of the US "pivot" towards Asia. As the original architect of the "pivot" when she was Secretary of State, her own about-face is symptomatic of the shift that is taking place across the entire political spectrum.

“ Even Clinton, the “establishment” candidate who secured the Democratic nomination after a bruising fight with Sanders, has been forced by her political rivals to veer into the anti-free trade, protectionist lane. Like her Democratic and Republican contenders for the presidency, she has come out swinging against the Trans-Pacific Partnership. ”

Polls now put the race between Clinton and Trump neck-and-neck. Of course, that could change and there could be unexpected developments by the time of the American presidential election on November 8. Both candidates have huge vulnerabilities—Clinton isn't trusted by the voters and Trump's foul mouth, scorch-

and-burn tactics against his political rivals and the media is wearing thin. For many, it has become a choice between the lesser of two evils.

If Trump wins, we should brace ourselves for a profound change in both the tone and direction of Canada-US relations.

“ Both candidates have huge vulnerabilities—Clinton isn't trusted by the voters and Trump's foul mouth, scorch-and-burn tactics against his political rivals and the media is wearing thin. For many, it has become a choice between the lesser of two evils. ”

On the campaign trail, Trump is threatening to throw NAFTA into the wastebasket. If he were to tear the deal up with the support of the US Congress, which has opponents to NAFTA on both sides of the political aisle, we would be in deep trouble. It would likely be the last straw for nervous investors in our beleaguered manufacturing and resource extractive industries who are already worried about the lack of direction and focus in our energy and environmental policies. A flight of investment capital would knock the socks off any meagre prospects for growth.

Trumpp also would not likely treat Canada much differently from Mexico. He has already called for an end to Canadian soft-



Brian Mulroney and Ronald Reagan in the Rose Garden of the White House in 1984, the beginning of an era when Canada-US relations were at an “all-time high.” White House photo

wood lumber imports. Canada’s paltry levels of defence spending—barely 1 per cent of GDP compared to 4 percent in the United States—would not sit well with Trump, who on the campaign trail has threatened to disband NATO on the grounds that it is an “obsolete” Cold War relic. He believes that America’s allies, including Canada, are not carrying their fair share of the burden. Trump has repeatedly said he won’t defend “free riders.” He would also not take kindly to our own softer and gentler view of the world and professed desire to engage China and Russia. And, under Trump, you can forget the vaunted COP 21 Paris Accord. For him the environment is about “clean water and clean air”, period.

“ Trump is threatening to throw NAFTA into the wastebasket. If he were to tear the deal up with the support of the US Congress, which has opponents to NAFTA on both sides of the political aisle, we would be in deep trouble. ”

Perhaps the one good note about Trump is that he has said he would approve Keystone XL. While welcome, that might prove to be the death knell for Energy East. Trump’s threat to extract a “piece of the profits” of Keystone in order to get “a better deal” also means that there wouldn’t be a level playing field under his administration. If anyone should pay more it would more likely be the American-owned refineries who want reliable Canadian oil. Trump’s stance on trade generally is unhinged from reality. Despite all his bombast, America would be as much of a victim from protectionist lunges as any country.

Would we do any better with Hillary Clinton in the White House? The conventional wisdom is that we would and polls show that Canadians vastly prefer Clinton to Trump. Some may take comfort in the fact that Clinton raised millions of dollars in Canada for the Clinton Foundation and her own electoral campaign in a cross-country speaking tour organized by CIBC and progressive groups like Canada 2020. They also believe that there will be little difference between Clinton’s policies and those of President Obama, who graciously feted our newly elected Prime

Minister at the White House. Perhaps we should think again.

Since her days as the junior senator from New York, Clinton’s views of Canada have been decidedly ambivalent. Clinton was quick to blame Canada as being the source of the 9/11 terrorists. Although she was subsequently proven wrong, she has never apologized for her rush to judgment. After months of silence on the Keystone XL pipeline she finally came out against it. There is certainly no difference between Clinton and Obama when it comes to snubbing Canada on a project of major national economic importance that would reap major benefits for both countries. Even more troubling, she has also said that she would reassess and “readjust” NAFTA while postponing negotiation on any new free trade agreements. During the campaign, she has repeatedly criticized the same agreement her own husband signed into law when he was president, alleging that NAFTA’s benefits have cost American jobs and only benefited the wealthy.

“ Clinton’s views of Canada have been decidedly ambivalent. Clinton was quick to blame Canada as being the source of the 9/11 terrorists. Although she was subsequently proven wrong, she has never apologized for her rush to judgment. ”

As someone who urged vigorous military intervention in Libya and Syria when she was Secretary of State, “Hillary-the-Hawk” might not look favourably on Canada, which has pulled out of the bombing campaign against ISIS, and appears under Prime Minister Trudeau to prefer using “soft power” against terrorists and other threats to global security.

There is a bigger problem, however, that overshadows Canada-US relations, regardless of who wins the White House in November. The simple fact is that Canada doesn't matter as much to the United States as it once did.

Little noticed at the end of 2015 was that China replaced Canada as the United States' number one trading partner in goods, accounting for 16 percent of overall US trade, with the bulk of that trade being lopsided towards US imports of Chinese goods (\$482 billion versus \$116 billion of US exports). By this measure, Canada is now number two, accounting for 15 percent of US trade (though we still remain number one when services are added to the equation). Nevertheless, we sell far less to the United States than China does, only \$295 billion, and we are buying almost as much as we sell to the US—\$280 billion. Mexico will also eventually replace us as number two, given the rapid growth of its own economy, which is projected to grow between three and four percent in the next couple of years, while ours has flat-lined, and its much larger population (120 million versus our 36 million). Last year, Mexico imported \$236 billion from the US and exported \$294 billion, just \$1 billion shy of what we sold.

Despite all the talk about North American value chains and the integrated nature of the economies of Canada, Mexico and the United States, the US is increasingly a competitor to Canada. That has long been true of wood products and agriculture where, for years, we have wrestled with the Americans over stumpage fees for lumber and US labeling on our beef and pork. But that competition now extends to energy, metals and other commodities where the Americans are beating a path to Asia and running a lot faster than we are. The US has built LNG (liquefied natural gas) terminals on its West Coast and has already begun shipments to Asia. The torrent of US shale gas exports into the global mar-

ket is projected to lower the price of the heating fuel in Asia by almost 5 per cent while also reducing American dependence on Canada's energy exports. Notwithstanding Obama's aspirations on Climate Change, America is expanding production, dramatically outpacing us as we mire our projects in never-ending regulatory and consultation processes.

The all-time high in Canada-US relations came in the 1980s under Prime Minister Brian Mulroney, with major initiatives such as the Canada-US Free Trade Agreement, the North American Free Trade Agreement, and the bilateral treaty on Acid Rain. At the leadership level, relations were remarkably warm and close. As we now know, Mulroney was seen not just known as a friend by President Ronald Reagan and his successor George H.W. Bush, but a trusted interlocutor and adviser on pressing global issues such as how to manage political turmoil and the break-up of the Soviet Union under Mikhail Gorbachev and Boris Yeltsin or relations with key allies in the run-up to the first Gulf War.

Alas, those days are long gone. We have slipped badly in America's affections and its perceptions of its own national interests. Relations in the past soared and dropped like a rollercoaster. After Mulroney, there was a dip when Jean Chrétien went out of his way to criticize George W. Bush publicly over the second Gulf War and then under Paul Martin and Stephen Harper, who couldn't get much traction on issues that mattered to us like the "thickening" of the border and friction on a range of issues like energy exports.

However, relations never went completely off the rails and the problem now is that they easily could under the next US president. We need a clearer focus our own vital national interests whatever happens. A fundamental objective for Canada in a more protectionist world must be to maintain a competitive edge vis-a-vis the US on the tax and regulatory climate for business. At the moment, many

actions at both levels of government are running in the opposite direction and are not conducive to increasing investment or production in Canada. Sustaining prosperity should be "Job One" for all in government.

The anti-globalization mood that is spreading will oblige all governments to improve even more the platform for local production. That is a trend we ignore at our peril. But we should also look for trade deals such as with China and bilaterally with TPP partners like Japan, Malaysia and Vietnam if, as expected, TPP stalls. CETA would also benefit from a concerted political jolt. Doing something tangible on trade would give us some leverage in a more protectionist world and notably with the US. In short, we urgently need a more focused trade agenda and more decisive action on energy infrastructure before we will lose the export game completely.

Come next January, we will be obliged to work with whomever the Americans choose as their next president, but we also need to shore up our network of potential allies in Congress and at the state level in order to promote and defend Canadian interests with a full court press involving the prime minister, senior cabinet ministers and credible premiers. **P**

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Present at the creation—the Canadian delegation at the San Francisco Conference founding the United Nations in May 1945. From left to right: C.S. Ritchie, P.E. Renaud, Elizabeth MacCallum, Lucien Moraud, Escott Reid, W.F. Chipman, Lester Pearson, J.H. King, Louis St. Laurent, Prime Minister W.L. Mackenzie King, Gordon Graydon, M.J. Coldwell, Cora Casselman, Jean Desy, Hume Wrong, Louis Rasminsky, L.D. Wilgress, M.A. Pope, R. Chaput. Wikipedia photo

Follow the Smart Money: Canada's Foreign Aid Footprint in a Changing World

Rohinton P. Medhora

When Lester Pearson first framed 0.7 per cent of GDP as the aspirational foreign aid goal in 1969, he couldn't have envisioned that Canada would have its knuckles rapped in 2016 by Bob Geldof for failing to live up to that benchmark. In an increasingly connected world, smart and strategically focused foreign aid is a crucial element of Canada's soft power. CIGI President Rohinton Medhora walks us through the history, political variables and shifting goals at stake in the Trudeau government's foreign aid review.

Canada's engagement with development assistance started in 1949, with its contribution to the United Nations Expanded Program of Technical Assistance, followed the next year by membership in the Colombo Plan, an endeavour inspired by discussions among ministers of Commonwealth countries to pursue the twin goals of reducing poverty and keeping communism at bay in South Asia. The main national institutional pillars of Canada's aid program, the Canadian

International Development Agency and the International Development Research Centre, were not created until 1968 and 1970, respectively.

Then as now, balances had to be struck, about the purpose, size, composition and nature of the foreign assistance enterprise. Despite changing fashions in debates about aid and development, the story of Canadian aid policy is one of continuity in terms of its overall goals and purpose.

Much to the dismay of the developmental purists, bilateral foreign assistance is inherently political and is not only about technocratically reducing defined measures of poverty. The multilateral institutions—UN agencies, the World Bank and the regional development banks—operate under the fig leaf of technocracy (though they, too, are political constructs) because of their treaty-based goals and governance, multi-country membership and specialized staff. But as with the Colombo Plan (to which Canada no longer belongs), in addition to the altruistic motive, the purpose of bilateral foreign assistance is a mixture of geopolitical and ideological goals, along with a grab bag of national imperatives such as trade and investment promotion, domestic political demographics and flag-waving.

This is also why the integration of CIDA into Foreign Affairs in 2013 was, and is, a non-event. Reports of CIDA's independence prior to 2013 were greatly exaggerated as were reports of its impending death post-merger. Typical of the government of the day, the merger was announced with no consultation or open analysis, but its core logic was not wrong. No objective measure of need or likely impact of aid would include Afghanistan and the Ukraine in a list of priority countries. Yet both feature prominently among top 10 recipients of Canadian aid during the last decade. Cold war-era language may have been replaced by the lingo of nation-building, peace-building and institution-building, but the impera-

“In addition to the altruistic motive, the purpose of bilateral foreign assistance is a mixture of geopolitical and ideological goals, along with a grab bag of national imperatives such as trade and investment promotion, domestic political demographics and flag-waving.”

tives of containing extremism and promoting a liberal order through development are as relevant today as they were 60 years ago.

In the same year that CIDA was established, World Bank President Robert McNamara struck the Commission on International Development, chaired by former Canadian Prime Minister (and Nobel Peace Prize winner) Lester Pearson. Although the Pearson Report contained many thoughtful points, the one that resonated the most was the call for rich countries to commit to devoting 0.7 per cent of their GDP to foreign aid by 1980. Not surprisingly, Canada was an enthusiastic supporter of that target. In practice, the nearest Canada got to it was 0.55 per cent in 1975. Official statements then and since have prevaricated about the aspiration but no government has been forthright enough to disown it. Canada's foreign aid budget currently stands at about \$4.4 billion (0.28 per cent of GDP).

Clearly, the dollar amount of the aid budget is only one measure among many. The Center for Global Development in Washington publishes a Commitment to Development Index that assesses 27 rich countries' performance on a series of topics (migration, trade, security, the environment, technology and finance) in addition to the raw aid budget. Here too, Canada ranks in the middle of the pack.

The main high-level choice aid programs, including Canada's, face is what share of the aid budget to allocate to multilateral organizations.

Historically, a quarter to one third of Canada's aid budget has been distributed through the multilateral channel. For a period in the 1980s and 1990s, debt forgiveness for developing countries in distress featured as an important component of foreign aid. In the past ten years, this has averaged about \$100 million annually, and has been zero the past two years. But three other important choices remain to be made.

First, how to “focus”, or concentrate aid? The past decade has seen a succession of discussions around “countries of focus”—the twenty or so countries where the bulk of Canadian aid is concentrated, and where that concentration is meant to yield a strategic or material developmental impact. In practice, given the small size of Canada's aid budget, Canada is not the lead donor anywhere. In the real world, it is hard to attribute development success to the activities of any single player (and with success, it is guaranteed that many players will—correctly—rise to take the credit.) In a world of spillover effects, concentrating on one country and not the neighbourhood makes no sense (imagine how this might work if during the Ebola outbreak only one or two of Guinea, Sierra Leone and Liberia were part of Canada's priorities. Thankfully for the champions of country focus, none were).

Time has a funny way of making seemingly diligent choices look foolish. Suppose we were obsessed about countries of focus 20 years ago? No reasonable list would have included

Afghanistan or South Sudan (which didn't even exist then). Today, both are prominent members of focus. And if the list is malleable to suit events, how will the benefits from a prolonged concentration of attention and resources ever materialize?

Second, the natural tendency is for the immediate to dominate the important. In a world driven by crises, rolling headlines and instant communication, a shrinking aid budget has seen an over six-fold increase in its "humanitarian" component, rising from about \$100 million in 2003 to over \$650 million in 2014. Hard as it might seem, putting an upper limit on responses to catastrophes ring-fences other, important, long term parts of the aid budget such as support for (say) judicial reform or vaccine research.

“ IDRC has had a storied past, at the vanguard of the creation of the international agricultural research system, building China's science policy apparatus, opening South Africa after the end of apartheid, transforming health outcomes in Africa and leading the charge to integrate information and communications technologies in developing country priorities—all while hovering around 4 per cent of Canada's total aid budget. ”

Third, there is the delineation of science, innovation and the strengthening of long-term capacity as an important motive for Canadian foreign aid. IDRC, the “jewel” of Canada's aid program in the words of William Winegard, who led a Parliamentary committee examining

foreign aid in 1987, was expressly created for this purpose, and given specialized independent status as a crown corporation. IDRC has had a storied past, at the vanguard of the creation of the international agricultural research system, building China's science policy apparatus, opening South Africa after the end of apartheid, transforming health outcomes in Africa and leading the charge to integrate information and communications technologies in developing country priorities—all while hovering around 4 per cent of Canada's total aid budget. More recently, in addition to initiatives on math and physics education in Africa and health discovery science globally, Canada is the founding member (with Italy, Norway, Russia, the United Kingdom and the Bill & Melinda Gates Foundation) of the Advanced Market Commitments initiative, a fund to guarantee a profitable market for a technical advance that is pre-specified and unlikely to be produced without such an incentive. Based on the experience of developing pneumococcal vaccines, there is no reason why this method might not be applied to other vaccines and new sectors such as breakthrough technologies in clean energy and genomics. Might the share of the innovation basket of issues increase and indeed define the aid program in future?

In the discussion about foreign aid (there is a review of it currently underway in Canada, mostly led by Canadian organizations that implement aid projects), we sometimes forget three overarching points.

Despite it being a small share of the overall finance that flows into developing countries and that they mobilize internally, where it matters it really matters—by acting where others won't, by catalyzing others to act, and by bringing ideas, contacts and best practice with it. For a relatively small aid program like Canada's, impact might be better

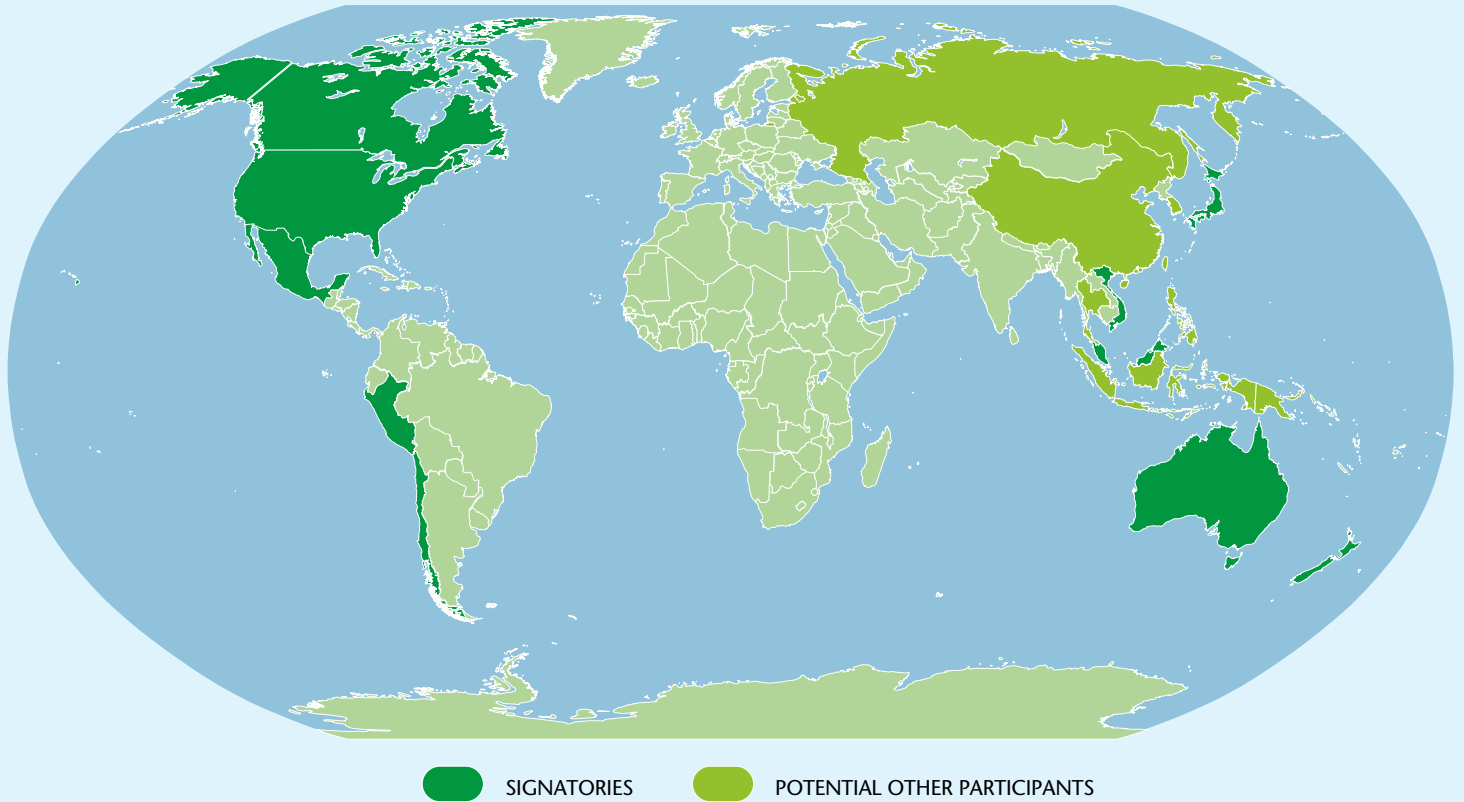
achieved by focussing on themes than on countries.

The development enterprise *has been a success*. Poverty and other forms of deprivation have fallen as never before, faster than at any time in history; “developing” countries like China, India and Brazil are also seen as regional or global powers, with aid programs of their own. The lessons learnt from successful developing countries and how conventional aid programs connect with those of emerging powers are two key issues in reengineering Canada's aid program going forward.

Many of today's main global challenges such as financial instability, governance of the Internet and climate change, while not purely development issues, have important implications for developing countries and will not be resolved without their participation. This speaks to the importance of integrating foreign aid matters in wider discussions about foreign relations and Canada's place in the world.

Canada's historic role as the credible, agile power with the smart money is as germane as ever. Designing an aid program for the 21st century rather than tinkering with givens would be entirely in keeping with who we are and what we stand for. **P**

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The TPP map—12 signatories including Canada, the US and Mexico. Wikipedia image

Canada's Trade Agenda: Facing Headwinds

Dan Ciuriak

Canada is at a historic juncture in trade policy, with major trans-Atlantic and trans-Pacific agreements pending at a time when trade agreements are meeting severe headwinds. Trade policy analyst Dan Ciuriak assesses the potential impact of the major trade agreements currently in the pipeline and suggests a list of priorities for Canadian trade policy going forward.

As with most government transitions, the policy hand-off from the former Harper government to the new Trudeau era includes a number of unfinished trade files. While the incoming executive has not been as unconditionally supportive of the biggest trade deal since the North American Free Trade Agreement (NAFTA)—the Trans-Pacific Partnership (TPP)—which was negotiated under the Harper government, the fact that both the Liberals and their Conservative predecessors are generally pro-trade liberalization has facilitated the political and policy transition.

Among the trade agreements yet to reach ratification in the negotiation-agreement-legal scrubbing-ratification trajectory, Parliament is currently examining and considering ratification of the second largest bilateral agreement that Canada has ever signed, the Comprehensive Economic and Trade Agreement (CETA) with the European Union, and the largest regional trade agreement it has ever signed, the TPP agreement with 11 other countries circling the Pacific Rim, including the United States. At the same time, the Transatlantic Trade and Investment Partnership (TTIP) talks between the United States and the European Union continue, in a process that could have significant ripple effects throughout the trading system and expose Canada to tougher competition in both the US and EU markets, raising for Canada an imperative to trilateralize the agreement. Flying low under the radar are the negotiations towards a Trade in Services Agreement (TiSA), which involve some 23 parties. And waiting in the wings are possible negotiations towards a Canada-China trade agreement, overtures for which have already been made.

However, volume should not be mistaken for momentum. Since the great recession of 2008-2009, global trade has grown only in line with global GDP. Prior to the recession, global trade had grown much faster than global GDP, driven by the formation and expansion of global value chains, as evidenced in a massive expansion of trade in intermediate goods and services. Today, global value chains are as likely to be consolidating as expanding. This means that trade costs have risen – whether due to border thickening because of tightened security or because of recognition of risks of extended supply chains.

The WTO Ministerial Conference in Nairobi in December 2015 sounded the death knell of the Doha Development Agenda. Every previous multilateral trade round since the inception of the General Agreement on Trade and Tariffs in 1947 had reached a successful conclusion; the

“Parliament is currently examining and considering ratification of the second largest bilateral agreement that Canada has ever signed, the Comprehensive Economic and Trade Agreement (CETA) with the European Union, and the largest regional trade agreement it has ever signed, the TPP agreement with 11 other countries circling the Pacific Rim.”

first launched under the auspices of the World Trade Organization (WTO) failed. The WTO continues to provide the overall framework for global trade (including particularly through its Dispute Settlement Mechanism), and has had some significant recent successes in the upgraded Government Procurement Agreement (GPA), which entered into force in 2014, and the conclusion of Trade Facilitation Agreement (TFA), which has yet to be ratified by a critical mass of WTO members (Canada has yet to ratify). But the path for a return to multilateral liberalization is simply unclear.

“The distemper in the United States is elevated, and a return to business as usual post-election cannot be taken for granted. Going into their party conventions, both presumptive nominees, Republican Donald Trump and Democrat Hillary Clinton, opposed TPP.”

The TTIP, easily the most ambitious trade negotiation ever launched, is now widely regarded as likely to be “dead on arrival”. The main objective of the agreement is to achieve regulatory harmonization. A trade sustainability impact assessment on the TTIP published by the European Commission

in May 2016 reports GDP gains of 0.5 per cent for the EU and 0.4 per cent for the United States; three-quarters of the impact for the EU comes from regulatory cooperation and almost 90 per cent for the US. However, the US and Europe are socially out of sync on regulatory precaution and privacy. Differences on the former will likely eviscerate the TTIP’s potential economic impact, while differences on the latter could scupper the agreement altogether, as they did the Anti-Counterfeiting Trade Agreement (ACTA) before it.

The TPP, meanwhile, is in danger of not being ratified in the US, the jurisdiction that championed it. The rhetoric in the 2016 election year is tailored to populist anti-trade sentiments. This is hardly unusual for US election campaigns. However, the distemper in the United States is elevated, and a return to business as usual post-election cannot be taken for granted. Going into their party conventions, both presumptive nominees, Republican Donald Trump and Democrat Hillary Clinton, opposed TPP. Moreover, compromises in the TPP text on intellectual property for biologic drugs may not be acceptable to a Republican Congress, and could be a death blow to the agreement. In Japan, the other major party to the deal, where the TPP is an integral part of Prime Minister Shinzo Abe’s “Abenomics”, the administration’s plan to counter deflation and reinvigorate growth, the ratification debate has been postponed twice in the first half of 2016 because of its unpopularity with the electorate.

The Canada-EU Comprehensive Economic and Trade Agreement (CETA)

also faces ratification risks due to some EU member states' opposition to inclusion of investor-state dispute settlement (ISDS) and, in the case of Romania and Bulgaria, due to a possible refusal to ratify unless Canada lifts visa requirements on their citizens. The substantially improved ISDS mechanism developed by Canada and the EU may overcome EU member state objections on that score, but may complicate matters for the TTIP negotiations, not to mention TPP ratification in Canada, since the TPP ISDS mechanism is now a decidedly inferior option.

The quantifiable impacts of trade agreements are an important factor for policymakers. But there are other factors that cannot be easily reduced to dollars and cents that also need to be taken into consideration.

On the numbers alone, the impacts on the Canadian economy of CETA, TPP, and a Canada-China FTA taken together would amount to little more than one quarter of annual GDP growth in a relatively modest growth year. The opportunity costs for Canada of not ratifying the TPP while the other parties go ahead would be greater by a factor of about 50 per cent. The opportunity costs of a failure to implement CETA would likely be greater still in the event of the TTIP going forward, as there would be no offset to the preference erosion Canadian exporters would face in the US and EU markets.

The relatively smaller impact on Canada of the TPP versus the CETA and CCFTA reflects the fact that there are no trade diversion gains within the regional grouping, only vis-à-vis third parties. Given the size of the TPP region, that shrinks trade diversion gains considerably compared to either the CETA or a CCFTA. A second key reason is that, within the TPP region, Canada experiences preference erosion in its key US market vis-à-vis Japan and other Asia Pacific economies that do not have FTAs with the United States. By the same token, an ambitious TTIP would erode Canada's competitive position quite significantly.

“ Seal the deal on CETA. This is important both for the direct benefits of the deal but also in positioning Canada for a future TTIP of whatever level of ambition. ”

The relatively large gains for Canada from unilateral liberalization reflect two things: (a) the ambitious nature of the liberalization assumptions, which go beyond what Canada has been prepared to offer in any of its agreements to date; and (b) the fact that unilateral liberalization removes some of the costs of trade

that preferential trade agreements impose, even as they remove tariffs. These cost reductions affect Canada-US trade and thus leverage greater two-way trade than is possible under agreements that cover smaller trade flows. The positive impact on Canada's exports from a reduction on import costs under unilateral liberalization reflects the truism that a tax on imports is a tax on exports.

The quantitative impacts cited above reflect conservative views about what even deep and comprehensive trade agreements can achieve in terms of regulatory harmonization. The available evidence suggests that, outside the context of a single market governed by a commission with directive-issuing powers, regulatory convergence has been very slow. The TPP's regulatory convergence chapter invokes Good Regulatory Practices (GRP), which all TPP parties have already signed onto under OECD and APEC initiatives (not to mention similar programs in a NAFTA context). Why the institutions that would be put in place under the TPP would be more effective than other, long-standing processes—or indeed why they would be needed in addition to those processes—is simply not clear. Trade agreements are not the only game in town, after all.

Meanwhile, regulatory harmonization driven by trade agreements can be toxic politically, as the reaction to TTIP is showing. Simply put, it is impossible for a minister to explain why regulations for food safety, financial soundness, protection of the environment, or other policy objectives, adopted pursuant to regulatory impact assessments and full democratic processes with the full range of stakeholders involved, should be changed pursuant to a trade agreement negotiated in secret with a limited number of stakeholders that is handed to legislatures for a simple thumbs-up or thumbs-down vote.

These considerations underscore a critical failure of trade policy: as the focus of trade agreements shifted to

Estimates of Real GDP Gains for Canada Under Alternative Trade Agreements/Trade Policy Options.

	Real GDP % Change	Household Income (C\$ billions)
CETA	0.30%	13.0
CCFTA	0.14%	6.6
TPP	0.07%	2.9
TPP excluding Canada	-0.03%	-1.7
TTIP	-0.04% to -0.07%	-2.8 to -5.0
Unilateral	1.67%	47.1

Source: Estimates by the author.

so-called “behind the border” issues, the process for negotiating agreements that had worked for the GATT rounds which focussed on border measures was not appropriately reformed for the new circumstances.

“If the TPP survives US ratification, Canada should, primarily for defensive reasons, also ratify, but simultaneously pursue a trade deal with China. If the TPP fails, Canada should add Japan to the priority list.”

For Canada, the soundest trade policy going forward is fairly straightforward, given the above considerations.

First, ratify the WTO Trade Facilitation Agreement. This will assist the many initiatives worldwide under the World Customs Organization, the World Bank and various Aid for Trade

programs on reducing border costs. Canadian exporters will benefit. This is easily the lowest-hanging fruit.

Second, seal the deal on CETA. This is important both for the direct benefits of the deal but also in positioning Canada for a future TTIP of whatever level of ambition.

Third, put Canada’s economic diplomacy firmly behind a broader Free Trade Area of the Asia Pacific (FTAAP) as a corrective to the divisive elements of the current mega-regional framework emerging in the Asia Pacific under the TPP and RCEP. If the TPP survives ratification, Canada should, primarily for defensive reasons will also have to ratify, but should then simultaneously pursue a trade deal with China. If the TPP fails, Canada should add Japan to the priority FTA list for its Asia Pacific engagement.

Fourth, Canada should be front and centre in using the “time to think”, which the failure of the Doha Round occasions, to work out, as Jonathan Fried has suggested, the “what” and the “how” of the WTO’s future role

in advancing the trade policy agenda.

Fifth, study the consequences of the “spaghetti bowl” of Canada’s preferential trade agreements, consider the benefits of going to a “tabula rasa” policy on a unilateral basis, and champion the sweeping away of preferential spaghetti on a global basis in the WTO for industrial goods.

Finally, the critical question which has not been answered—and cannot be answered by the available quantitative trade models—concerns the implications of the intellectual property provisions of modern trade agreements for innovation. This needs to be redressed, both from the perspective of negotiating trade agreements, and for implementing an innovation agenda in the age of FTAs. **P**

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Prime Minister Justin Trudeau and US President Barack Obama with UN Secretary General Ban Ki-moon at the G20 Summit in Turkey last November. What's the future for the G20, looking ahead to the next summit in China, and beyond? Adam Scotti photo

Will the G20 Remain Relevant?

Thomas Bernes and Domenico Lombardi

The G20's golden moment as a heads-of-government forum came in its concerted and effective response to the 2008 global financial crisis. Since then, in the absence of crystallizing crises of similar scale, the G20 has lost its traction and been adrift in its response to the fundamental challenges of growth and employment exposed and exacerbated by the meltdown. IMF veterans Bernes and Lombardi write that what has become the world's pre-eminent economic action forum finds itself at an inflection point.

The G20 first met at leaders level in 2008 in response to the unfolding global economic crisis. However, the G20 first came into being in 1999 at the level of finance ministers when Canada's Paul Martin convinced his fellow G7 finance ministers, in the aftermath of the Asian financial crisis, that a larger grouping was needed to further global economic leadership and cooperation. The G7 no longer encompassed sufficient economic weight within the global economy. To

underline that point, today China is the largest economy in the world (as measured by PPP—purchasing power parity), while the G7 now accounts for less than 50, of global GDP. In recent years, moreover, most global growth has come from the emerging markets.

When the global financial crisis hit with such force and potentially devastating consequences in 2008, the G20, (encompassing countries making up 85 per cent of global GDP, 80 per cent of world trade and 75 per cent of the world's population) was the logical forum to consider and coordinate responses. And so the G20 Leaders' Summit was born. In the space of less than a year in 2008-09, three summits (Washington, DC, London, Pittsburgh) were held to respond to the crisis. Many observers see this period as a golden moment for the G20.

Faced with a crisis that threatened to spin totally out of control, leaders took a number of rapid and important decisions. Agreement was reached on a 47-point Action Plan including a large fiscal and monetary stimulus package; comprehensive support for the financial sector; establishment of the Financial Stability Board (FSB); US\$850 billion of resources to support emerging markets and developing countries; commitments to resist protectionist measures; and reform of the international financial system. It was this collective and effective response by members of the G20 that mitigated the impact of the crisis and allowed confidence to be restored faster than many analysts had predicted.

By the fall of 2009, with confidence being restored, leaders declaring victory said the G20 would be “the premier forum for our economic cooperation” and turned their focus from the crisis to the medium term through establishing a Framework for Strong, Sustainable and Balanced Growth. At their next meeting in Canada in June 2010, under the chairmanship of Canada's then-Prime Minister Ste-

“Countries operate with differing political timetables and priorities and in the absence of an overriding crisis, it is difficult to maintain a clear focus in global fora such as the G20.”

phen Harper (supported strongly by Chancellor Merkel and the IMF), the G20 (despite US reluctance) shifted their stance from fiscal and monetary expansion to fiscal consolidation—a judgment which, in hindsight, was clearly premature.

Countries operate with differing political timetables and priorities and in the absence of an overriding crisis, it is difficult to maintain a clear focus in global fora such as the G20. Through the subsequent four summits (South Korea, France, Mexico and Russia), the agenda broadened, engagement groups expanded, the communiqués lengthened but a sense was developing among observers that the G20 was adrift. To be fair, the FSB continued to make progress on its agenda to strengthen rules and oversight for the global financial system and to bring more countries into its ambit; the International Monetary Fund (IMF) refreshed and strengthened its monitoring activities while supporting those emerging markets and developing countries that needed assistance in responding to the crisis; governance reforms at the IMF were agreed (if only implemented in 2016), but growth remained low and unemployment high.

During its chairmanship in 2014, Australia sought to refocus G20 activities on its economic mandate for cooperation, to scale back the communiqué and to have G20 members agree on a specific objective of increasing global growth by 2 per cent over the IMF's 2013 global economic forecast, thereby creating millions of new jobs. At the end of the summit, the Brisbane Action Plan, with 1,000 structural measures developed by member countries, was announced together with an accountability

framework whereby the IMF and the OECD would monitor progress and changes and additional measures would be implemented if necessary to keep the action plan on track.

What has happened since then? Unfortunately, far too little. Because overall growth has continued to slow over the last two years, the measures of 2014 would now have to be doubled to achieve the Brisbane objective. Furthermore, the largest economies (with the exception of China) have failed to implement their measures, which means the objective is now far off-course. The G20 has neither acknowledged this nor proposed remedial plans. So much for accountability, which, so far, has been rhetorical and misleading.

“Canada, with its shift to a deficit to support infrastructure spending, has become the new poster boy for the IMF. Japan is expected to embrace more fiscal expansion. France is wrestling with politically unpopular labour reforms.”

The IMF has expressed its concern with global slow growth and has called for countries to make maximum use of fiscal, monetary and structural measures, depending upon country circumstances. Canada, with its shift to a deficit to support infrastructure spending, has become the new poster boy for the IMF. Japan is expected to embrace more fiscal

expansion. France is wrestling with politically unpopular labour reforms. China is wending a difficult road as it works to reorient its economy away from its export thrust and is making progress, although major challenges remain, including important fragilities in the financial sector. The other BRICS (Brazil, South Africa and Russia) are facing enormous headwinds while India is currently outperforming the others.

These are not easy policy challenges and we live in unusual times. But as the IMF said in its recent World Economic Outlook, “Too slow for too long”, our economies and perhaps our democracies are paying a price for our inability to achieve strong robust growth. Recent and ongoing elections have demonstrated the frustration of too many citizens with growing inequality and high levels of unemployment. This has led to an increasing sense that governments are unable to respond and the growing disenchantment with institutions spills over to international fora. The G20, like its individual leaders, faces the same challenge to demonstrate that it is acting responsibly on people’s concerns and is being accountable.

“In September, China will host this year’s G20 Summit. The backdrop is not propitious. Slow growth and increasing risks are the reality. The emerging markets are not providing the growth that they have in recent years.”

In September, China will host this year’s G20 Summit. The backdrop is not propitious. Slow growth and increasing risks are the reality. The emerging markets are not providing the growth that they have in recent years. Japan and Europe face ex-

traordinarily weak growth. The US, while performing better than most, is going through a difficult election where globalization and freer trade have been under attack. As President Obama will be in the final months of his tenure, he will not be in a position to commit the United States to any dramatic new course of action. In the circumstances, it is unlikely that the Chinese summit will offer many breakthroughs. The best prospect may be if China is able to leverage its regional initiative “One Belt, One Road” into a major initiative benefiting China, Asia and beyond.

If the G20 is able to get through current challenges, how does it remain relevant in the future? There are many temptations to call for the G20 to take up a whole multitude of issues where inadequate progress is being made. Given the G20’s challenge in showing progress on its central objective—economic cooperation—it should be careful in taking on new tasks.

Certainly, there are a number of issues with a significant economic element that would fit nicely with the G20 remit over the medium term. Responding to climate change can be seen in economic terms as we struggle to refashion our system of incentives/disincentives to achieve greater green investment. Refugees are a huge issue likely to grow in significance. They hold the potential of large costs to resettle them but they also hold the possibility of contributing strongly to economic growth, particularly in Europe, which is aging rapidly.

A number of the recently endorsed Sustainable Development Goals have economics at their centre and the G20 efforts focused on these could prove effective. Pandemics risk catastrophe for the world—economic and otherwise. Ensuring an adequate global response is as much an economic as a health issue.

Finally, an issue that remains unresolved is the need for an international framework for the management

of sovereign debt crises. The IMF has shown that past responses have tended to offer too little assistance too late. Agreement among members of the G20 is a prerequisite for moving forward on this. And finally, particularly given headwinds being witnessed in the US election and elsewhere, efforts to strengthen the global trading system are likely to require impetus from the G20.

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But the bottom line is that without progress on more robust growth and employment, the credibility of the G20 to tackle and provide leadership on other issues will be lacking. **P**

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Prime Minister Justin Trudeau greets a girl and her family of Syrian refugees at Toronto Airport last December. The 25,000 refugees arriving from Syria are among many millions in a worldwide crisis of displaced persons. Adam Scotti photo

New Leadership on the Refugee Crisis and the Long Road to September

Paul Heinbecker and Andrew S. Thompson

The World Humanitarian Summit in Istanbul produced little in terms of concrete solutions to fix the global refugee system, and there is a danger that two upcoming summits in September will do the same, unless countries such as Canada are prepared to exercise bold leadership.

By most accounts, May's World Humanitarian Summit in Istanbul, Turkey, was a disappointment. Granted, expectations heading into the meeting were low to begin with, and the summit lived down to its billing.

The intention behind the event was to revitalize the global humanitarian system, which is teetering under the

strains of the Syrian civil war and a refugee crisis that has spilled over into Europe. But few world leaders took the event seriously. Even fewer—particularly Western leaders—bothered to show up at all, opting to go direct to the G7 meeting in Japan instead. And while many of the participants who did attend the summit expressed their moral outrage at the current state of affairs, few new major commitments emerged. Gains were more aspirational than material. The international community needs to do better.

Thankfully, states will soon have an opportunity to do just that. Two summits on refugee protection will be held in New York in September: the UN General Assembly High-Level Meeting on Refugees and Migrants, and a Leaders' Summit hosted by US President Barack Obama.

“The deepening Syrian catastrophe has brought out the worst in many countries, particularly in Europe, where several states have shamefully taken punitive measures to restrict or block entry to those most in need of protection, while far-right political parties have stoked anti-refugee and anti-Muslim sentiments for partisan political gain.”

Sadly, the shortcomings and failings of the current refugee protection system are becoming more pronounced by the day, and not just because of Syria. The world is struggling to cope with roughly 60 million refugees and displaced persons, with some 86 per cent of refugees living in economically less developed regions or countries. Protracted conflicts and climate change are further swelling the ranks of the displaced, with no end in sight.

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Despite both a treaty commitment under the 1951 Refugees Convention to protect those fleeing persecution and a moral obligation to do so, the international community is proving to be too woefully ill-organized and in many cases too selfishly averse to acquit either.

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It is hard to tell what the low point has been: the Hungarian police tossing food to refugees caged in like animals; the Slovakian government rejecting Muslim refugees because there are no mosques there; the confiscation of the meagre assets of refugees by Danish authorities; the British government's refusal to take in 3,000 unaccompanied child refugees; EU High Representative Frederica Mogherini's criticism of the Turks' handling of refugees when her own members were building razor-wire fences to keep Syrian refugees out; or American Islamophobia and the US Congress's reluctance to accept Syrian refugees after US military misadventures had destabilized the region in the first place.

The problem is bad and getting worse. The world needs to get ahead of the curve. What is needed is a global “responsibility sharing” system that is capable of anticipating mass movements of

people and managing them in ways that are predictable, equitable, effective and consistent with international human rights and humanitarian law.

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This is not a new idea. Scholars and practitioners have been wrestling with ideas of responsibility sharing since the 1970s, although the concept has often been framed in terms of “burden sharing” rather than as responsibility—or opportunity. Some have pointed out the benefits of a co-ordinated system of sharing, including how it offers both predictability for governments and insurance against having to absorb a mass influx of asylum seekers.

Similarly, some have even proposed a sort of “quota-and-trade” system, similar to cap-and-trade systems used to apportion control greenhouse gas emissions. In such a system, countries that do not wish to host asylum seekers could buy their way out of having to take their allocated share, while countries that do

host large populations, particularly front-line states, would in return receive a transfer of funds from the international community.

In theory, such a scheme would address the massive gap between the needs of the refugee protection system and current levels of funding. In its last annual report, UNHCR indicated that it received less than half of the US \$6.5 billion that it estimates it needs in order to carry out its work. Much of the shortfall is due to structural barriers, the most obvious one being that UNHCR's budget comes almost exclusively from voluntary contributions, not the assessed contributions of UN member states. The same is broadly true for the World Food Program, UNICEF and others.

The inequities of the system are immense, while the North-South divide on questions of refugee protection runs deep. According to UNHCR, sixty percent of the world's refugees—approximately 8.4 million—are hosted by ten states in the global South, while only about one per cent of eligible refugees—roughly 140,000—are resettled every year, mostly in three countries: the United States, Canada and Australia. Add to the mix the controversial European Union-Turkey deal of March 2016 which, among other things, is supposed to guarantee Turkish citizens' visa-free travel in exchange for the return of irregular migrants to Greece back to Turkey, a country that is already the largest recipient of refugees in the world—and not just Syrians—and has spent billions of its own money to house them. It is little wonder that mistrust is high.

Reform of the global refugee regime will not be easy. UN Secretary General Ban Ki-moon has called for a Global Compact on Refugee Responsibility Sharing that will “commit Member States to support a comprehensive refugee response whenever a large-scale and potentially prolonged refugee movement occurs.” While the overarching aim of the Global Compact is to ensure predict-

able responses to refugee crises that are consistent with international human rights and humanitarian law, it is only a partial solution.

The compact, as it is currently conceived, would be voluntary and non-binding on member states. Moreover, given the lack of consensus on issues such as resettlement and financing of the system, there is a very real possibility that states will not be able to agree to any meaningful outcome document prior to September or agree on any concrete solutions in just a few days of meetings.

“The Trudeau government, more than any other government in the West, is positioned to take up the mantle. Canada is widely admired for its comparatively generous decision to accept 25,000 Syrian refugees, its unique capacity to harness diversity and integrate differences at home, and the public's willingness to embrace refugees through Canada's unique private sponsorship model.”

Even so, the meetings in September represent an opportunity for the international community to get ahead of the refugee curve. The demand for global leadership on refugee policy is urgent and growing, even as the supply of such leadership is static, even contracting. Given the behaviour of its member states, Europe has lost all credibility. Despite the efforts of the White House to resettle Syrian refugees, the US's standing is no better. Someone else must step up to the plate.

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any other government in the West, is positioned to take up the mantle. Canada is widely admired for its comparatively generous decision to accept 25,000 Syrian refugees, its unique capacity to harness diversity and integrate differences at home, and the public's willingness to embrace refugees through Canada's unique private sponsorship model.

But it is not enough to lead by example. The stakes are simply too high. If those who have fled persecution or who have been forced from their homes are to have any chance of one day leading lives of hope and dignity, Canada must do all that it can to propose constructive, tangible policy solutions that ensure that the September meetings avoid the same fate as the World Humanitarian Summit.

A crisis is a terrible thing to waste. **P**

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A processing plant in the Athabasca oil sands of Alberta. Climate change targets could reduce demand for oil at a time when the collapse of prices has already impaired the economic viability of high cost energy sources such as the oil sands. Wikipedia photo

The Future of Canada's Oil Sands in a Decarbonizing Global Economy

Jeff Rubin

Justin Trudeau has argued that improving Canada's emission record will safeguard the development of the oil sands. But even before the Fort McMurray wildfire, Alberta's oil sands were facing an existential threat from the combination of the COP 21 worldwide emissions targets and reduced oil prices. By destroying billions of barrels of potential future oil demand, policies designed to mitigate climate change will severely impair the economic viability of the oil sands and other high cost sources of oil supply.

Both Prime Minister Justin Trudeau and Alberta's Premier Rachel Notley have worked earnestly to rehabilitate Canada's badly tarnished environmental image. For much of the last decade the Canadian government's singular economic focus on promoting the rapid growth of bitumen production from the oil sands and its resultant lack of progress in reducing national carbon emissions has isolated the country in the global environmental community.

Notley announced sweeping changes to Alberta's carbon emission policies, including the creation of a provincial carbon tax, the setting of a 100-megatonne hard cap on annual carbon emissions from the oil sands and the phase-out of all coal-fired generating plants. Trudeau has in turn promised to work with the provinces to develop a national climate change strategy that will enable the country to achieve its emission reduction targets. The Trudeau government has already announced that it considers the previous target set by the former Harper government of reducing national emissions 30 per cent below 2005 levels by 2030 a bare minimum.

Curiously, Canada's newfound commitment to improve its international image on battling carbon pollution is being pitched, at least to the country's oil patch, as an attempt to improve the oil sands marketability to increasingly emission-conscious world energy markets. Both Trudeau and Notley had even argued that the country's notoriously poor record on carbon emissions under the Conservative government had actually hurt the oil sands' long-term expansion plans that the former prime minister so famously championed. Premier Notley cited President Obama's rejection of the Keystone XL pipeline on climate change grounds as a prime example.

While that political narrative seems to be gaining traction in post-Harper Canada, it is not the domestic market that drives production growth in the oil sands. Hence it is not Alberta's emissions, nor for that matter Canada's emissions, that are relevant to the oil sands' economic future. The real threat that climate change poses to bitumen extraction from the oil sands are the actions taken by the rest of the world to mitigate global carbon pollution and the consequences those actions will have on future world oil consumption. By destroying billions of barrels of potential future oil demand, policies designed to mitigate climate change either through taxing carbon emissions or through promot-

“ The real threat that climate change poses to bitumen extraction from the oil sands are the actions taken by the rest of the world to mitigate global carbon pollution and the consequences those actions will have on future world oil consumption. ”

ing the rapid use of green energy, can only worsen the outlook for the oil sands and other high cost sources of oil supply.

It is the oil sands costs, not its carbon trail, which makes the resource so vulnerable in an emissions constrained world. Next to Arctic production, the oil sands rank as one of the most expensive sources of oil in the world, rendering it a marginal producer in the world supply chain. As such, the oil sands has stood to gain the most from triple digit oil prices which have levered huge production growth and turned what was once thought to be commercially unrecoverable oil into the world's third-largest oil reserve. But at the same time, as one of the most costly oil sources in the world, the resource is also one of the most exposed by low oil prices. That exposure could in no meaningful sense be remedied by any improvement, no matter how impressive, in either its own carbon emissions or in Canada's overall emission performance.

It is global emissions that are the sector's real nemesis. The overwhelming scientific consensus of the United Nations Intergovernmental Panel on Climate Change (IPCC) is that atmospheric carbon must not be allowed to exceed 450 parts per million (ppm) in the atmosphere—a threshold they estimate would hold the average increase in global temperatures to a two degree Celsius rise. Even that increase, as noted by many island nations attending the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21) in Paris, would see rising sea levels at least partially inundate them. Any greater than a two degree temperature rise would unleash a spectrum of

feedback mechanisms that could overwhelm our capacity to adapt.

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Capping atmospheric carbon at the 450 ppm level (or potentially lower if the rise in average global temperature is to be held to 1.5 degrees Celsius) implies not only a dramatic but an imminent change in the world economy's use of carbon-emitting fossil fuels. In its most recent general assessment report, the IPCC estimated that the world had a remaining carbon budget of 1000 gigatonnes (GT) of CO₂ before emissions push atmospheric carbon concentrations to the critical 450 ppm threshold. Scaled to recent annual global emissions running just over 30 GT, the global economy has only about three decades left to burn carbon fuels. That horizon could be extended by reducing annual emission, but either way the global economy must soon head toward substantive and sustained reductions in

emissions either through decarbonizing economic growth (falling emissions per unit of GDP) or, less desirably, through much lower rates of economic growth itself.

Either route implies a very different trajectory for carbon emissions, and hence global fuel consumption than the rates of growth fossil fuel producers have become accustomed to and, more critically, are counting on to continue indefinitely into the future. The carbon trail from business as usual growth in oil, coal and natural gas combustion would put carbon levels on course to hitting as high as 700 ppm by the end of the century, triggering as much as a six degree Celsius rise in average temperatures. The IPCC warns that anything close to those levels would bring with it catastrophic changes in global climate and sea levels.

Avoiding those consequences by limiting the rise in atmospheric carbon to 450 ppm level (or less) through what is commonly referred to as deep decarbonization has both significant near-term as well as profound longer term implications for the oil industry. Not only is there no room within the world's remaining carbon budget to accommodate business as usual growth in world oil demand but the looming emission reductions will necessitate substantial reductions in world oil consumption over the next several decades.

The International Energy Agency (IEA) estimated that in order to hold atmospheric carbon at the 450 ppm threshold, global oil consumption will have to fall to under 80 million bpd by 2030 and continue to decline to 74 million bpd by 2040—an over 20 per cent reduction from today's production level. World oil demand would have to peak by 2020 before beginning a terminal decline over the balance of the century. By mid-century virtually all increases in global energy demand would have to be supplied through renewable power.

The time frames for required cuts in global oil consumption are precisely those during which the Canadian Association of Petroleum Producers (CAPP) expects oil sands production to double. But instead of benefitting from another two decades of world oil demand growing at its annual trend rate of a little over one million bpd, oil sands producers would be facing a contracting global market that would shut in more than 20 mbd of current world oil production.

The blueprint for that contracting global oil market is at least partially drafted through the existing emission reduction commitments of the largest oil consuming countries both in the developed and developing world. Current national pledges to reduce carbon emissions are a minimum starting point. While they already dictate significant reductions in future world oil demand, they are still inadequate from a climate change mitigation standpoint.

“The global economy must soon head toward substantive and sustained reductions in emissions either through decarbonizing economic growth (falling emissions per unit of GDP) or, less desirably, through much lower rates of economic growth itself.”

Even if all pledged national emission reduction targets are met, global carbon emissions would still be on track to induce anywhere from a 2.7 -3.5 degrees Celsius warming of the planet—almost double the level which the COP21 agreement intends to hold global temperature change to. It is widely anticipated that more aggressive commitments to reduce

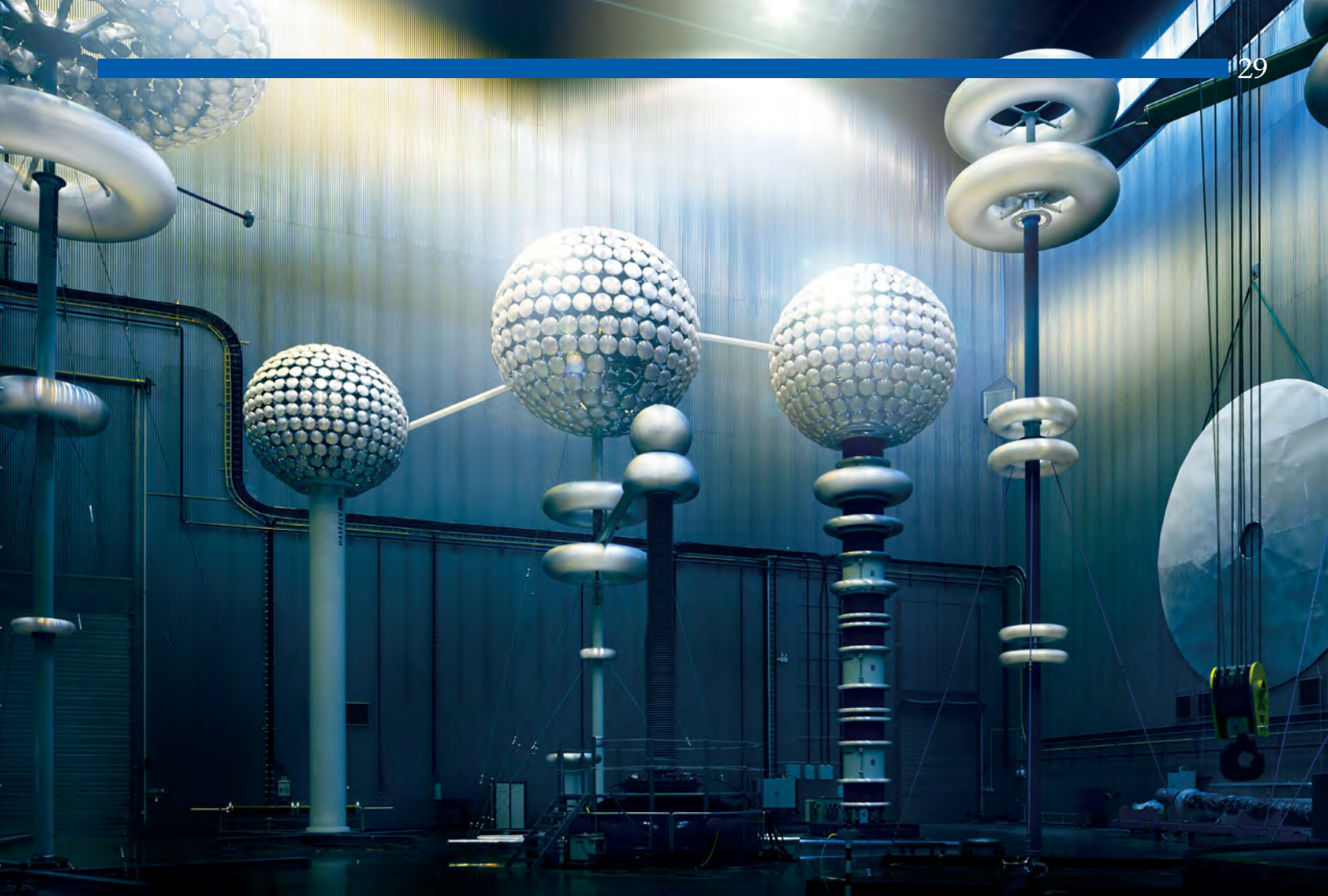
future emissions at the individual country level will be needed, requiring even greater reductions in fossil fuel demand.

“Just as today's coal prices have already stranded coal reserves around the world, tomorrow's oil prices in an emission-constrained world will strand much of the world's proven oil reserves.”

Whatever ultimate target for global warming is pursued, the route to keeping carbon out of the atmosphere is to keep fossil fuels in the ground. Anywhere from two-thirds to three quarters of all proven reserves of fossil fuels will not be able to be burned if we are to adhere to a carbon threshold of 450 ppm according to the IPCC. In effect that would leave the bulk of the world's oil reserves as stranded assets with no economic value. According to Moody's, half of the world's coal reserves are already uneconomic to exploit at today's price for either thermal or metallurgical coal, both of which are trading at or near decade lows.

Just as today's coal prices have already stranded coal reserves around the world, tomorrow's oil prices in an emission-constrained world will strand much of the world's proven oil reserves. All but the lowest cost reserves will be abandoned in a contracting world oil market, leaving most of the oil sands estimated 170 billion barrels of bitumen in the ground. **P**

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A clean electricity power generator, which is part of the investment in new tech energy. ABB photo

Energy Innovation and COP21

Céline Bak

While the general public may have seen the COP21 agreement in Paris in late 2015 as a beginning, it was actually a culmination of years of painstaking policy transitioning aimed at mainstreaming clean energy development. In Canada, much of the economic infrastructure to that end was already in place by last year, with energy innovations in a diverse array of fields now ready for scale-up. And the firms commercializing these solutions are already substantial employers.

On the first day of COP21 in Paris, Mission Innovation (MI), was launched by Bill Gates with US President Barack Obama, French President François Hollande and Indian Prime Minister Narendra Modi. MI's state-level participants pledged to double investments in clean energy research by 2020, to attain the de-carbonization goals contemplated beyond 2030. In addition, 28 wealthy investors started the Breakthrough Energy Coalition, a fund whose intent is to spur private and public sector cooperation and to raise investment in clean energy innovation. These energy innovation

initiatives follow on from the New Climate Economy's proposals for policy action to support low carbon innovation (Global Commission on the Economy and Climate 2015).

Global governance entities made reference to innovation in the lead-up to Paris, but generally with a post-2030 focus. For example, the Organization for Economic Co-operation and Development (OECD) made no mention of the potential impact of innovation in the pre-2020 period, but rather made proposals for quadrupling green infrastructure investment to US\$1 trillion; stopping fossil fuel subsidies; making carbon markets more effective; decarbonizing transportation; and increasing development assistance through climate finance. The OECD continued to call for global emissions peaking by 2030 and zero net emissions by 2100—a goal adopted by the G7 in 2015.

For its part, the International Energy Agency (IEA) proposals, to contribute

half of the GHG reductions needed to achieve peak global emissions around 2020, had innovation and clean technology shouldering a greater share of the GHG-reduction burden in the future, but did not make it an immediate priority.

The United Nations itself advanced the Lima-Paris Action Agenda (LPAA) as a framework for non-state actors to track, coordinate and leverage efforts. Under the LPAA, non-state actors translate 'Intended Nationally Determined Contributions' into cooperative or individual initiatives, under seven differentiated areas in which innovation is implied but not explicitly addressed.

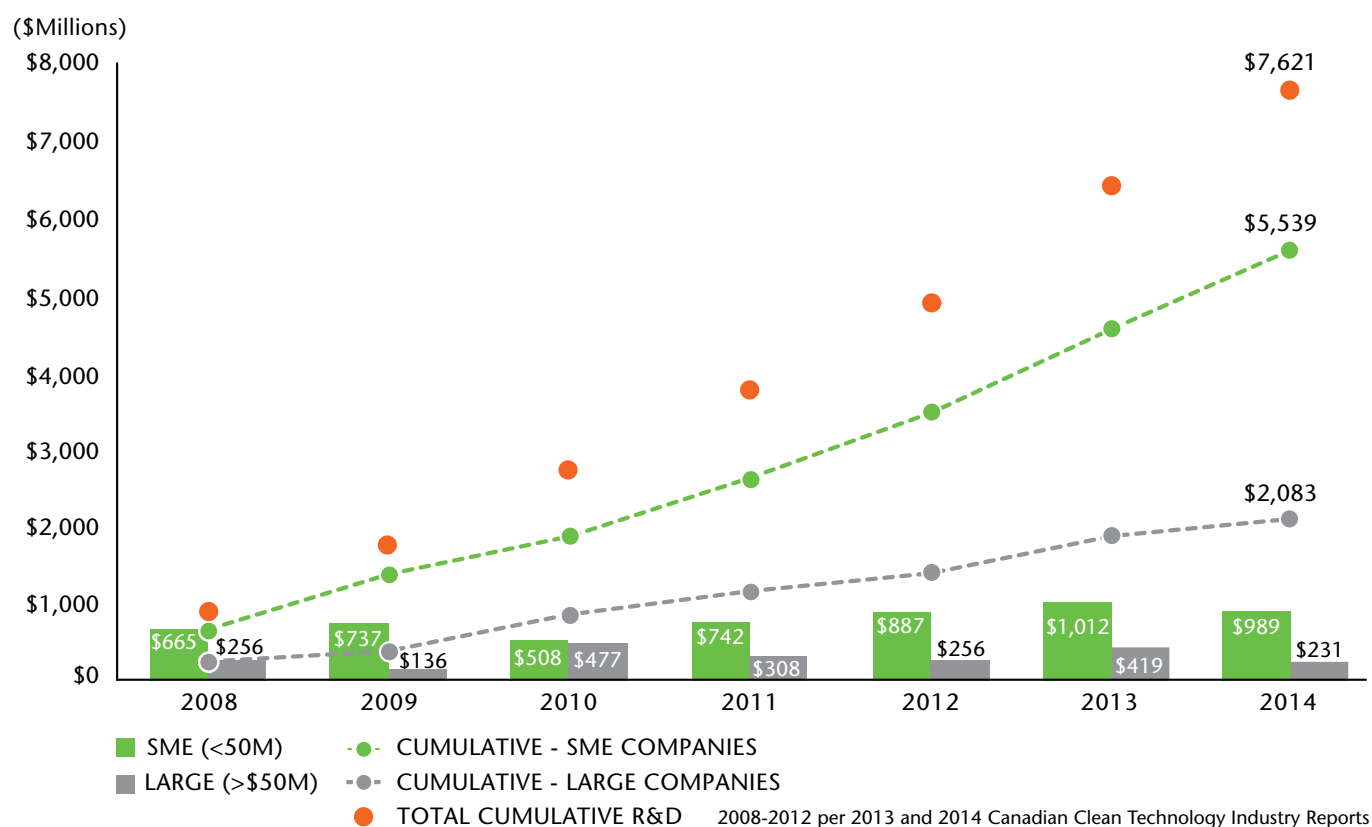
Policy leaders will need multiple policy interventions in order to enable scale-up of energy innovations within electricity, built environment, transportation and fuel systems. Coordinated policy implementation will facilitate GHG reductions and emergence of sectors with growing

numbers of high quality jobs.

A Canadian case study, based on five years of firm-level research, suggests that first-generation energy innovation policies have succeeded in spurring private sector investment at scale and have produced solutions that could contribute to achieving global GHG peaking, if the capital costs for first-in-kind demonstration projects can be reduced through the same fiscal measures that have enabled wind and solar technologies to commercialize and compete with fossil fuels such as coal, natural gas and petroleum.

Based on a cohort of 814 firms, annual investment in R&D by Canada's clean technology industry was C\$1.2 billion in 2014. This was equivalent to private sector R&D investment in the aerospace industry and to 9 per cent of total national private sector R&D. These R&D investments represented 10 per cent of industry revenues or about 2.5 times the Canadian phar-

Annual and Cumulative R&D Investments by Canadian Clean Technology Companies—SME Versus Large Companies (2008 To 2014)



Source: Canadian Clean Technology Industry Report (Bak 2015a).

maceutical industry's R&D intensity. To translate these R&D projects into practice, 250 demonstration projects worth \$2.9 billion in combined private and public sector investments have been funded over 14 years by Sustainable Development Technology Canada (SDTC).

In the Canadian case study, historical energy innovation policies, including fiscal measures for accelerated depreciation of capital costs, fiscal R&D credits for labour and program-based grants for technical demonstration projects have spurred private-sector energy innovation investments. They have also created firms with the potential for significant positive climate impacts sooner rather than later, and notably, the potential for significant employment growth.

A closer look at the Canadian cohort of clean technology companies reveals more about the profile of innovators. From 2008 to 2014, 70 per cent of Canadian clean technology R&D investment (three-quarters of which were energy related) was made by firms with less than \$50 million in annual revenue. What's more, firms have been operating well in advance of the implementation of carbon regulation, having been founded, on average, 17 years ago. While still an emerging industry, these firms have simultaneously created much needed energy innovation and well paid middle class employment.

Here are some take-aways for policy makers:

Energy innovation firms face two valleys of death. The first for first technical demonstration (technical valley of death). The second for commercial demonstration (commercial valley of death.)

- To have the benefit of these innovations for GHG reductions, policy makers must implement policies that address these gaps.
- New investment in low carbon infrastructure should take account of energy innovation in the form of best-in-class technology classifications for both regulatory and fiscal policy design.

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- Risk pooling among both sellers and buyers of energy innovation will be needed to scale up markets. Examples of risk pooling might include performance bonding funds available to public entities that make investments in innovative procurement and infrastructure.
- Climate finance will need to evolve to enable access to a full array of energy innovation by developing countries. Development finance entities can assist by supporting procurement risk pooling across developing countries.

Because energy systems are so complex and because they are made up, in part, of physical plants, energy innovators are capital-intensive. In addition to inventing new technologies, these firms must also instantiate their innovations within manufactured environmental goods and within energy systems including electricity, fuel and transportation infrastructure. Their business models combine investing a significant percentage of revenue into R&D and operating complex manufacturing. These business models are not normally associated with small firms.

As a result, these firms find themselves in a policy no-man's-land, needing industrial-scale capital rather than the venture capital normally associated with innovators. This differs from some other innovative sectors where open-source software has vastly reduced the transaction costs associated with bringing innovations to market and where intellectual property and global internet governance are important policy concerns.

Energy innovators are akin to early baby boomers who were born before health and education infrastructures were put in place. They've had to adapt while they wait for scale-up

and finance policies to be designed and implemented. This focus on adaptation is also evident in firm-level findings on human resource (HR) gaps. Their recruiting priorities are squarely focused on sales and capital-raising abilities. When scale-up and finance policies are in place, engineers and scientists will replace sales and finance professionals as the primary HR focus, which will drive significant growth in well-paid jobs.

With regard to innovation, global governance entities could be more ambitious for the 2020-to-2030 period. Beyond wind and solar, clean technology firms have innovations that are ready to be scaled up commercially. As countries grapple with how to resolve tensions between growth goals and climate commitments, these firms are ready to grow employment and contribute to attaining 2020-to-2030 climate targets, thereby contributing to shifting global and national GHG to GDP ratios.

In sum, policy makers can be confident that first-generation energy innovation firms are ready for coordinated finance and infrastructure investment policies to enable the move from demonstration to scale-up impact on the environment and the economy. **P**

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Prime Minister Trudeau sits across from Chinese President Xi Jinping at their first bilateral meeting on the margins of the G20 Summit in Turkey last November. The Liberal government has expressed interest in negotiating a free trade deal with China, while the Chinese are unhappy with restrictions on State Owned Enterprises (SOEs) investment in Canada. Adam Scotti photo

Improving Canada-China Relations: Open Eyes and Realistic Expectations

Hongying Wang

The change of government in Ottawa has fuelled expectations for improvement in Canada's relations with China. The Chinese public, recalling Pierre Trudeau's establishment of diplomatic relations in 1970, assumes his son will be friendlier with Beijing than was his predecessor, Stephen Harper. While the new Liberal government has undertaken an internal review of bilateral relations, including the possibility of a Canada-China trade deal, political scientist Hongying Wang writes that it is important to recognize the complexity of the relationship.

The change of government in Ottawa last fall has brought high expectations for improvement in Canada's relations with China. Business groups and academic researchers in Canada have published a number of studies urging the new Liberal government to develop a more engaging policy with regard to China. Meanwhile, according to media reports, the government is doing a major internal review of Canada's relations with China. On the other side of the Pacific, Chinese leaders as well as the public have expressed high hopes that Prime Minister Justin Trudeau will take a more friendly approach to China than his Conservative predecessor, Stephen Harper.

While much can be done and is being done to make Canada's relations with China more positive and consistent than in the recent past, it is important to recognize the complexity involved. Two controversial issues illustrate some of the roadblocks to improving the bilateral relationship: 1) investment promotion and protection, and 2) judicial cooperation.

While the Harper government was often critical of and distant toward China on political issues, in the last few years it took some active initiatives to promote the commercial ties between the two countries. Most notably in 2012, Canada and China signed a Foreign Investment Promotion and Protection Agreement (FIPA), which was ratified by both governments and went into force in 2014. The Harper government described it as a high-standard agreement that would better protect foreign investment against discrimination and arbitrary action and provide prompt compensation in case of expropriation. But as soon as it was made public, FIPA generated widespread criticism and concern from the opposition and the public. Many complained that the negotiations had lacked transparency. They argued that it was a lopsided deal mostly benefiting China, which at the end of 2013 had \$16.6 billion in foreign direct investment (FDI) stock in Canada, much larger than the stock of Canadian FDI in China, valued at \$4.9 billion. In particular, critics pointed out that the investor-state arbitration clause in FIPA would allow Chinese companies to prevent the Canadian government from adopting any public policy that would undermine Chinese investors' interests. Groups organized campaigns against the agreement and tried to challenge the agreement in the Canadian court system.

Ironically, even though the Harper government presided over the secret negotiations and ratification of FIPA, causing concern and even outrage among many Canadians, it had serious reservations toward Chinese investment in Canada. In late 2012, after much debate and delay,

“ Soon after it came into office, the new Liberal government announced its interest in a free trade agreement with China. In response, Chinese officials have expressed their dissatisfaction with FIPA's restrictions on foreign SOE investment in Canada. They see it as discriminatory toward China and would like to see those restrictions removed before moving ahead with trade negotiations. ”

the Canadian government approved the \$15.1 billion purchase of Canada's Nexen energy group by China's oil company, CNOOC. At the same time, Harper announced new guidelines for reviewing investment by foreign state-owned enterprises (SOEs), stating that, going forward, only in exceptional cases would the government allow foreign SOEs to acquire controlling interests in Canadian businesses. This was not a positive signal for China because much of its economy and overseas investment was dominated by SOEs.

“ As the Liberal government explores a free trade agreement with China and pursues expanded economic cooperation with China, it will need to manage Chinese expectations. Chinese policymakers and the public tend to attribute major importance to individual leaders in deciding their countries' policy toward China. ”

Soon after it came into office, the new Liberal government announced its interest in a free trade agreement with China. In response, Chinese officials have expressed their dissatisfaction with FIPA's restrictions on foreign SOE investment in Canada. They see it as discriminatory toward China and would like to see those restrictions removed before moving ahead

with trade negotiations. However, the desire of the Chinese government is strongly countered by sentiment in Canadian society. According to polls conducted by the Asia-Pacific Foundation in 2015, close to half of Canadians did not approve free trade with China and more than three-quarters opposed Chinese SOEs purchasing Canadian companies. Those opposed to Chinese investment were concerned about Canada's control of its own resources, poor labor standards and potential environmental damage by Chinese companies, corruption, and security risks.

As the Liberal government explores a free trade agreement with China and pursues expanded economic cooperation with China, it will need to manage Chinese expectations. Chinese policymakers and the public tend to attribute major importance to individual leaders in deciding their countries' policy toward China. Given Pierre Trudeau's pioneering work in establishing diplomatic relations with China at the height of the Cold War, there is a natural expectation in China that Justin Trudeau will adopt his father's friendly approach toward the country. While Justin Trudeau is indeed much more inclined to improve bilateral relations with China than his predecessor, it is important for Chinese policymakers to recognize that the change of government has not radically transformed the economic, political and social environment in Canada.

On the other hand, Ottawa should and can do a better job engaging the

public. Scholars have called for a national dialogue on the importance of Asia—especially China—to Canada’s well-being. That dialogue should be promoted urgently. But it is not enough for Canadians to have a clear understanding of the relevance of Canada’s relations with China. Public policy must address the real distributional consequences of increased economic cooperation with China. Canadian stakeholders who stand to benefit the most from expanded commercial ties with China need to share their gains with those who will have little to gain or even suffer from short-term losses in this process. To mobilize political support, it is not enough to ensure that such cooperation is of “net benefit” to Canada, as required by the Investment Canada Act, but that this benefit is shared fairly among different groups within Canada.

Turning to judicial cooperation, Canada and China have worked on strengthening judicial and law-enforcement cooperation in recent years. Since 2008, officials from both countries have met regularly through the Canada-China Law Enforcement and Judicial Cooperation Consultations. In 2010, Canada and China signed a Memorandum of Understanding on Cooperation on Combatting Crime, which aims to facilitate cooperation between the RCMP and the Chinese Ministry of Public Security. From the perspective of the Chinese government, a top priority in judicial cooperation with Canada is to get Canadian assistance with its transnational anti-corruption operations.

Corruption has long been a problem for the Chinese government. Increasingly, corruption has become transnational. More and more individuals with ill-obtained wealth have fled China and/or transferred their wealth out of China. Along with the United States and Australia, Canada is one of the most popular destinations for these individuals. One reason is that these countries do not have extradition treaties with China. For a number of years, Canada’s relations with China were troubled by the case of

Lai Changxing, a rich businessman China wanted on corruption charges but whom the Canadian government refused to have extradited to China for fear that he would not receive a fair trial and/or would be executed. After 12 years and many rounds of negotiations, the Canadian government finally sent him back to China in 2011. In 2012, Prime Minister Harper and Premier Wen Jiabao of China reaffirmed their intention to cooperate in combatting transnational crime. In 2013, Canada and China negotiated an agreement on the sharing of the proceeds of corruption committed by foreigners.

“ Since Xi Jinping became China’s leader, he has made the fight against corruption a hallmark of his administration. The last few years have seen a massive and continuous anti-corruption campaign that resulted in the uncovering of thousands of corrupt officials and billions of dollars in lost assets. ”

Since Xi Jinping became China’s leader, he has made the fight against corruption a hallmark of his administration. The last few years have seen a massive and continuous anti-corruption campaign that resulted in the uncovering of thousands of corrupt officials and billions of dollars in lost assets. The Chinese government has sought to bring back those who have fled the country and to recover their ill-gotten assets taken abroad. Operations “Fox Hunt” and “Skynet” in 2014 and 2015 have reportedly brought back to China over a thousand suspects, but most of them were returned from neighboring countries rather than European or North American countries. Western countries, including Canada,

have been less willing to repatriate suspects to China, citing the lack of judicial independence in China, the quality of its court system, and the differences in Chinese and Canadian understanding of human rights.

Given the high priority and the popularity of the anti-corruption campaign in China, the Canadian government risks losing credibility if it appears unwilling to engage in full judicial cooperation with China in this area. Canada’s ambassador to China stresses to the China public that Canada will help China to repatriate corrupt officials who have fled to Canada and confiscate their assets: “We have no desire to harbor fugitives, and we don’t want to be known as welcoming fugitives.” However, the implementation of such cooperation is not easy given many Canadians’ distrust of China’s judicial system. Moreover, the Canadian government has reasons to be nervous about the operation of Chinese agents in Canada, as are other Western governments such as the US and Australia, both of which have expressed their deep concern about China’s undercover operations. Last but not least, the autonomy of the judicial system from the government in Canada can hinder the process of repatriating suspects wanted by the Chinese government.

The examples of investment promotion and protection and of judicial cooperation are illustrative of some of the obstacles to improving Canada’s relations with China. However, roadblocks should not stop the two sides from pursuing greater cooperation. The key is to walk down the path of improving this important bilateral relationship with open eyes and realistic expectations. **P**

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Brian and Esther Pallister arrive triumphant at PC headquarters in Winnipeg on election night. Pallister's slogan, "Better Plan. Better Manitoba" helped close the deal for his landslide victory. David Lipnowski Photography

Inside the PC Manitoba Sweep: How Pallister Did It

David McLaughlin

Contributing Writer David McLaughlin served as campaign manager for the Progressive Conservatives in the Manitoba election, and brings a close insider's insight into Brian Pallister's sweep of the province on April 19. Pallister and the PCs won 40 seats out of 57 in the Legislature, and the highest popular vote—53 per cent—in Manitoba's history. It helped that that after three terms of Greg Selinger and the NDP, Manitoba voters were ready for something new, and the PCs stayed relentlessly on the message of trust and taxes.

Manitoba Progressive Conservatives came out of the 2011 election frustrated, demoralized, and leaderless. It was their fourth straight election loss. The NDP had just won their largest victory ever: 37 seats to 19 Conservatives, with one Liberal.

Job one for the PCs was finding a new leader. Brian Pallister, a former MLA, MP and successful businessman, won by acclamation in 2012. His stepping up when no one else did proved central to the victory plan that followed.

Pallister took two leadership decisions in his first year that sowed the seeds of victory. First, he refused to take any public money for the party from the NDP "vote tax" to finance PC Party operations. This

meant the party had to up its game on fundraising to make up the difference and arm itself to compete against the publicly-funded NDP and its extensive union network. It did.

Second, Pallister kept the legislature sitting during the summer of 2013 to challenge the NDP's PST hike from seven to eight per cent. This broken promise by NDP Premier Greg Selinger, explicitly ruled out by him in the 2011 election, was a turning point in NDP fortunes. Their polling slide began then. Less appreciated is the extent to which this was a turning point for the PC caucus. It began acting like a team and thinking like winners, attributes in short supply to that point.

Once the election was called, the PC campaign undertook aggressive air war and ground-game strategies. They would out-message opponents with early and relentless ad buys and out-hustle them with an equally early and relentless target-seat campaign.

The Conservative electoral calculus was four-fold: first, retain every traditional PC voter possible; second, attract soft NDP, Liberal, and independent voters who could not vote NDP; third, hive-off change voters who might be attracted to the Liberals; and fourth, remind "Gary Doer New Democrats" of their current distaste for Selinger and perhaps they'll stay home.

There were a lot of moving pieces here. But there was little choice. The Manitoba electorate was fluid in 2015-16. The federal Liberals had made major gains the previous October, sweeping Winnipeg and winning seven out of 14 federal seats. Provincial NDP support was down and Liberal support was up.

For the air war, two factors were most influential: the high negatives associated with Selinger and, it being Manitoba, the desire for "safe change". The PC strategy aimed right at these, finding its manifestation in the reinforcing campaign slogans of "Broken Trust. Broken Gov-

“Moving voters away from the NDP was one thing; moving them to support the PCs was quite another. Here, the decision was taken to outflank both the NDP and Liberals on policy and platform.”

ernment" for the NDP and "Better Plan. Better Manitoba" for the PCs.

The first told voters that not only had Selinger broken his PST promise but that the government he led was divided and dysfunctional. "Broken Trust. Broken Government" fit this frame to a 'T'. Completing the picture was the tagline "Selinger's NDP". The Conservatives tied his unpopularity to his party, making the election a referendum on his party and leadership.

Moving voters away from the NDP was one thing; moving them to support the PCs was quite another. Here, the decision was taken to outflank both the NDP and Liberals on policy and platform. The concept of "better" took root. Better was change but not radical change. Better was a relative comparator, not just to the broken NDP government and its high taxing and spending, but also to the relatively unknown Liberals and their new leader, Rana Bokhari.

“Majority provincial governments are won and lost in Winnipeg and with generally small swings in popular votes. This meant the PC ground game had to be much more focused and effective than in previous campaigns.”

Pallister would offer a "better plan for a better Manitoba", combining specific commitments with a hopeful, optimistic vision. "Better" showed up everywhere.

A key challenge in the PC plan was

how to not out-promise the NDP and Liberals when the province's financial situation was perilous, but the country was embracing Justin Trudeau's deficits. Pallister disciplined his team throughout by refusing to promise more than he felt the province could afford. Shiny, new platform baubles were not on offer to the electorate.

Majority provincial governments are won and lost in Winnipeg and with generally small swings in popular votes. This meant the PC ground game had to be much more focused and effective than in previous campaigns.

The Manitoba legislature has 57 seats. A 2.5-point difference in popular vote in 2011 gave the NDP 18 more seats than its opponents. But in 2016, the NDP was defending more seats than ever with fewer resources while the PCs had the prospect of breaking through in more seats than ever with more resources.

To force this choice upon the NDP, the Conservatives did three things early: we ran ads pre-writ to keep PC support up and the NDP's down; we nominated candidates early; and we got local campaign teams working to identify PC voters for the party database and the Get Out The Vote (GOTV) effort.

Five pre-writ TV ads were produced; three negative and one positive. The negative ads launched the "Broken Trust. Broken Government" theme. They tied Selinger's unpopularity to the NDP brand with the words "Selinger's NDP". More importantly, they were effective because they used the NDP's own words from news clips. This was not the PCs saying negative things; it was the NDP itself, which gave the message real resonance.

The two positive ads featured Pallister speaking in a relaxed, friendly fashion about himself and his priorities. He told Manitobans he had been a teacher, as had his mother, confronting the NDP attacks that he would radically slash government services.

These ads were the template for the actual campaign itself. The PCs went on to feature Pallister in four more positive ads including a risky one that explicitly repeated the NDP charge that he was “running with scissors”. Pallister said: “Here’s what I think we should take scissors to: old stories that aren’t true and old ideas that hold us back.”




“Pallister won this election by staking out the centre-right of the political spectrum, running as a progressive and a conservative in his platform, and effectively branding his opponents as both failed and not ready.”

In all, the PCs ran 11 different ads pre-writ and during the campaign, defying conventional wisdom of concentrating ad messages in just a few bites. Did the ads work? A post-election survey conducted by the PCs found that 80 per cent of those who viewed ads had a favourable impression of them.

The PC social media engagement was ramped up from virtually nothing. It proved a bonanza for impact. Here are the numbers: 1.2 million video views; 1.15 million Twitter impressions in the election period alone; 482 per cent growth in Facebook fans with 5.6 million Facebook reaches from late November to E-Day.

The party’s polling tracked 23 targeted ridings in three areas: Winnipeg (14), the North-West Angle (7) and Brandon (2).

2016 Manitoba Campaign by the Numbers

	SEATS	VOTES
	PCs 40 (+21)	53.01% (+9.3%)
	NDP 14 (-21)	25.73% (-20.43%)
	Liberals 3 (+2)	14.46% (+6.94%)

Knowing seats in Winnipeg would be avidly contested, the Conservatives nominated candidates as early as possible in the others and deployed additional people to the North-West Angle. Every seat picked up there was one less required in Winnipeg. In the end, the PCs won every targeted seat.

The campaign’s ground game focused on winning the extensive advance polls. The PCs got between one-quarter and one-third of their vote out in targeted areas, giving them a crucial edge on E-Day.

“Pallister’s leadership numbers helped seal the deal. Adding his name in ballot choices always increased Conservative numbers. He more than doubled Selinger’s favourabilities.”

Pallister won this election by staking out the centre-right of the political spectrum, running as a progressive and a conservative in his platform, and effectively branding his opponents as both failed and not ready. But he also won by being the most disciplined and focused of the three leaders. Frankly, he out-campaigned

them by making no consequential mistakes, and winning the main leaders’ debate by a margin of 44 per cent to 24 per cent in one poll.

Pallister’s leadership numbers helped seal the deal. Adding his name in ballot choices always increased Conservative numbers. He more than doubled Selinger’s favourabilities. The PC campaign ran him hard in its TV ads and literature. Despite relentless personal attacks for over two years, Brian Pallister was a top vote asset.

It may have seemed like a sure thing to the outside. But after 20 years since the PCs last won an election, few Tories in Manitoba wished to tempt fate. This campaign left nothing to chance. **P**

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J.P. Veitch, Rona Ambrose's partner, wears a T-shirt that says it all about the interim Conservative leader running for the party leadership.
Jason Ransom photo

The Conservative Party Post-Vancouver: Where Does it Go From Here?

Yaroslav Baran

The Conservative convention in Vancouver in May presented a united front to the country that had voted out the Harper government seven months earlier. There was little of the corridor conspiring that featured at previous gatherings, and the grassroots seemed focused on absorbing the lessons from last fall's defeat and moving on to the coming leadership race and 2019 election. A former communications director for Stephen Harper, Yaroslav Baran has a prescription for what the party needs to do to complete its next incarnation.

Conservatives gathered in Vancouver at the end of May for an important convention. In theory, it was a standard biennial congress, but in reality, it was the first gathering post-Harper and after a federal election unnecessarily lost due to a shockingly shoddy campaign.

A common expectation was that the Conservative Party convention would be a sombre affair—a collection of the demoralized and bitter, wagging fingers

"I am a Canadian, free to speak without fear, free to worship in my own way, free to stand for what I think right, free to oppose what I believe wrong..."

— JOHN DIEFENBAKER, 1956

and venting frustration. It was anything but. The tone was surprisingly energetic and the delegates strikingly youthful: spirits were high, and most importantly, focused on the future rather than the past. Perhaps enough time had passed since October that people were ready to move on. Perhaps it was the masterful post-mortem performance by the party's executive director officer, Dustin Van Vugt, which left no stone unturned, nothing hidden and no frustration left to vent.

Whatever the reasons, the party chose collectively to take the opportunity to renew itself, exorcize its demons of policy and style, and start to present a new face to the public as it rebuilds in time to challenge the Liberal government in 2019.

"The policy canon was refreshed. Party delegates voted overwhelmingly to drop the lingering opposition to same-sex marriage. They endorsed ticketing for simple pot possession (or "decrim-lite"). A mental health policy framework was adopted. These are the hallmarks of a modern, progressive party—not the narrow debates of a generation ago."

The policy canon was refreshed. Party delegates voted overwhelmingly to drop the lingering opposition to same-sex marriage. They endorsed ticketing for simple pot possession

(or "decrim-lite"). A mental health policy framework was adopted. These are the hallmarks of a modern, progressive party—not the narrow debates of a generation ago: the language on cereal boxes or death penalty redux. At the same time, the timeless bedrocks of modern conservatism were reaffirmed: competition in the marketplace, and a principles-based foreign policy.

For the first time since the current party was formed, media were given full access to all proceedings, drawing an amusing (dare we say *ironic*?) contrast with the concurrent Liberal convention in Winnipeg, where the Fourth Estate complained throughout about closed policy sessions and lack of access to ministers.

The strongest undercurrent at the convention was the issue of future leadership. The fact that only three contenders are formally in play thus far (Michael Chong, Kellie Leitch and Maxime Bernier), begged the predictable speculation: Who else would run? Would either of the titans—Jason Kenney and Peter MacKay—jump in? (Neither was obviously campaigning.) Are there any white knights or surprise outsiders? When would the fireworks begin?

Despite this strong thematic, outside observers were also surprised to see none of the expected cleavages between antecedent parties—the old Progressive Conservatives and Reformers. As one insider noted, "The only people who talk about that are those who are not members and never have been. Inside the party, nobody even thinks about that stuff anymore." Indeed, an entire generation of party members and activists have risen through the ranks knowing nothing other than a united,

organized and battle-ready party—a fact that may end up as one of Stephen Harper's biggest legacies.

"Keep 2015 in perspective. It was not a cataclysmic defeat. It was not a humiliation. It was not a fundamental repudiation. It wasn't 1993. It was an election loss. Period. It happens all the time. The Tories came in eight points behind the victorious party, and pulled through with a formidable 99-seat Official Opposition. This should not be triggering identity or existential crises."

So, bogeymen and anchors cast off, the Conservative Party of Canada has a genuine fresh start. Now what will it do with it? Where does the party go from here?

The road back to power hinges on a number of lessons the party would be wise to heed.

Number One: Keep 2015 in perspective. It was not a cataclysmic defeat. It was not a humiliation. It was not a fundamental repudiation. It wasn't 1993. It was an election loss. Period. It happens all the time. The Tories came in eight points behind the victorious party, and pulled through with a formidable 99-seat Official Opposition. This should not be triggering identity or existential crises.

Interim Leader Rona Ambrose hinted

at this in her address. Don't jettison a formidable legacy because we are disappointed after a single election:

"We're the party of Confederation, one of the most durable political arrangements the world has ever known. We're the party that bound the country together from coast to coast with the Canadian Pacific Railway, one of history's most visionary nation building projects. We're the party that introduced Canada's first Bill of Rights, 22 years before the Charter of Rights. We're the party of free trade, signing the historic [Free Trade Agreement] We're the party of the first African-Canadian MP and Cabinet Minister, the first Muslim MP, the first Hindu MP, the first MPs of Chinese, Greek, and Japanese descent, and the first Senators of Filipino, Korean, Pakistani, and Vietnamese descent."

Not to mention the first woman to serve in Cabinet, and the first woman as prime minister. *#BecauseIts1993*. Or universal suffrage. *#BecauseIts1918*

The point to remember? Conservatives have a legacy of which they can be proud. They need to tame the revolutionary impulses of the populist strain of the party for iconoclasm and constant reinvention. Celebrate your accomplishments—it's the stuff legacy brands are built on. And don't be shy about shouting it from the rooftops, because most Canadians are unaware of the party's iconic nation-building accomplishments.

Lesson Two: Drop the constant references to "the base." For too long, the Conservative Party's policy triage has been dominated by crude tossing of "red meat" to this mythical demographic. Who is the base, exactly? Depends whom you ask and on which day. But one thing is certain: As the Harper government grew long in the tooth, the definition of "base" narrowed and narrowed, yielding a bizarre grab bag of policy offerings:

“As the Harper government grew long in the tooth, the definition of “base” narrowed and narrowed, yielding a bizarre grab bag of policy offerings: mandatory minimums for offences not committed since the 1870s, noxious xenophobic snitch lines, and painfully simplistic anti-establishment parlour tricks.”

mandatory minimums for offences not committed since the 1870s, noxious xenophobic snitch lines, and painfully simplistic anti-establishment parlour tricks.

While the Conservatives by no means have a monopoly on eye-rolling clichés, a mature and intellectually self-respecting party has to forge the discipline to keep them in check. To succeed, conservatives need to accept that policy must be for *everyone*, because *governance* is for everyone.

That means growing beyond the lower-hanging fruit and articulating a vision—and offering a home—to all demographics. Stephen Harper's dream of displacing the Liberals as Canada's "natural governing party" will only be achieved when his successors feel just as much at home addressing an urban transit forum at a downtown Toronto cappuccino bar as they would at the Calgary Stampede or an Antigonish lobster boil. Important strides were made at the convention with LGBT and Muslim members. But that's just the start. Students, downtown urbanites, environmentalists and other neglected groups must know that the party also speaks for them.

Lesson three: end the internal factionalism. While it's true that the old PC/Reform divide is gone, other self-identified clans do exist: social conservatives, Red Tories, Blue Tories, Green Tories, libertarians.... And each is guilty of accusing other factions of heresy. If the Liberal coalition can coexist without factional supremacy wars, there is no reason why Tories must believe that one

faction has to dominate. The next generation is already cross-pollinating between old categories. This has to continue, and the party needs to think of itself with a *single identity* accommodating a *spectrum of individuals*—not as a confederal *coalition* with a *spectrum of groups*.

“The news media, and journalists as individuals, are driven by their own industry imperatives. And those imperatives are not anti-Toryism. Media are hard-wired to question authority, seek truth, unearth the hidden, and equalize power dynamics. These traits apply regardless of which party holds the reins of power.”

Lesson four: End the war with the media and other so-called elites. The media are not out to get the Tories. While it may be incidentally true that more centre-leftists go to journalism school than do centre-rightists (as the inverse is likely true for business schools), there is no vast conspiracy. The news media, and journalists as individuals, are driven by their own industry imperatives. And those imperatives are not anti-Toryism. Media are hard-wired to question authority, seek truth, unearth the hidden, and equalize power dynamics. These traits apply regardless of which party holds the reins of power.

The sooner Conservatives stop feeling sorry for themselves, excise their residual victim complex and renew a sophisticated approach to media relations, the quicker the rewards will start to accrue. This process has already started under the stewardship of interim chief Rona Ambrose, and must be allowed to continue when the permanent leader is chosen.

The same is true with the other estates of officialdom: the courts, the public service, and the business or stakeholder community. We need not “nail shut the revolving door” as we often heard on the 2006 campaign trail. We need to build *more* doors, and actively encourage executive exchange between all these groups. Doing so would suck an enormous amount of distrust and misunderstanding out of Ottawa, and both government and politics would function much more smoothly.

Lesson five: Don’t think you own it. You have to work for it. And the other guy will only get better.

The Liberals made a collective error in the early Harper years. Many arrogantly thought of a Conservative government as an aberration—an abnormality that would naturally correct itself. Only after nearly a decade did many in the punditocracy start to posit that perhaps some level of political realignment was actually occurring. By 2015, the Liberals knew that to take back the crown, they would have to roll up their sleeves and work hard—devise new campaigning techniques, modernize their party and processes, and pound the pavement. Similarly, we eventually saw a cadre of young Tories whose first jobs out of school were as ministerial policy advisers earning more than their parents. The Conservatives were in power since they started to vote, and nothing could seem more normal than a blue Ottawa. This is the generation that most needs this message: Just as Stephen Harper did not do himself in with outlandish “un-Canadian”



Campaign buttons for Conservative leadership candidates Michael Chong and Maxime Bernier, as well as an LGBT Tory button supporting same sex marriage. Yaroslav Baran photo

policy in his first two years as many Liberals had assumed and expected, Justin Trudeau also should not arrogantly be expected to implode.

“ Canadian governments tend to get more than a single term. In short, odds are on a Liberal re-election in 2019. If the Conservatives want a different outcome, they will have to work as hard as they did in 2006, and as hard as the Liberals did in 2015. ”

People tend to get better with experience, and his approval ratings are already sky-high. Moreover, Canadian governments tend to get more than a single term. In short, odds are on a Liberal re-election in 2019. If the Conservatives want a different outcome, they will have to work as hard as they did in 2006, and as hard as the Liberals did in 2015.

The Conservative Party has undergone massive transformation in our lifetime—with huge upheavals and

rebirth in the last 15 years. It is simultaneously an elder and a young child: It carries the political heritage of the party that gave birth to this country, yet is also new in that it was formally reconstituted in 2003 as a new entity. Like any elder, it has wisdom and perspective. It has proud achievements behind it, but also mistakes. And like any child, it has had growing pains, stumbles, throws the odd tantrum, but is also prone to being startlingly insightful.

The party has an opportunity to fully fuse the energy and freshness of its youth with the wisdom and perspective of its heritage. If it does this maturely, inclusively and comprehensively, it can be unstoppable as a political force in Canada. **P**

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Column / Don Newman

Governments are Governments

The last weekend in May was a good reminder of the old adage that governments behave like governments, and opposition parties behave like oppositions.

The reminder was provided by the conventions of the two major political parties. The governing Liberals in Winnipeg, and the opposition Conservatives in Vancouver.

The fact that the parties had so recently changed places made the examples even more instructive. Until last October the Conservatives had spent the preceding nine and a half years in government, during the process becoming an increasingly closed—even secretive—organization growing more and more out of touch with many Canadians.

Meanwhile, the Liberals had languished in opposition, reaching a nadir after the 2011 election when the party fell to just 32 seats and third place in the House of Commons. So open to the public and the media did the party become that it allowed declared “supporters” of the party who were not members to vote in the 2013 contest that selected Justin Trudeau as leader.

Yet, at their two conventions in their new roles, there was a major shift. The Conservatives, who in office relished holding convention sessions closed to the media and once kept reporters in a pen so they couldn’t bother then Prime Minister Stephen Harper, threw the doors open to every session and welcomed the attention. Whether this approach will continue after the party selects a permanent leader next year and the next election gets closer remains to be seen. But for now, the contrast was striking.

At the Liberal convention in Winnipeg, the mood was euphoric. A

chiropractor could have made a fortune treating the Liberals who were patting themselves on the back. And who could really blame them, after last October’s Lazarus-like comeback from their disastrous finish four years earlier, to a majority government with 184 seats.

The Liberals won the last election by promising, among other things, an “open and transparent” government. People who had been around the block more than once shuddered at that promise. Opponents use openness as easy pickings to attack those that are too open.

And already, the Liberals seemed to be having second thoughts. Of the 40 policy sessions held at the convention, fifteen of them were closed to the media. Thirty-seven per cent of the meetings were not “open and transparent.”

However, while they were celebrating, they were also setting the stage for what they hope will be a repeat of their success at the polls in the fall of 2019. To do that, they made radical changes to the party constitution. And they did that in open sessions, with the full scrutiny of the media and the public.

One appears to make it more democratic by dropping the \$10 a year membership charge so that now anyone can become a Liberal merely by clicking online to become one. This is the same strategy that created the large base for the party leadership vote three years ago.

Now, the strategy will be used to transform the Liberals from a traditional party into a “movement” that many more Canadians will relate to. Of course the real benefit is that everyone who signs up online, surrenders their email address to party headquarters. Immediately, that name goes on the

Liberal fundraising list and soon the new member of the Liberal “movement” is receiving emails repeatedly asking for small contributions.

It is a fundraising strategy pioneered by the Democrats in the United States. It has worked brilliantly for them and for the Liberals since they tried it in their leadership race. Now, by expanding the membership even more, the Liberals will have an even bigger fundraising pool in which to fish.

The other major constitutional change approved at the convention doesn’t expand democratic participation. In fact, it restricts it. The newly amended constitution strips all policy-making responsibilities from the party’s provincial and territorial associations, and places it instead with the national executive. And the national executive will be controlled by the party leader and the people around him.

Going into the Winnipeg convention, there appeared to be push-back from some party members. But after Justin Trudeau made two important speeches supporting the “modernization” of the party constitution, the change passed almost unanimously.

Now, the leader of the Liberals and the people around him have virtually the same control over their party that Stephen Harper and the people around him did over the Conservatives.

Clearly, once a party is in government, it acts like a government. The simple fact is that if it didn’t, it would be unlikely to be the government for very long. **P**

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"The saga of parliamentary reform has only just begun," writes David Mitchell, who adds that despite the pressure the young Democratic Institutions minister has been under: "It is too early to write off Maryam Monsef." House of Commons photo

Electoral Reform Revisited

David Mitchell

The Liberal government's promise of electoral reform has been one of its most controversial, pitting political agendas and suspicion of political agendas against each other in a heightened version of the traditional Ottawa power struggle. Then, in early June, the Trudeau government acceded to an NDP request to make the composition of the parliamentary committee examining the project more democratic itself. As David Mitchell writes, the broken logjam has expanded the possible outcomes.

The saga of Canadian electoral reform has only just begun. And yet, it's already revealed some important lessons about this new juncture in Canadian politics and should therefore prompt us to re-assess some of our assumptions.

Until recently, most of the partisan-fueled heat over the Liberal government's pledge to reform our system of voting had focused on speculation about process. This was largely partisan throat-clearing aimed at staking out positions

on imagined scenarios. Much of it was neither particularly constructive nor well-informed. But because the government was slow to initiate the file, critics predictably filled the vacuum with a grab-bag of opinion and insinuation.

When the plan was announced to set up a special parliamentary committee based on the House of Commons' usual formula for standing committee membership, the outcry from opposition parties was immediate. And it looked like the government was taken by surprise.

Opposition parties mounted an unprecedented challenge, arguing that just because the Liberals hold a majority of seats in the House, they shouldn't automatically seek to control a majority of seats on the special committee. The criticism was grounded in the not-outlandish notion that since the committee would be exploring alternatives to the current electoral system, it should be composed of MPs based upon their party's share of the vote in the last election, not their number of seats.

Apparently, the government hadn't considered this as an option. But opposition parties dug in their heels, claiming that if the Liberals held a majority of seats on the committee, they would use this advantage to ram through whatever electoral reforms they desired. And they kept up the pressure, arguing that the special committee—and therefore the government's plan to fulfill its election promise—were illegitimate as a result.

Given the opposition's unabated fervor, it seemed like the prospects for credible and collaborative reform of our electoral system were dim, if not dead. It seemed likely that the Liberal government would live to regret that they hadn't been more attuned to the mood of House and the prospects for the kind of cooperation necessary to effect meaningful change.

But then, after taking it on the chin for a few weeks, seemingly determined to proceed on the basis of

“When the NDP introduced a motion in the first week of June that proposed to alter the committee's membership to reflect each party's share of the vote, giving a majority to the opposition parties, the government astonished most observers by agreeing.”

the original plan for convening the special committee, the government changed its mind. When the NDP introduced a motion in the first week of June that proposed to alter the committee's membership to reflect each party's share of the vote, giving a majority to the opposition parties, the government astonished most observers by agreeing.

Not only is the electoral reform train back on the tracks, but the reaction to the Liberal government's changed position on what may appear to be a relatively minor procedural issue reveals the need to think about both politics and governance in Canada a bit differently.

“Predictions of Monsef's demise may be very premature. The onerous responsibility of delivering on an important policy commitment of the government will either make or break a potentially promising political career. But it would be unwise to write Monsef off, especially now that electoral reform seems to be back on track.”

In particular, we need to revisit—if not discard—a few assumptions. These include:

There's no higher intelligence: A number of conspiracy theories have been advanced about the Liberals possibly looking for an opportunity to back away from their ambitious campaign promise to reform the elec-

toral system. Others have suggested that the governing party may have somehow cleverly choreographed their willingness to accept the demands of opposition parties in order to appear conciliatory.

In fact, the NDP motion to change the special committee membership was an unexpected political gift the government simply couldn't refuse. Sure, there are some smart minds directing Liberal strategy. But with a new, hyper-activist government trying to simultaneously advance numerous bold policy initiatives, there's also plenty of room for human error.

Conspiracy theorists usually prefer to ignore the fact that there's rarely a higher intelligence operating in the corridors of power.

It's too early to write off Maryam Monsef: The person taking the heat for the government on this file is a young, new MP who is also the Minister for Democratic Institutions. Standing in the House almost on a daily basis to respond to aggressive opposition questions hasn't been easy for the rookie politician. Supported by media and communications training, Monsef's ability to publicly manage this complex file provides a significant test for the claim that cabinet government is back, and that utterances by ministers will no longer be crafted by Svengalis in the PMO.

Nevertheless, predictions of Monsef's demise may be very premature. The onerous responsibility of delivering on an important policy commitment of the government will either make or break a potentially promising political career. But it would be unwise to write Monsef off, especially now that electoral reform seems to be back on track.

A referendum on what? One bizarre



With the agreement on the makeup of the special committee on June 2, the debate on democratic reform moves from process to substance. And what a debate it will be. *Policy photo*

aspect of the early, pre-committee debate on the issue of electoral reform was the sharp line being drawn on the issue of whether or not a referendum should be required to validate any proposed change. How could anyone take an entrenched position on a matter that had not yet been discussed, let alone proposed?

What if the special committee ends up recommending electronic voting? Would such a reform require a referendum? How about mandatory voting?

Of course, it's the government's pledge to replace our first-past-the-post system with something new that has generated the most fevered reaction. But surely it's far too soon to be focused exclusively on the issue of a referendum six months before the special committee concludes its work and issues its report by the scheduled deadline of December 1st.

Would a ranked ballot favour the Liberals? In spite of the fact that the special committee has now been structured on the basis of proportional representation, we shouldn't assume that the committee will therefore recommend some kind of PR system of voting. In fact, it has been widely assumed, based in part upon past comments of the prime minister, that the Liberal government would prefer a system based upon a ranked or preferential ballot.

Further, it has also been widely re-

ported, as some kind of conventional wisdom, that a ranked ballot would favour the Liberals because they are a centrist party and quite possibly a popular second choice for many voters inclined to support other parties. Indeed, some analysts have even pored over the results of the last election to show that the Liberals may have won even a larger majority of seats if a preferential ballot had been used in 2015.

“The past provides no template for the future. And the unintended consequences of implementing any electoral reform simply can't be anticipated.”

The fallacies associated with these assumptions are actually quite staggering. The past provides no template for the future. And the unintended consequences of implementing any electoral reform simply can't be anticipated. In addition, in an age when all political parties seeking to form government are now angling for the centre ground, where most voters are located, wouldn't it make sense for the Conservatives, NDP and others to try to position

themselves as popular second choices for voters supporting other parties?

Taking a second look: For generations now, a government's change of mind has been routinely condemned as either a sign of weakness or hypocrisy. But what if it's actually a sign of reflection and flexibility—in other words, good politics?

The language used to characterize the Liberal government's willingness to accept the NDP motion on membership of the electoral reform committee was quite revealing. It was said, for instance, that the Liberals “caved” and that it was an “embarrassing climbdown.” Some critics described it as a “major reversal” from the government's attempt to “rig the system.” And it was suggested that the Liberals were humbled by their “walk-back.”

It's also possible that the government simply hadn't thought this through sufficiently. What if the Liberals' willingness to reconsider actually foreshadows a different approach to implementing policy in our country? What if this is actually a new way of doing business on the part of a government and prime minister who are surprisingly comfortable with reevaluating their ideas and methods and quick to apologize for their inevitable mistakes?

A couple of generations ago in British Columbia, an extraordinarily successful Premier, W.A.C. Bennett, was famous for taking a “second look” at policies and ideas he had proposed. “Wacky” Bennett used this to his government's great advantage—and the consternation of his political opponents. He served flamboyantly as premier of B.C. for 20 years.

Perhaps a variation on this old-fashioned approach to governing is now being revived in Ottawa? We might need to get used to it. **P**

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The Existential Issue of Assisted Dying: From *Carter* to C-14

Carissima Mathen

The debate over a new law to replace Canada's revoked ban on assisted suicide was not among the first-year policy agenda items chosen by the Trudeau government. It was inherited from the previous government, or, more accurately, from the Supreme Court, acting on evolving social norms surrounding what was once called euthanasia. Ottawa University law professor and constitutional authority Carissima Mathen argues that redefining death as a society is about much more than just politics or medicine.

The debate in Canada over physician-assisted dying is shot through with difficult questions. Can such an irreversible act truly be safeguarded against hasty or compromised decision-making? How can our society authorize suicide in one context while seeking to prevent it in others? Will going down this path make us more callous towards those who are profoundly vulnerable? What will be its effect on the medical profession?

If ever a topic warranted the label of “existential”, it is this one.

At issue are two sections of the federal Criminal Code: section 241(b) which makes it an offence to “aid and abet” a suicide (attempted suicide was decriminalized in 1972); and section 14, which states that no one may consent to have death inflicted upon him or her. In the 2015 case of *Carter*, the Supreme Court of Canada declared that both provisions infringe the Charter rights of “competent adults” experiencing enduring and intolerable suffering as a result of a “grievous and irremediable” medical condition.

Noting that the issue is complex, and that Parliament and the provincial legislatures should have time to respond, the Court suspended its ruling for 12 months. Contrary to some reports, it did not impose a deadline for action; it simply delayed the date on which the ruling would take effect. The former Conservative government did little, in stark contrast to 2014 when (in response to the Court’s ruling in *Bedford*) it managed an overhaul of sex work laws in a mere eleven months. Undoubtedly, the federal election played a role. But perhaps the government of the day also feared being plunged into a political morass with little upside.

After winning the election, the Liberals persuaded the court to extend the moratorium to June 6, 2016. Parliament got to work. Following rapid but intense hearings, a Special Joint Committee of the House and Senate released a report recommending that medical aid in dying (MAID): be available to those with psychiatric conditions; accommodate advance directives (such as for those diagnosed with dementia); and eventually include persons under the age of 18. Because the recommendations went significantly beyond Carter, some criticized the committee for overreaching. In fact, it was doing its job. It is always open to Parliament to go further than the Constitution or a court requires, perhaps in anticipation of future challenges or, perhaps,

“ Bill C-14 also defines “grievous and irremediable” to require “an advanced state of irreversible decline” and that death has become “reasonably foreseeable”. These terms do not appear in the Supreme Court ruling, and it is debatable whether Kay Carter herself would have qualified under them. (The government says she would have, because of her advanced age.) ”

because Parliament deems it the right thing to do.

Venturing beyond a Supreme Court ruling in such a fraught area does carry risks. Many legislators, including, it seems, the Liberal cabinet, took issue with the breadth of the report. The government’s proposed legislation—Bill C-14—rejects any extension of MAID to advance directives, youths or those with primary mental illness (it proposes long-term study instead). Bill C-14 also defines “grievous and irremediable” to require “an advanced state of irreversible decline” and that death has become “reasonably foreseeable”. These terms do not appear in the Supreme Court ruling, and it is debatable whether Kay Carter herself would have qualified under them. (The government says she would have, because of her advanced age.)

The government has cited three objectives for the law: respecting individual autonomy, protecting the vulnerable, and maintaining a uniform message about suicide prevention. While the first objective pulls against the other two, no reasonable person would find fault with any of them. Nonetheless, the new law has been attacked from all sides as constitutionally deficient. Given that the Charter is perhaps the Liberal party’s signal political achievement, it is remarkable that there are so many concerns about the bill’s constitutional validity.

Restrictions on MAID are based largely on the need to protect those who may acquiesce to life-ending measures as a result of manipulation or a misplaced sense of obligation. This sort of argument is bound to be con-

troversial. No one makes decisions free of the influence of social, familial, and economic pressures, and it seems wrong to dismiss a choice merely because it is made under imperfect conditions. At the same time, this is not just any choice. The irreversibility of assisted dying would seem to justify some greater scrutiny of the conditions under which such decisions are made.

Justice Minister Jody Wilson-Raybould has said that, because it functioned as an “absolute prohibition”, the former law was inherently difficult to defend. By contrast, Bill C-14 explicitly balances various interests and creates space for the exercise of individual autonomy. The minister cites a theory known as “constitutional dialogue” to suggest that, in consequence, the new law will receive significant judicial deference.

“ A court could well find, for example, that the proposed law exacts too high a cost in human suffering, is grossly disproportionate to the asserted benefit, or is arbitrary. ”

Certainly, in a future case a court will consider the impugned law’s objectives. But it is far from clear that the proposed amendment would be upheld on that basis. Bill C-14 allows some people to



The Red Chamber of the Senate, where the debate on Bill C-14 on medically assisted dying has been, as Carissima Mathen writes, “thoughtful, well-reasoned and largely non-partisan.” Senate of Canada photo

access MAID, but others—those who are not in a state of terminal decline, for whom death is not reasonably foreseeable—remain subject to what amounts to an absolute prohibition. It is true that the court found the former law to be overbroad and elected to not consider other constitutional arguments. Those arguments do, however, exist. A court could well find, for example, that the proposed law exacts too high a cost in human suffering, is grossly disproportionate to the asserted benefit, or is arbitrary. It is not obvious that the government’s reasons for restricting MAID are weighty enough to justify forcing some individuals to live with profound suffering, to kill themselves prematurely, or to self-harm (such as by refusing to eat) until they are sufficiently close to death to qualify.

The government has decided that

requiring death to be reasonably foreseeable respects an individual’s right to choose while refraining from condoning suicide *tout court*. It has accepted arguments from some disability rights advocates that MAID risks catching persons at heightened moments of vulnerability who might learn to live with, or even embrace, their condition. (A related argument has been made for those with mental illness). Others, including the lawyer for the Carter plaintiffs, argued that the government has ignored the equal agency of persons with disabilities, and is trying to re-litigate the Carter case in the court of public opinion.

June 6 has now come and gone. At the time of writing, Bill C-14, largely unchanged after House debate, was before the Senate, which appears likely to send it back with amendments.

The thoughtful, well-reasoned and largely non-partisan debate in the Upper House is one of the bright lights in the entire affair.

“Some argue that no new law is required. That the matter, like abortion, can be governed by provincial regulation. Such a route is complicated by the confusion over whether the Supreme Court meant to strike down the criminal provisions altogether, or simply to narrow them.”

Some argue that no new law is required. That the matter, like abortion, can be governed by provincial regulation. Such a route is complicated by the confusion over whether the Supreme Court meant to strike down the criminal provisions altogether, or simply to narrow them. Without the clarity provided by federal legislation, some physicians otherwise prepared to assist patients might refuse to do so. More importantly, many Canadians reasonably believe that the criminal law must govern all intentional taking of human life, even when done at the direction of the victim. It is therefore unlikely that the federal government will vacate the field. But it may discover that its careful tending of the middle ground is ill-suited to an issue on which people hold such conflicted and, indeed, incommensurate views. **P**

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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 could 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

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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.

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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.

Avigorous 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.

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	Trim Size	Bleed Size	Safe Area
Full Page	8.5" x 11"	8.75" x 11.25"	7.5" x 10"
1/2 Page	8.5" x 5.5"	8.75" x 5.5"	7.5" x 4"

Advertising Specifications

PRINT: The preferred file format for ads is a press ready PDF. All fonts must be embedded or outlined. CMYK (4 colour process). Raster images at 300 dpi or higher. Convert all spot or Pantone colours to process. .125" bleed on all edges. Please ensure that all black text is 100% process black.

WEB: The preferred file format for web ads is jpg or png. Size is 642 X 160 pixels at 72 dpi.

Contact: Nicolas Landry, policy@nicolaslandry.ca for more information.

SENDING ADVERTISING MATERIAL:
E-mail to monica@foothillsgraphics.ca

For more information about advertising in *Policy* contact: L. Ian MacDonald, E-mail: lianmacdonald@policymagazine.ca or phone: (514) 943-3868

For more information about advertising specifications contact: Monica Thomas, E-mail: monica@foothillsgraphics.ca

FAITES UN CHOIX SENSÉ POUR LE CANADA

Voyager avec VIA Rail, c'est être partant pour :

✓ réduire notre empreinte écologique collective

✓ permettre aux contribuables d'économiser en réduisant les dépenses du gouvernement

✓ rester branché et productif pendant le trajet

Liaison	Nombre de départs par jour	Distance	Temps productif en train	Temps non productif en voiture*	Coût du voyage en voiture**	Coût du voyage en train (à partir de seulement)	Économies pour le contribuable (voyage en train)***
Ottawa ↔ Toronto	Jusqu'à 16	450 km	4 h 01 min	4 h 34 min	467 \$	44 \$ ¹	423 \$
Ottawa ↔ Montréal	Jusqu'à 12	198 km	1 h 47 min	2 h 27 min	227 \$	33 \$ ¹	194 \$
Ottawa ↔ Québec	2	482 km	5 h 23 min	4 h 39 min	488 \$	44 \$ ¹	444 \$
Toronto ↔ Montréal	Jusqu'à 17	541 km	4 h 34 min	5 h 30 min	562 \$	44 \$ ¹	518 \$

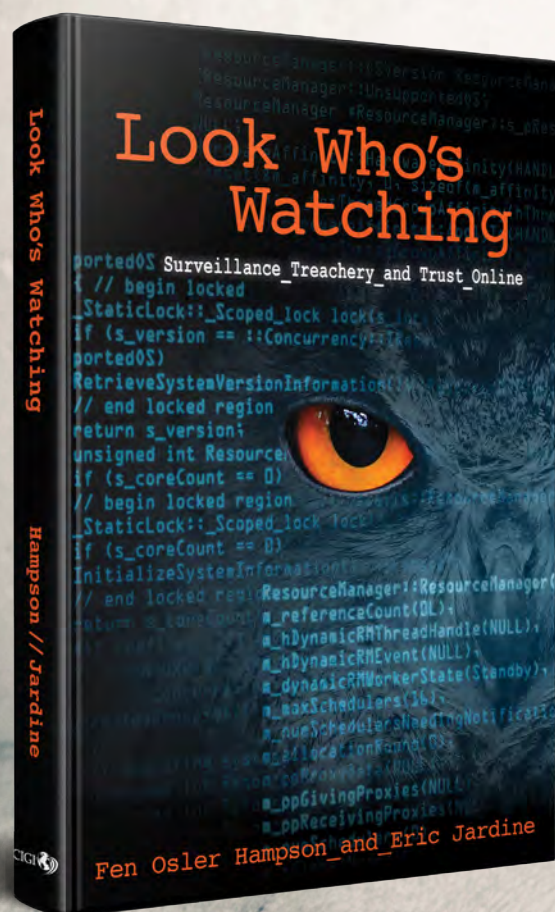
1 Les employés du gouvernement du Canada peuvent profiter de tarifs spéciaux pour leurs voyages d'affaires réservés par l'entremise des Services de voyage partagés. Les employés du gouvernement du Canada sont aussi admissibles à un rabais de 10 % sur leurs voyages personnels réservés auprès de VIA Rail.

* 30 minutes ont été ajoutées à la durée totale du voyage en voiture afin d'inclure les retards dus au trafic et au mauvais temps.

** Le coût du voyage en voiture est calculé selon la formule suivante : coût en \$ du voyage en voiture (taux de 0,55 \$/km établi par le Conseil du trésor pour l'Ontario pour une voiture conduite par un employé du gouvernement X distance parcourue) + frais en \$ d'employé gouvernemental (taux horaire moyen d'un employé gouvernemental de 48 \$/h selon un salaire de 100 000 \$ par année, y compris les avantages sociaux X durée du voyage) = coût total en \$ pour le contribuable.

*** L'économie pour le contribuable associée aux voyages en train est calculée selon la formule suivante : coût en \$ du voyage en voiture – coût en \$ du voyage en train = économies en \$ pour le contribuable.

Les tarifs peuvent changer sans préavis.



COMING SEPTEMBER 2016

Look Who's Watching

Surveillance, Treachery and Trust Online

Fen Osler Hampson and Eric Jardine

Edward Snowden's revelations that the US National Security Agency and other government agencies are spying on Internet users and on other governments, confirmed that the Internet is increasingly being used to gather intelligence and personal information. The proliferation of cybercrime, the sale of users' data without their knowledge and the surveillance of citizens through connected devices, are all rapidly eroding the confidence users have in the Internet.

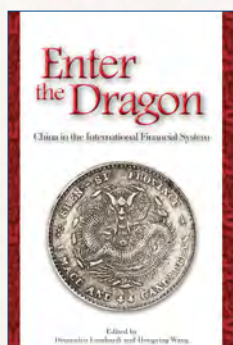
To meet its full potential, Internet users need to trust that the Internet works reliably while also being secure, private and safe. When trust in the Internet wanes, users begin to alter their online behaviour. A combination of illustrative anecdotal evidence and analysis of new data, *Look Who's Watching* clearly demonstrates why trust matters, how it is being eroded and how, with care and deliberate policy action, the essential glue of the Internet — trust — can be restored.

September 2016

978-1-928096-19-1 | hardcover 978-1-928096-20-7 | ebook

“The authors have produced a clear, timely and essential book about the importance of trust as an engine for the Internet. We must foster that trust if the global Internet is to continue to flourish.

— Michael Chertoff, Executive Chairman and Co-Founder, Chertoff Group, and former secretary of the US Department of Homeland Security



Enter the Dragon

China in the International Financial System

Edited by Domenico Lombardi and Hongying Wang

Enter the Dragon contributes to the ongoing debate over China's political interests, its agenda for economic and financial cooperation, and the domestic and international implications of its economic rise.

October 2013 | 978-1-928096-15-3 | paperback



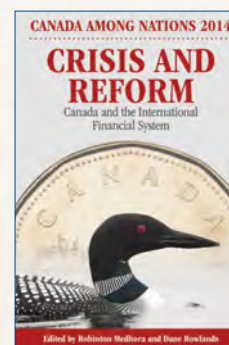
Elusive Pursuits

Lessons from Canada's Interventions Abroad

Edited by Fen Osler Hampson and Stephen M. Saideman

A timely compendium of expert opinion on how Canada's past and present military and peacekeeping missions can provide guidance for engagement in the future.

October 2015 | 978-1-928096-11-5 | paperback



Crisis and Reform

Canada and the International Financial System

Edited by Rohinton Medhora and Dane Rowland

Examining Canada and its role before, during and after the global financial crisis.

May 2014 | 978-1-928096-01-6 | paperback

A Partner For A Better Tomorrow

More than 600 students in the Dominican Republic are learning to use new laptops provided by Barrick in partnership with One Laptop Per Child. The program is introducing modern technology, internet connectivity and new educational tools to communities around Barrick's Pueblo Viejo mine, opening up a world of possibilities for students and their teachers.



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