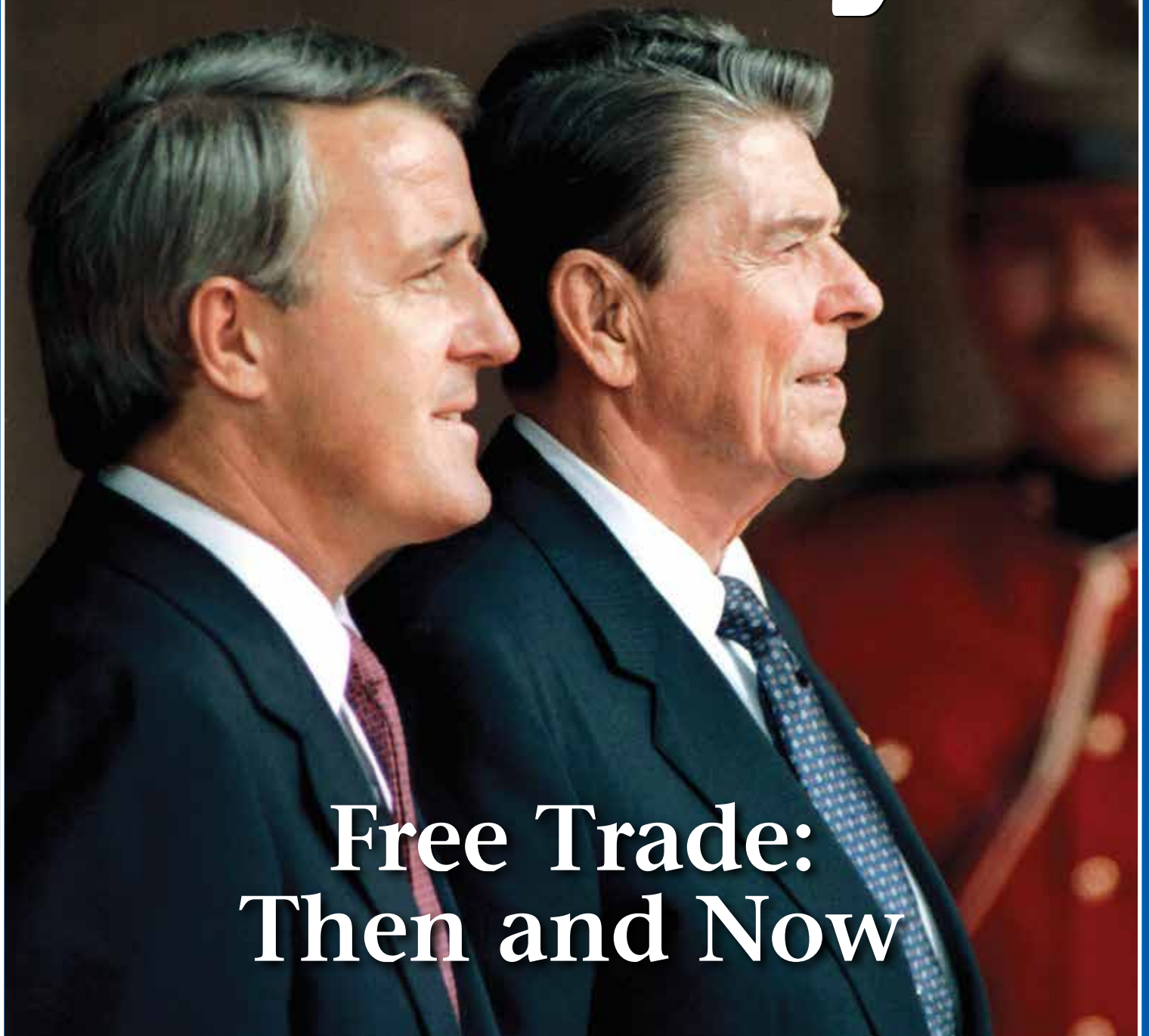


Canadian Politics and Public Policy

# Policy



Free Trade:  
Then and Now



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# Policy

## Canadian Politics and Public Policy

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### Policy

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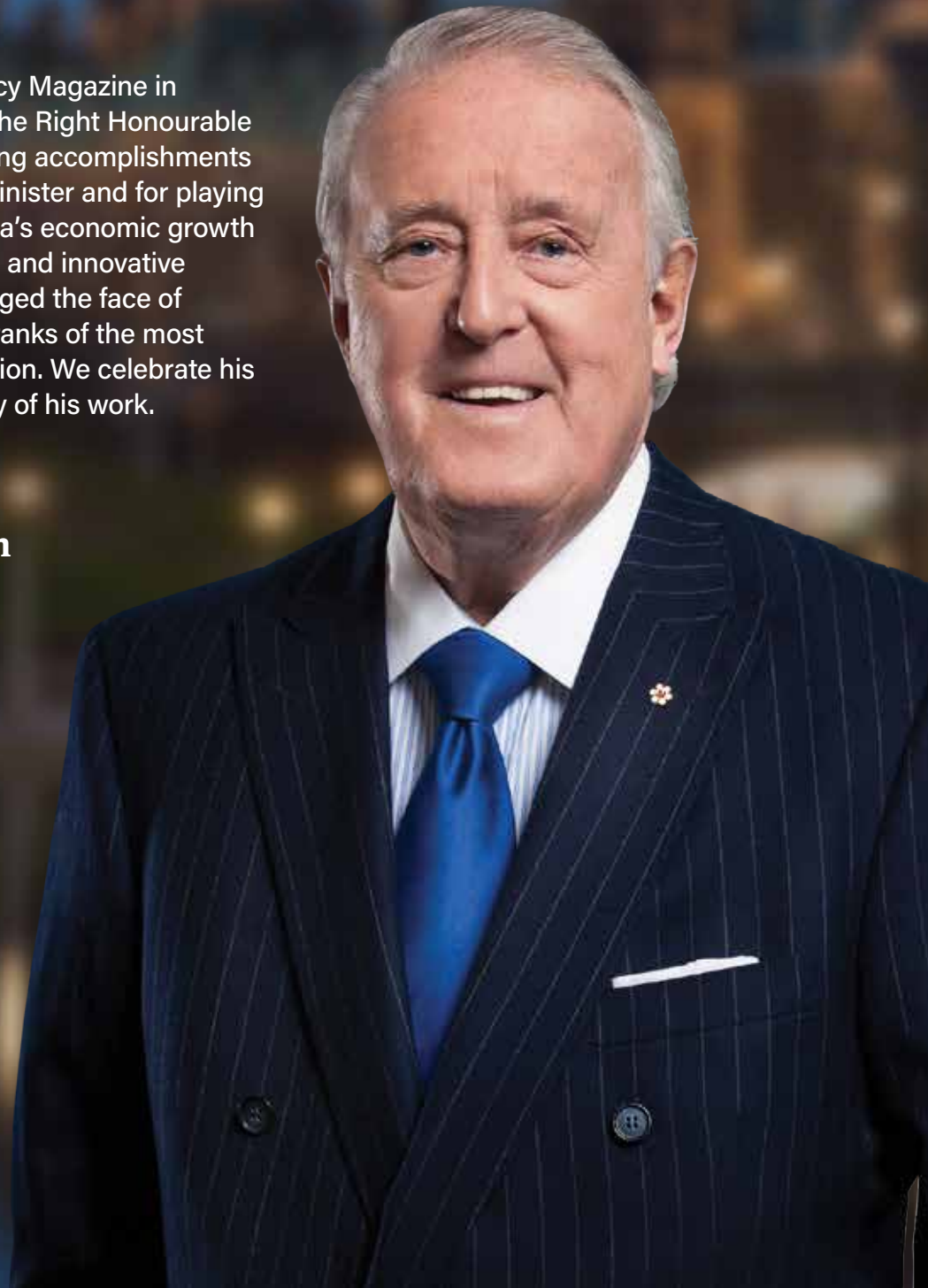
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From the Editor / L. Ian MacDonald

## Free Trade: Then and Now

Welcome to our special issue, *Free Trade: Then and Now*, on the 35th anniversary of the completion of the Canada-US Free Trade Agreement in October 1987 and the 30th anniversary of its trilateral successor, the North American Free Trade Agreement, NAFTA, including Mexico, completed in October 1992.

To be sure, we're observing these anniversaries, but more to the point, we're marking the occasion by examining how far Canada as a trading nation has come since then, and where we go from here.

First, a Q&A with former Prime Minister Brian Mulroney, the father of free trade and the prime minister whose legacy on the issue will be measured not only by its economic impact, but also in the confidence of competition it instilled among Canadians. We sat down with him at his Montreal residence on August 16, and found him in fine form, not just on trade, but a number of other policy issues, including Quebec's use of the Charter's notwithstanding clause to enforce secularism and limit minority language rights, increasing immigration as a must for Canada's economic growth, Indigenous rights, climate change and whether the government was justified in invoking the Emergencies Act to end the blockade of Ottawa.

Historica Canada's Anthony Wilson-Smith also spoke at length with Mulroney for his profile of the former PM, whose time in office he covered extensively for *Maclean's*, comparing the controversies of those years with his policy legacy of today.

On to a remarkable package of assessments, perspectives and outlooks on the "Then and Now" of free trade. First, Kevin Lynch and Paul Deegan look at NAFTA before its recent update and since, and con-

clude it "has become the global model for trade liberalization agreements." From Washington, Canadian Ambassador Kirsten Hillman, whose background as a trade negotiator was as crucial to the NAFTA renegotiation as it is to her daily role, has filed an exclusive look at both through the lens of trade.

John Weekes, present at the creation of NAFTA as our chief negotiator, and of the World Trade Organization as ambassador to the GATT, writes that Canada "should be constructive but also prepared to defend its interests" in trade talks. Then, *Policy* Associate Editor Lisa Van Dusen lays out the bumpy ride of the WTO since China's accession in 2001.

Then, free trade by the numbers, and their impact on economic growth over the years. There's no one better than Kevin Page, President of the Institute for Fiscal Studies and Democracy at University of Ottawa, to make sense of it all.

And in an exclusive Abacus Data poll for *Policy*, David Coletto finds 52 percent of Canadians support free trade with only 7 percent opposed, with 31 percent "neither" and 11 percent "don't know". A long way from the 38-42 support-opposed split at the start of the historic 1988 free trade election. But he also found Canadians were strikingly ambivalent and even indifferent on trade issues.

Former senior diplomat Colin Robertson reminds us of the importance of keeping our allies in the provinces, states and among stakeholders in the picture. From inside the Beltway, Maryscott Greenwood of the Canadian American Business Council says it's time for Canada to "flex its inherent advantages" with the US in global trade conversations.

In our sponsors' section, GE Canada President Heather Chalmers has some

thoughts drawn from her firm's bilateral history on how Canada and the US can work together on an energy transition. For the Forest Products Association of Canada, Eric Miller writes of the opportunity for a Canada-US model of sustainable forestry in trade. And Mike Gladstone of Enbridge writes of the importance of maintaining energy supply, such as Line 5, en route to the energy transition.

Finally, columnist Don Newman reflects on Canada's free trade journey, from then to now.

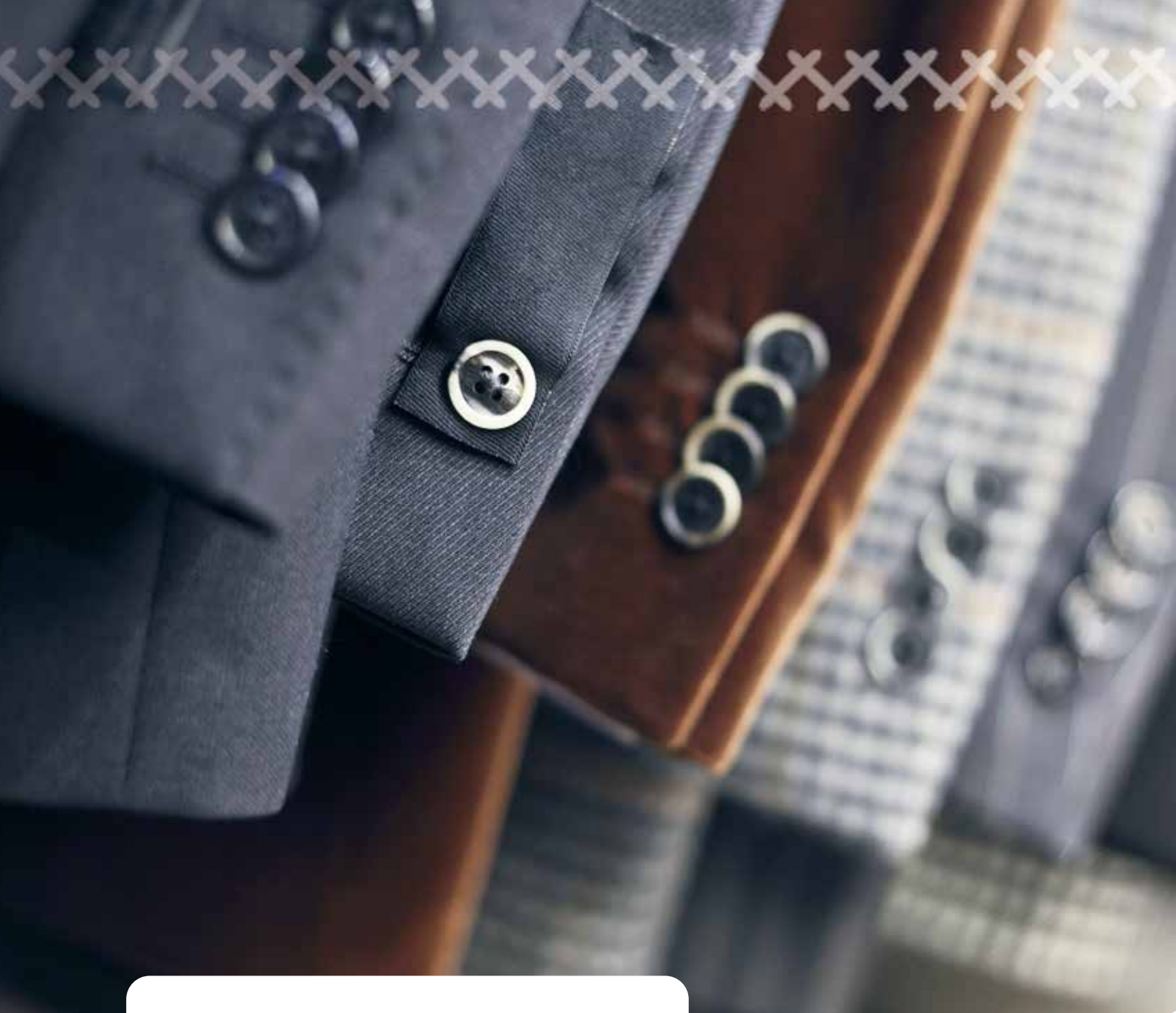
In *Canada and the World*, former and perhaps future Green Party leader Elizabeth May updates us on climate change, writing that the "gospel of kicking it down the road" must give way to political will and true leadership.

Then Jeremy Kinsman again draws on his experience as ambassador to Russia, the EU and UK to update us on Vladimir Putin's invasion of Ukraine. Kinsman writes that there could be a negotiated peace settlement, which isn't how Putin saw this when he began on February 24, his "day of infamy".

And veteran political strategist Geoff Norquay delivers a *mea culpa* for his role in creating the Conservative leadership voting system whose weaknesses he says demands an overhaul, with a walk down memory lane to when leadership conventions made voting fun.

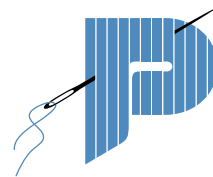
Finally, in *Book Reviews*, Anthony Wilson-Smith looks at Terry Mosher's new book of Aislin cartoons and the great story of *Montreal to Moscow*, on the 50th anniversary of the Canada-Russia hockey series in September 1972. And Robin Sears reviews Chandran Nair's *Dismantling White Privilege: Equity for a Post-Western World*.

Enjoy.



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Former Prime Minister Brian Mulroney in the living room of his Montreal home. He says he and Mila Mulroney “are having the time of our lives,” enjoying the success of their four children and the company of their 15 grandchildren. —Policy photo, Gray MacDonald

# Policy Q&A: Brian Mulroney on Free Trade, Minority Rights and ‘Ain’t Life Grand?’

*When Brian Mulroney became prime minister in September of 1984 with the largest mandate in Canadian history, a bilateral free trade deal with the United States was not on his agenda. From his speech to the Economic Club of New York in December, 1984, to the Shamrock Summit with President Ronald Reagan in March 1985, to the release of the report, a year after his election, of the Macdonald Commission on the Canadian economy advocating bilateral free trade, the momentum for a deal that would change both Canada’s economy and its national character intensified. More than three decades after Canada-US free trade became a reality, Policy Editor L. Ian MacDonald spoke with the prime minister who, in 1988, staked his government on a vision and won. This Policy Q&A was conducted at the Mulroneys’ home in Montreal on August 16th.*

**L. Ian MacDonald:** Mr. Mulroney, thank you for doing this.

**Brian Mulroney:** Happy to be with you.

**Policy:** The theme of this issue of *Policy*, as you know, is *Free Trade: Then and Now*. What’s your sense of the then and now, in general terms?

**Brian Mulroney:** Generally speaking, you have to wait 30 or 40 years before you’re able to evaluate important policy change in Canada. See, once it works through the system, what the results are. Jeffrey Simpson used to say that durability is one of the most essential components of successful public policy. Is it still there 30, 40 years later?

“If someone ran on the policy program today of eliminating free trade or NAFTA, he wouldn’t get out of the starting gate. It’s part of our psyche now. It’s part of our DNA because Canadians have enjoyed the prosperity and the benefits.”

Well, in terms of free trade and NAFTA it’s very much there. And the hostility or skepticism about it has transformed into strong popular support. That’s because the results have been so positive for Canada.

There’s a second element to it. The economic success has been quite striking. But also, there has been a transformation in thinking. [Former Privy Council clerk] Kevin Lynch wrote that the most important part, in his judgment, of free trade and NAFTA was the manner in which it transformed the thinking of Canadians...the attitudes of Canadians. He said we are not fearful or timorous of the United States. And that’s what it did — there was a profound attitudinal change in Canada. So, I think those are the two main benefits.

**Policy:** Well, it’s interesting in the Abacus poll that has been done for this issue, they found that support for free trade now is 52 percent in favour, 7 percent opposed, 30 percent undecided or won’t say, compared to the start of the free trade election in 1988, 38 percent in favor, 42 percent opposed, and 10 percent neither/nor. Those are pretty significant numbers.

**Brian Mulroney:** Yes, they are. You know, as Jeffrey Simpson also said, durability counts, and here we are 35 years later. And if someone ran on the policy program today of eliminating free trade or NAFTA, he wouldn’t get out of the starting gate. It’s part of our psyche now. It’s part of our DNA because Canadians have enjoyed the prosperity and the benefits.

**Policy:** And one of the attitudinal questions was: “Has it been good for Canada?” Thirty-two percent yes, 16 percent no. And on whether it has been good for the relationship. 44 percent yes, 17 percent no. On whether we got a better deal at the bargaining

table than the Americans, Canadians are reluctant to believe that we could outsmart the Americans.

**Brian Mulroney:** Well, I don’t blame them.

**Policy:** That probably doesn’t surprise you. On the make-or-break moments of the FTA and NAFTA, I want to look back to the evening of October 3rd, 1987 on Saturday night at the Langevin Building, as it was then called, on the third floor, at your office, with Ronald Reagan’s “fast track” authority for a negotiated deal to be voted up or down without amendment by Congress, expiring at midnight and you were insisting on a dispute settlement mechanism so that it wouldn’t end up in American courts.

**Brian Mulroney:** Exactly, and so we wouldn’t lose our shirts.

**Policy:** And James Baker called and said that having consulted the leadership of Congress, who were there with him, it just couldn’t be done and you said, it was a deal breaker for Canada, and you said you were going to be calling President Reagan at Camp David to tell him...?

**Brian Mulroney:** Well, what happened was, I said, “Jim, fine, you know this has been a deal breaker for us from the beginning and so I’m going to call President Reagan now at Camp David and I have one question for him. The question is ‘why do think it is that the United States can do a nuclear weapons reduction treaty with it’s worst enemy, the Soviet Union, but you can’t do a free trade deal with your best friends, the Canadians?’” And Baker said: “Give me 20 minutes.” And then, the story shifts back to Washington. Twenty minutes or so later, Baker walked into the boardroom at the Treasury building next to the White House, which held eight Canadian negotiators.

And he threw a piece of handwritten paper on the desk, and he said to the Canadians: “There’s your goddamn dispute settlement mechanism. Now, can we get this thing up to the Capitol before fast track expires at midnight?” That’s what happened.

**Policy:** Leaving Langevin building at 1:30 in the morning Sunday you met the reporters at the bottom of the stairs and said, in words that may be inscribed somewhere some day: “One hundred years from now, what will be remembered was that it was done. The naysayers will be forgotten.” Would you take that as an epitaph?

**Brian Mulroney:** Any day, I don’t want to go anywhere, but I’ll take it any day.

**Policy:** Well, 35 years later, support for free trade is bipartisan and overwhelming on both sides of the border. Let’s discuss the numbers on Canadians thinking the Americans got the better of the deal. You’ve said privately that you don’t find that remarkable because there’s not an election going on now, it’s not competitive,

**Brian Mulroney:** I will give you an idea of the profound change.

When it appeared that Donald Trump’s administration might put an end to NAFTA, all of a sudden, the seriousness of this dawned on everybody, including the Liberal government, most of whose members had opposed it. But by this time, the realization was that “Hey, this is one of the backbones of the Canadian economy. If we lose this privileged access there are jobs at stake here.” And that’s when Mr. Trudeau called me and Derek Burney and I visited with the cabinet. First time in history, a former prime minister of one party met with the cabinet of another to discuss free trade negotiations and why it was vital that they succeed. And Justin Trudeau, the prime minister, and the minister of international trade at the time, Chrystia Freeland and Trudeau’s principal secretary, Gerry Butts, they were, I would say, the important trio. And when I was asked by the media coming out of that cabinet meeting in 2017, “What’s going on here?”, I said, “There’s no Conservative or Liberal way to negotiate a free trade agreement. There’s only a Ca-



nadian way.” And that’s why there’s no partisanship in this at all. I acted as an adviser to them *pro bono* for two years and it succeeded. And I think it’s one of the significant achievements of the Trudeau government.

**Policy:** Five years ago, in an interview with us, with *Policy*, you said about that moment in history — the ’88 election in particular: “Had we lost that election and the Free Trade Agreement, there would have been no free trade, there would have been no NAFTA, there would have been no GST and then where would we be today without all of those things? So it was a very consequential time.”

**Brian Mulroney:** It was. You know, it takes time to be able to appreciate that because the results are now in.

**Policy:** One of the things you got from Ronald Reagan, the former president of the Screen Actors Guild, was the cultural exemption for Canadian radio, television and film.

**Brian Mulroney:** That’s right.

**Policy:** How did you get him to go along with that?

**Brian Mulroney:** Well, we used to chat about it in all of our fairly regular meetings. I used to say to him, “Ron, you want protection for California wines I want protection for our artistic colony. So why don’t we cut a deal on this, our negotiators can deal with the other big stuff. But this is important to you and it happens to be very important to me.”

That led to the cultural exemption.

**Policy:** Going forward to the next presidency, of your friend, George H.W. Bush. In the beginning, the Americans were going to have a bilateral deal with the Mexicans that we weren’t involved in.

**Brian Mulroney:** When I heard about this, I called him and asked what was going on? We arranged to have lunch and I went down to the Oval Office. Bush told me Carla Hills, his USTR (US Trade Representative) recommended strongly to him and to cabinet that the United States negotiate free trade separately with Mexico. I said, “George, this



The former PM in conversation with *Policy* Editor L. Ian MacDonald in his study, an hour-long interview on “Free Trade: Then and Now”, but also on Indigenous reconciliation, immigration, climate change and the recent invoking of the Emergencies Act enacted by his government in 1988. —*Policy* photo, Gray MacDonald

doesn’t make any sense because we already have a free trade agreement with the United States. You would enter into a separate negotiation and agree to provisions that are going to dilute achievements in our agreement, for which I’ve paid in blood, as you know, in Canada. I had to fight a goddamn election to get this thing through and there were all kinds of attacks, misunderstandings and brutality in that election.” In fact, people refer to it, historians refer to it, as the most important, most challenging election in the history of Canada. Don’t know if that’s true or not but people have written books on it. I said “And you’re going to go ahead and sign a deal with Mexico without me?”

And he said, “Brian, that’s Carla Hills’ recommendation.” I responded: “I know Carla well. I love Carla, she’s a great person.” But I said to him, “George, I don’t give a good goddamn about Carla’s opinion. I am concerned about your opinion. And I’m telling you right now. This is a litmus test of our relationship, of our situation, and I’m going to view this as a hostile act.”

And so Bush said, just before we went out to lunch, he said, “All right, Brian let’s call it a day and I’m going to be back to you on this.” About three days

later, I got a call from Baker, who was then secretary of state and Baker says, “The President asked me to look into this and we agreed that this should be a trilateral negotiation.”

**Policy:** Leading to the trilateral talks beginning in February 1991 and culminating in the initialling of NAFTA on October 7th, 1992.

**Brian Mulroney:** That’s right, exactly.

**Policy:** And today, Canada’s imports and exports from the US compared with 1985 as a percentage of GDP I think about 60 then...

**Brian Mulroney:** It’s 75 percent now.

**Policy:** And very much in balance, as you’ve pointed out, when services are included. As you once said, Americans tend to set aside services when talking about these numbers.

**Brian Mulroney:** The numbers that I have anyway, they’re very important. By 2019, the US represented over 75 percent of our exports, and Canada represented 18-20 percent of theirs. Canadian exports have increased 187 percent since 1993, while US exports to Canada climbed 191 percent. Now this is very important because of the concept of free but fair trade, right?

Look at how free and fair this was. Canada's GDP, in Canadian dollars, increased from \$724 billion in 1989 to \$2.23 trillion in 2019. This means that while Canada's population in those 30 years grew from 27 million to approximately 38 million, an increase of 40 percent, our GDP increased by 207 percent. So, what it means is really that while it had taken Canada roughly 125 years to achieve a GDP in the neighborhood of \$800 billion, under free trade and NAFTA it took just 25 years to triple it. Astonishing.

**Policy:** In environmental terms, there's a serious disagreement with the US over pipelines. Keystone XL, which Mr. Biden cancelled on Day One in office and Enbridge Line 5, to which Michigan Governor Gretchen Whitmer has objections. And at this very moment because of Putin's invasion of Ukraine, there's a serious supply management issue of petroleum in Europe. Your thoughts on that?

**Brian Mulroney:** It's been a bit of a mantra with me, as you know, I've always contended there's two important files on the Prime Minister's desk. One is national unity and the other is Canada-US relations and if you take your eye off the ball on Canada-US relations, or if you let it get away from you, or if it does not become your number one objective, you're going to pay a price and this is the price that we are paying.

**Policy:** And looking at CETA, the Canada-Europe Trade Agreement and the ongoing Trans-Pacific dialogue, on the mindset of Canadians, how it's changed with free trade. You used to say that it would make Canadians more confident of our ability to be world competitive.

**Brian Mulroney:** Kevin Lynch wrote that free trade helped Canada to grow up, turn its face out to the world to embrace its future as a trading nation, to get over its chronic sense of inferiority. Free trade got Canadians to believe in ourselves, to take down the tariff barriers and think we could compete with the world's largest and most competitive economy and do well at it. All of these things were made pos-

sible by thinking about the world through a totally different prism and free trade allowed us to do that.

**Policy:** NAFTA 2.0, is now subject to a "joint review" six years after coming into force. Is this an acceptable provision?

“ Free trade got Canadians to believe in ourselves, to take down the tariff barriers and think we could compete with the world's largest and most competitive economy and do well at it.”

**Brian Mulroney:** That's the price that Mexico and Canada paid to indulge Trump and his constituents that this was not a forever deal and if he wasn't satisfied with it, he'd break it up. But I find it was an acceptable arrangement for Canada to make to preserve the integrity of the agreement.

**Policy:** Biden, as you know, has recently agreed that mineral supplies and so on will qualify under rules of origin of parts included in 75 percent North American content, especially in electronic vehicles. Your thoughts on that.

**Brian Mulroney:** Well, in that, I think the federal government did a very good job, as did the Premier of Ontario. That's where all of the automotive factories are located and Doug Ford and Chrystia Freeland developed a very good relationship, and they worked together very closely on this. And Ford worked very closely with the neighbouring states' governors, all of whom shared the desire to have this amendment. And so, I think that the Canadian government and the government of Ontario ought to take a bow on this one.

**Policy:** Turning to other issues: Russia and Ukraine. As you know, the end of the Cold War began with Reagan's famous words at the Berlin Wall. "Mr. Gorbachev, tear down this wall." And

you became, even as the Soviet empire was collapsing in December of 1991, the leader of the first country to recognize an independent Ukraine. Given the state of things today, Putin's invasion of Ukraine, do you think Mr. Gorbachev felt vindicated?

**Brian Mulroney:** Well, it runs counter to everything he fought for.

He sought modernization of the Russian economy and the acceptance of him as a leader of the Soviet Union as a major player — a constructive player — on the world scene. I witnessed his action, for example in the first Gulf War, where they could have killed it off with the veto at the UN. But they went along with the unanimous verdict of the Security Council. He became a celebrated figure on the world scene. Highly influential. He wanted that to continue for Russia. And in a certain way, Boris Yeltsin continued that. You know, he was pro-business, pro-internationalism, he joined the G7 and it became the G8. He was also very much in the Gorbachev mould. The present occupant of the Kremlin has not turned out to be in the same mould.

**Policy:** More in the Czarist tradition.

**Brian Mulroney:** He yearns for the good old days, he yearns for the resurrection of a Russian Empire where you would have one language, one religion, one system of government and one leader, him. And that's why the occupation of Ukraine took place. Very authoritative sources have told me that he really thought that he'd be in and out of there within three days, installing a puppet regime, and then move on to other parts of the restoration of the Russian Empire — the Baltic states and so on.

**Policy:** To Canada now. You are known as a champion of minority rights and minority language rights from the time of your maiden address in the House in September of 1983 on French language rights in Manitoba. I wonder what your thoughts are about the current political context in Canada, with Quebec's Bill 21 since 2019 and now Bill 96 with their restrictions on dress and access to English language post-secondary education.

**Brian Mulroney:** I'm opposed to any kind of discrimination at any time involving any people in Canada. Discrimination is just wrong. I don't favour it. But, you know, how did this come about? It came about because of the insertion into the Canadian Constitution of the notwithstanding clause, which constituted a monumental giveaway to the provinces.

The weakening of Canadian constitutional rights was not evident during the patriation of the Constitution in the early 1980s. The obsession with patriation of the Constitution threw everything, including most fundamental rights and freedoms, out the window and gave the provinces and the federal government a lethal new weapon called the notwithstanding clause. Tom Axworthy has recounted the following: In April 1982 at the celebration with the Queen, before the signing of the new Constitution, Pierre Trudeau saw his old friend and intellectual patron, Frank Scott. Trudeau said to the Queen, "Madam, if we have a Charter of Rights in this country, we owe it to this one man. Everything I've learned about the Constitution. I've learned from this man."

But Frank Scott felt that too much had been given away with the notwithstanding clause, and as Scott retold the story, he would end with the disclaimer that Trudeau "didn't learn enough." So, there it is, 40 years on, the trouble with Trudeau and the notwithstanding clause. His apologists make the argument that he had disdain for the clause and that he only agreed to do it under duress. He believed that the Charter with the notwithstanding clause was better than no Charter at all — that it was a quote, unquote, "Convenient pacifier for the provinces." I stand by my position, expressed in the House of Commons in April of 1989. It kind of defines where I am on this, from the time, as a young attorney, when 29 professors, associate professors and teachers' assistants, were arbitrarily terminated in the faculty purge of Loyola College and I got them all reinstated. My intervention as Prime Minister on behalf of David Milgard. My action to free Nelson Mandela from his prison cell on Robben Island to help dismantle the system of apart-



On the diminution of cultural and language minority rights under Quebec's Bill 21 and Bill 96, Mulroney attributes blame to the inclusion of the notwithstanding clause in the Canadian Charter of Rights in 1982, "which created a monumental giveaway to the provinces." —Policy photo, Gray MacDonald

heid, the Royal Commission on Aboriginal Peoples, the commission of inquiry into Nazi war criminals in Canada, or on the internment of Japanese Canadians during World War Two. I've always had an affinity for the bullied or the underdog, a trait I inherited from my father.

Trudeau's biographer, John English, wrote that Mr. Trudeau, in his final words in the House, said that we cannot erase the past, we can only be just in our own time. Thus, he concluded the Charter of Canadian Rights and Freedoms was created in the present to prevent the past wrongs for the future. However, as the renowned constitutional scholar Eugene Forsey, who was appointed to the Senate by Prime Minister Trudeau, correctly concluded, the inclusion of the notwithstanding clause in the Charter relegated that promise to little more than a mirage. The notwithstanding clause is a dagger pointed at the heart of our fundamental freedoms and should be abolished, Forsey declared. In his most telling indictment, he reached back to that dark episode of our past, he concluded the Charter would not have protected the Japanese Canadians who were forcibly interned during World War Two. So that's where I was.

**Policy:** And in terms of the override of this clause, which has been invoked by Quebec on Bills 21 and 96, it also overrides, as every grade 10 student in Canadian history remembers, the basic division of powers of Articles 91 and 92 of the British North America Act, and then section 133 on the confessional rights of minority languages in Quebec.

**Brian Mulroney:** When this matter emerged, in Quebec, I agreed with the position taken by Prime Minister Justin Trudeau at the time that this will be sorted out in the courts. We have an excellent Canadian judiciary, excellent. Non-partisan, once appointed the judges really do the Lord's work, with impartiality and skill and integrity, I found that out myself. And they've started to do their work. The Quebec court recently suspended two provisions of Bill 21, and by the time this reaches the Supreme Court of Canada, it's going to be a different kettle of fish.

**Policy:** On Indigenous peoples, in your 2020 article for the *Globe and Mail* series, Big Ideas, you singled out Indigenous issues as Canada's top priority, calling for, as you wrote, full Indigenous justice and implementation of the Erasmus-Dussault report on the Royal Com-

mission on Aboriginal Peoples, which you appointed in 1991, but whose 1996 recommendations have been ignored by four successive governments in the quarter century since then.

**Brian Mulroney:** A fundamental challenge that we face — morally, legally and rationally — in Canada is the blight on our citizenship of the treatment of Indigenous People since time immemorial, and the solutions to this are to be found in the Erasmus-Dussault report. For example, let's take the practical. We have, I think, it's 175 billion barrels of oil, in Alberta, untouched. How do you get that out of the ground into a situation where you help the rest of the world and ourselves and you generate trillions of dollars of revenue for Canada, which helps our people and which solidifies our sovereignty? How do you do that? You do that by building pipelines. It's the only way out. How are you going to build pipelines if our native communities' land claims have not been properly settled? They're going to obstruct any development along with the environmentalists. So, you're paralyzed unless you deal with these things. It is a matter of not only national security and sovereignty. It is a matter of practicality. These matters of Indigenous injustice have to be dealt with on a priority basis and how do you deal with them? You deal with them in one way — with leadership.

Somebody, usually the prime minister, has to say, here's the solution.

You bring the premiers in, the producing provinces, Indigenous leaders, the environmentalists, stakeholders and say here's a solution whereby we generously solve this matter in the interest of all Canadians, we all have to put water in our wine, but here's a generous and fair solution.

Go home and think about it for a month and come back and let's see. And if it is accepted, fine, that's terrific, and if not, the prime minister, if it is important to him, as it should be, then says, "I'm going to have the Canadian people decide this in the general election. It's that important, so that's the way I think that has to be handled."

**Policy:** Speaking of Indigenous issues, I wanted to ask you about Nunavut becoming a territory, and whether that was an issue with the Northwest Territories, and how did you get the idea?

**Brian Mulroney:** It was just in the normal course of events over 10 years, I just thought that it made no sense to have the Inuit in Nunavut to have to travel 3,000 miles to some other part of the Northwest Territories. And I thought that was crazy. Tom Siddon was the minister, an excellent minister throughout. And we thought if ever the Inuit are going to have their own parliament, which I thought they should, we would have to divide the territory. That's how it happened. It just evolved, and the more we thought about it, the more sense it made. So, we pushed that through before I left. And I went up to Nunavut before I left and we had meetings up there at which I announced the decision to make Nunavut a territory. That's how that happened, and Tom Siddon was a hero in this thing. In constitutional terms, we could do that. And secondly, the entrenchment in the Constitution of Richard Hatfield's old Bill 88, making New Brunswick Canada's only officially bilingual province, and we did that as an agreement between the two governments.

“ There are still climate deniers everywhere, and they are different positions of influence. But the numbers and the realities are eroding their positions on a daily basis.”

**Policy:** Canada is a nation of immigrants. You used to say that “for a nation of immigrants, we haven't done too bad” and you talked about that once in a speech about Grosse-Isle, the island just east of Quebec City that was a quarantine station for generations of Irish immigrants. Today we are faced with a shortage of skilled labour, for example in health care. And

you wrote in your 2020 piece for the *Globe* that Canada needed to open the doors to immigration and grow to nearly 75 million people, nearly doubling our population. In essence, to become a nation of immigrants again.

**Brian Mulroney:** This is a no-brainer. We only have 38 million people.

Second-largest landmass in the world after Russia and we need immigrants. By the way, it's a highly competitive world out there for immigrants. When I came in, I think Canada was taking in 80,000 immigrants a year. By the time I left it was 250,000, the largest number in history, with many more refugees added to that. But while that was a top number, it remained so for many, many years after I left. Recently, the Government of Canada has taken some dramatic steps. Sean Fraser, the member for Central Nova, is minister of immigration. He's been doing a great job articulating a vision for Canadian immigration, indicating they are going to go from somewhere around 325,000 to 450,000 on their way to 600,000. This is a major departure from every Canadian government since mine and it seems to be going pretty well. The other provision, of course, is that we have to change our thinking in respect of Canadian families. Young Canadian couples trying to start families have to be encouraged through the use of child care and tax benefits. We are only going to expand our population in two ways — immigration and birth rates. Imagine the influence we would have internationally if we had 75 million people, or 100 million people, which we should have eventually. Our American competitors are growing, they are at 330 million people now. We have to try and compete with them in population growth as well.

**Policy:** Climate change goes back with you to acid rain in the 1980s, and then forward to the Rio Conference of 1992, where you were one of the advocates of sustainable development and climate change being put on the global agenda. Your thoughts on where we are now — on the global urgency of climate change going forward.

**Brian Mulroney:** It's the number one issue for any prime minister or president and if that's not recognized and accepted, then this government and all of us have a big problem. There are still climate deniers everywhere, and they have different positions of influence. But the numbers and the realities are eroding their positions on a daily basis. There are fewer and fewer of them. You know, I think of the fight we had to put up just to get an acid rain treaty. And then do the Montreal Protocol on the ozone layer in 1987. As it turned out. The United Nations said the Montreal Protocol was the greatest international treaty ever achieved.

**Policy:** According to the UN: "the only UN treaty that has been ratified by every country on earth — all 198 member states."

**Brian Mulroney:** We need the same thing on climate change. We need the same profound attitudinal change and concurrent government actions. But also, most importantly, we need leadership.

**Policy:** Now to close, the Emergencies Act. You passed the Emergencies Act in

the summer sitting of 1988 to replace the War Measures Act and requiring what you called "the concurrence" of Parliament, which had not been necessary when the War Measures Act was invoked in the October crisis of 1970. It was invoked for the first time in February to free Ottawa from the blockades that shut down the capital for three weeks and, it did obtain concurrence and the House approved it within the seven days as required, and so did the Senate. Do you agree that it was justified in invoking the Emergencies Act?

**Brian Mulroney:** Well, in fairness I wasn't there. I was out of the country during that time. I got what little information I could.

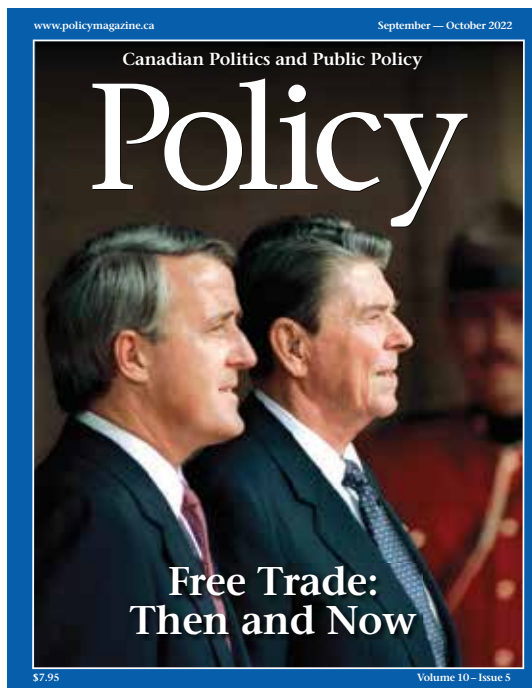
My inclination would have been to negotiate this thing. To have the truckers into my office. Or we could have had Don Mazankowski have them in and give them a message: Look, you are after four things here. The first two make sense, we can do something there. The last two are out of our reach. Have the cameras come in, and I'm going to take pictures of you doing this and I'm going to give you the first two things on your list. Because they

are doable. The first one I remember, I think anyway, was the truckers returning from the United States. Yeah, that we can do for you. What are you going to do for me? You're going to go home. You got what you came for. Here it is. Let's celebrate that. You made your point. But if you hang around here, disrupting an entire city for weeks and weeks, there will be consequences.

**Policy:** How do you feel at 83, with four successful children, 15 grandchildren, a very successful marriage to Mila Pivnicki Mulroney? How do you feel about life in general?

**Brian Mulroney:** Ain't life grand? Life is grand. I mean we're having the time of our lives. It's fantastic. I enjoy it. We spend a lot of time with the children, of course with the grandchildren. In fact, three of them just left, they spent with the week with us here. They just left the other day.

And I spend time at the Mulroney Institute down in Antigonish. And Laval. I work with some of the charities in town. I work at the law firm. So, I'm a very happy guy. **P**



## FREE TRADE: THEN AND NOW

# A Policy Magazine Working Lunch

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Prime Minister Justin Trudeau with Mila and Brian Mulroney at the French Embassy in Ottawa in December 2016, when Mulroney received France's *Légion d'honneur*. —Adam Scotti photo

## Brian Mulroney, Then and Now

*Of the major policy linchpins of former Prime Minister Brian Mulroney's legacy, free trade may be the one most closely associated with his personal leadership, conjoining as it did domestic economic policy, bilateral trade policy and the successful implementation of a vision against enormous odds. While Mulroney scrupulously curates his moments in the public eye these days, to call him 'retired' would be redefining the word to describe a daily whirlwind of borderless connections and influence. Historica Canada's Anthony Wilson-Smith, who has known Mulroney since covering him for years at Maclean's, looks at his journey from Baie Comeau to elder statesman, and chats with the man who has lived it.*

### Anthony Wilson-Smith

**I**n the summer of 1993, Brian Mulroney was at a crossroads. After 10 years as leader of the Progressive Conservatives, nine as a two-term majority prime minister, he had resigned earlier in the year, consistent with a long-ago vow to serve no more than two terms.

By any measure, his time in office had been consequential, his accomplishments significant, his leadership sometimes controversial, and, by the end, downright unpopular. Now, back in Montreal and committed to no longer speaking out publicly, he alternately considered his personal future away from politics and fretted over the at-

tacks the opposition Liberals were making on his achievements and legacy.

So, when an invitation to lunch came from his friend, the Quebec Inc. titan Paul Desmarais, Mulroney was especially appreciative. Over several hours in the elegant private dining room in the headquarters of Power Corporation on Victoria Square, he listened as Desmarais – the founder of the company and an extraordinarily cultured man with a deep knowledge of history – talked about the need for the former prime minister to allow time and perspective for his achievements to be evaluated in their historical context. What he needed to do, Mulroney vividly recalls Desmarais saying, was to “let the garden grow”; the famous moral of Voltaire’s *Candide* — “*cultiver son jardin*” — on the value of narrowing one’s focus to immediate problems that can be resolved constructively.

In essence, Desmarais was telling him to absorb the post-prime ministerial hits in silence – not easy advice for someone used to the constant sparring of politics. But for the most part, Mulroney learned to hold his fire.

**“Far from being attacked by the federal Liberals, they now, under Prime Minister Justin Trudeau, seek his advice on key issues — including the time he briefed the federal cabinet during the highly sensitive NAFTA renegotiation with the Trump administration.”**

The result: today, at 83 – an age he never expected to reach – he is the happiest and most content he has ever been, with no shortage of reasons why.

There is, more than anything else, the presence of Mila – next year marks their 50th wedding anniversary; their four now-adult children, and the 15 grandchildren he sees regularly despite the fact they’re all in

Toronto. There is the couple’s spectacular penthouse home, purchased several years ago, atop the Westmount side of Mount Royal, replete with a 3000-square-foot terrace, and a pool at the edge in which he exercises daily with a view of the city below. Add to that the winter home in Palm Beach; regular phone calls and meets with business leaders and current and former political leaders from around the world; and a wide, deeply loyal circle of friends, many of whom date back half a century or more. They include Oscar-winning film director Denys Arcand, music producer David Foster and the singer Robert Charlebois.

Until the pandemic, he would see Mikhail Gorbachev, the last leader of the Soviet Union, whenever the two men were in the same part of the world. They built a warm friendship when both were in office. With Gorbachev’s passing on Aug. 30 at 91, Mulroney is now the only surviving member of a transformative 1980s club that included Ronald Reagan and Margaret Thatcher.

When Gorbachev, feuding with then-Russian leader Boris Yeltsin, visited Canada in 1993, Mulroney was advised to not see the former Soviet leader because of an upcoming summit involving Yeltsin. Mulroney rejected the advice, saying “the world still owes this man our undying gratitude.”

Finally, of course, Desmarais was right. Twenty-nine years after leaving office, the key elements of Mulroney’s legacy – including free trade with the United States; the introduction of a federal goods and services tax; early, visionary steps on environmental issues and human rights initiatives – are so entrenched that they’re largely taken for granted. In Quebec, Mulroney is revered even by nationalists (for instance, he has been chair of Québecor Media, owned by the sovereigntist Péladeau family, for many years). Far from being attacked by the federal Liberals, they now, under Prime Minister Justin Trudeau, seek his advice on key issues — including the time he briefed the federal cabinet during the highly sensitive NAFTA renegotiation with the Trump administration.

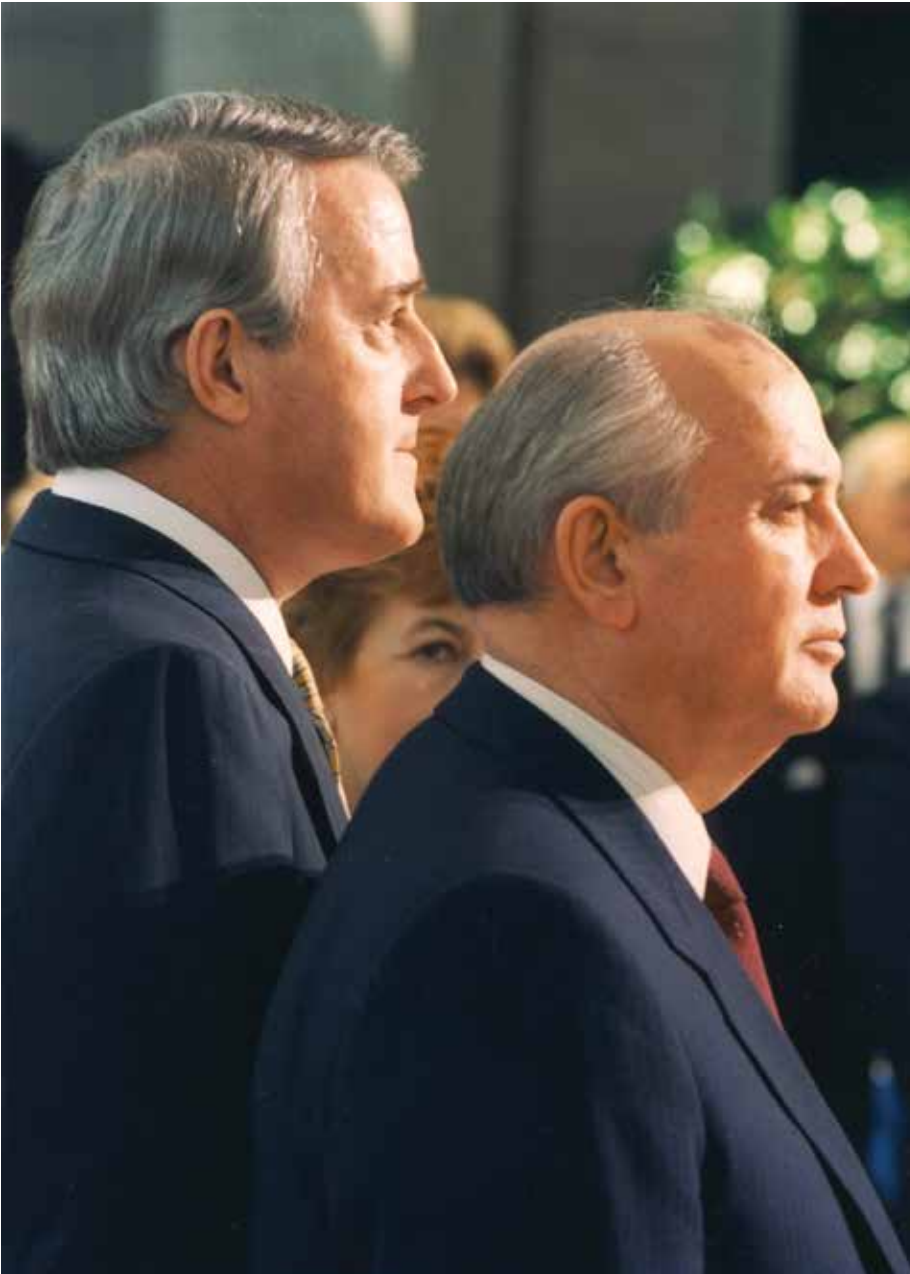
With two near-death medical scares behind him, he has cut back on the lucrative speeches and global travel that were a regular part of life before the COVID pandemic. He mostly works from his study at home and only recently has resumed going in to his Montreal office at the law firm of Norton Rose Fulbright, where he has been a senior adviser since 1993. He still chairs or sits on the board of a number of international companies and foundations in Canada, the United States and abroad. And he remains an inveterate user of the telephone, mak-

**“He still chairs or sits on the board of a number of international companies and foundations in Canada, the United States and abroad.”**

ing and taking calls from around the world at almost all hours of the day. As his longtime friend, the international lawyer and arbitrator Yves Fortier says, with a laugh, “Alexander Graham Bell may be the inventor of the telephone, but it was actually invented for Martin Brian Mulroney.”

By any measure, Mulroney lives an outsized life. That’s not even taking into account the awards and other forms of recognition from around the world, as well as the fact he is the only foreign leader ever invited to eulogize *two* American presidents — Ronald Reagan and George H.W. Bush at their state funerals. Add to that Mulroney’s background of decidedly modest means — one of six children growing up in a cramped company house in the pulp and paper town of Baie Comeau, on Quebec’s North Shore, and you have a life story worthy of any rags-to-riches (and power) epic.

As far as Mulroney has come from his early days in Baie Comeau, they still shape him in profound ways. He is widely – accurately – often described as the ultimate insider, with friends at the highest reaches of business and politics around the world. But like his late friend Desmarais, Mulroney is



Brian Mulroney with Mikhail Gorbachev at the Kremlin following the funeral in Moscow of Gorbachev's predecessor, Konstantin Chernenko, on March 14, 1985. With the passing of Gorbachev at the end of August, Mulroney is the last surviving world leader from an era that saw the end of Soviet rule and the re-emergence of Russia.

self-made. Desmarais famously started his business career in his hometown of Sudbury, Ontario, and built his first business venture, his father's bankrupt bus company, into a multi-billion-dollar global empire.

Mulroney was obliged early in life to figure out ways to fit in and get ahead. He was a blue-collar anglophone kid in a majority francophone town where most of the small anglo cadre were the bosses; then a boarding student in St. Thomas, NB; then to Nova Scotia for

undergrad studies at St. Francis Xavier and, switching languages and provinces, to Quebec City to study law at Université Laval, and on to Montreal, seeking to break into that city's highly stratified legal circles.

In addition to acquiring flawless colloquial French, those experiences toughened him. He learned how to read a room, analyze the environment, and make the best of whatever situation he was in. Those qualities were invaluable as a labour lawyer, and even more

so in politics. He became expert in tactical planning, anticipating events and negotiating agreements both domestically and on the world stage. "Brian," says his longtime friend and onetime communications director Bill Fox, "is strategically always at least two years ahead of the curve."

Another important quality Mulroney learned early was generosity of spirit. His dad, Ben, fell ill with the cancer that would take his life at age 62. In his final days, he told Brian, apologetically, "I'm going to have to ask you to look after the family after I'm gone." Mulroney replied, "I'm already planning that." He curtailed his busy social life as a young single lawyer in Montreal to move his mother and siblings into an apartment with him.

That desire to help others is constant: there are countless stories about how Mulroney has quietly reached out to provide assistance and advice to everyone from friends to slight acquaintances and even, on occasion, to former political foes. Mulroney called Sheila Copps, his former political nemesis when she was part of the Liberal Rat Pack in the 1980s, to wish her well when he learned she was battling breast cancer. Recently, he helped David Dingwall, another Rat Packer who is now chancellor of Cape Breton University, with a fundraising campaign for the school. Said one person deeply touched by Mulroney's support during a mutual friend's health crisis, "His reflex to rise to the occasion when he sees a friend in trouble is like the breathtaking flipside of the cliché about Irish grudges. He was a force of nature."

Mulroney never talks about such efforts: I routinely hear about such examples from mutual friends. In fact, in 2005, when I was leaving the editorship of *Macleans Magazine* and journalism altogether, he was one of the first to call to enquire about my future plans. The advice he gave was enormously important in repositioning my career midstream.

Mulroney has always placed great importance on friendships – especially long-standing ones. Fox recalls a day in the 1980s when Mulroney was prime minister. He brought a visiting



childhood friend and his son from his hometown of Timmins, Ontario, to meet Mulroney, who dropped what he was doing, greeted them warmly and took time to chat. When Fox later tried to apologize for taking up his time, Mulroney waved him off and said, “Bill, never trust anyone who doesn’t have old friends.”

Mulroney is especially adept, having lived through challenges himself, at helping people during their lowest moments. In 1976, Robert Bourassa’s Liberal government was wiped out by the Parti Québécois. Bourassa, who had been called “the most hated man in Quebec” by one of his own backbenchers, lost his own seat and his political career seemed over. Mulroney took Bourassa to lunch at Chez Son Père, a restaurant on Montreal’s Park Avenue. The advice he gave Bourassa – echoing the essence of what Desmarais would say to him years later – was “Give it time, Robert. In a few years, you’re gonna look pretty good.” Sure enough, Bourassa eventually regained the leadership of the Liberal Party, became premier again in 1985, and by the time of his death in 1996, was revered on all sides of the political spectrum. Less than a year before Bourassa’s death, I spent an afternoon chatting with him in the garden of his Outremont home. He remained deeply appreciative. “Brian,” he said, “believed in me when few others did. I have never forgotten that.”

Along with such kindnesses, Mulroney’s great passion is promoting higher-education learning for youth. The most vivid example is at his alma mater, St. Francis Xavier University, where he has played a key role in raising \$105 million for the university’s Brian Mulroney Institute of Governance, founded in 2016. He and Mila gave \$1 million toward its founding; at his insistence, it provides scholarships specifically for Black and Indigenous students. Mulroney is about to be honored by his other alma mater, Laval, which announced in June that it is folding its international relations studies into a \$100 million faculty named the Carrefour international Brian Mulroney.

Mulroney routinely makes himself available to student groups and non-



Prime Minister Mulroney and President George H.W. Bush throw out the first pitch on Opening Day in Toronto in 1990. Mulroney is in a Blue Jays jacket, while Bush is wearing the jacket of the Texas Rangers, then owned by his son, George W. Bush. Erin Combs, *Toronto Star Photograph Archive*, Courtesy of Toronto Public Library

profit organizations, often on short notice. (When my son was in high school, the son of an acquaintance wanted to create a political science club. On a whim, he sent a note to Mulroney, with whom he had no connection, asking for help. Mulroney immediately agreed to speak to the club’s founding meeting.) Those education-and youth-based activities, Mulroney said during one of two long conversations we had recently, are his “greatest source of pride” — outside of family — since leaving public life.

“ That desire to help others is constant: there are countless stories about how Mulroney has quietly reached out to provide assistance and advice to everyone from friends to slight acquaintances and even, on occasion, to former political foes. ”

Friends observe – and Mulrone y agrees – that age has mellowed his combative nature and further enhanced his appreciation of his blessings. “When you come so close not once, but twice, to buying it,” he says of his two life-threatening health incidents, “you think about the positives, and focus less on other stuff.” In person, Mulrone y looks fit and vigorous, with his only visible concession to age being that he takes a seat, when possible, during long public gatherings.

In public, Mulrone y stays determinedly clear from commenting on partisan politics. He now says the Rat Pack were “excellent” parliamentarians. He is highly complimentary of former prime minister Paul Martin — whom he has known for decades — for his efforts on Indigenous issues, and similarly praises the late John Turner, with whom he clashed so memorably in two election campaigns, in 1984 and 1988.

The one exception is Lucien Bouchard. The sudden defection of Bouchard, often described in earlier years as Mulrone y’s “alter ego”, from his Laval classmate’s government during the late days of the Meech Lake constitutional negotiations in 1990 had a devastating effect on the accord, the government – and Mulrone y. The two men have been estranged ever since.

That sense of betrayal endures; Mulrone y made it politely clear during our talks that he will not discuss Bouchard. But in the tight circles of Quebec, they inevitably cross paths.

In 2011, Mulrone y attended the funeral of Audrey Best, Bouchard’s former wife and mother of his two sons, and expressed condolences. In 2014, Bouchard said of relations between the two men: “We run into each other occasionally in Montreal or elsewhere and I think we have an agreement to not embarrass each other.” At the funeral for mutual friend Jean Bazin in 2019, they sat near one another without speaking. After Mulrone y gave the eulogy for Bazin (something he says he does “far too often” these days), Bouchard leaned over to a friend and whispered approvingly “he’s still got it.” Most recently, they were at the wedding of the daughter of a mutu-



Mulrone y and his close friend Paul Desmarais, who had advised him, in terms of his legacy, “to let the garden grow.” —*La Presse photo*

al friend where they exchanged brief greetings.

This fall, in an event separate to the unveiling of the Carrefour Brian Mulrone y, Laval’s law faculty will jointly pay tribute to Mulrone y and Bouchard. Their class of 1963 is believed to be the only one in Canada to produce both a prime minister and premier. The faculty will unveil a plaque honoring the federalist prime minister who tried so hard to bring Quebec in as a signatory to the constitution, and the former premier, now back to his roots as a committed sovereigntist (albeit one who believes that option unlikely). It will be a striking reminder of the tumultuous chapter of history the two men lived — first together,

**“ Friends observe – and Mulrone y agrees – that age has mellowed his combative nature and further enhanced his appreciation of his blessings.”**

then so dramatically apart. The hope of many friends of both men, said one, is that “Lucien and Brian don’t go to their graves without some form of *rapprochement*.” That, to say the least, is far from certain.

But it would be wrong to suggest Mulrone y focuses often on that ruptured friendship. Mulrone y says – and other friends agree – that he lives, overall, very much in the now. He confessed to Mila a while ago that for years, his unspoken hope – after his father’s early passing – was “to just make it to 70.” When he achieved that, he switched his target to 80. Now that he is beyond that, he says cheerfully “all bets are off” and he thinks about making each day count.

Shortly after moving into their new home, Mulrone y and Mila planned a gathering with friends. With everything in place, they settled on the terrace for a drink – Mila with a glass of wine, Mulrone y with his customary soda water. They looked out wordlessly for several minutes at their breathtaking view of Montreal and beyond, lit by a late-afternoon sun.

“Well, Brian,” Mila said, breaking the silence, “you’ve come an awfully long way from Baie Comeau.” They both started laughing. “And that,” says Mulrone y, “was when it struck me, maybe more than any other time, how true that is.”

And his metaphorical garden, as Desmarais promised, continues to grow. **P**

*Contributing Writer Anthony Wilson-Smith is President and CEO of Historica Canada. A former Editor of Maclean’s, he covered the Mulrone y years as an Ottawa and Moscow correspondent, and was previously Quebec-based for The Montreal Gazette.*



Mexican President Carlos Salinas de Gortari, US President George H.W. Bush and Canadian Prime Minister Brian Mulroney look on as their trade ministers – Jaime Serra Puche, Carla Hills and Michael Wilson – initial the NAFTA agreement in San Antonio Tx, on October 7, 1992. —George H.W. Bush Presidential Library.

# NAFTA at 30: The Opportunities of Tomorrow Are Here Today

*The world has changed considerably in the three decades since the NAFTA trilateral signing ceremony on October 7th, 1992 in San Antonio, Texas. Geopolitics have evolved, politics is in flux, and the fourth industrial revolution has transformed human life in ways society is still grappling with, including the ways in which commerce and trade are conducted. Former Privy Council Clerk Kevin Lynch and former White House economic aide Paul Deegan provide a prescription for how Canada can navigate an altered trade reality.*

**Kevin Lynch  
and Paul Deegan**

**I**t was a mere 30 years ago, in October 1992, that the North American Free Trade Agreement (NAFTA) was successfully completed and initialed by the leaders of the United States, Canada, and Mexico – President George H. W. Bush, Prime Minister Brian Mulroney and President Carlos Salinas de Gortari. NAFTA came into effect on January 1, 1994, after side letters on the environment

and labour were agreed by President Bill Clinton and Prime Minister Jean Chrétien. It fundamentally changed how Canadian business thought about doing business, and it reshaped Canadian views about our ability to compete and prosper beyond our borders.

NAFTA extended the free trade provisions of the 1987 Canada-US Free Trade Agreement (FTA) continent-wide, creating new markets for exporters, more choice for importers, new opportunities to build North American supply chains, increased ease of cross-border labour mobility, and novel dispute settlement mechanisms. What Donald Trump preposterously called the “worst trade agreement in history” has become the global model for trade liberalization agreements, while significantly raising economic growth, productivity, and incomes in all three countries.

That Canada and NAFTA emerged relatively unscathed from the tumultuous renegotiation triggered by Trump in 2017 says much more about the value American business and US border states see in the trade relationship with Canada and the effectiveness of our lobbying campaign, than it does about the policy wisdom of the Trump administration.

So, as we prepare to enter the fourth decade of NAFTA, as of March 2020 the Canada-United States-Mexico Agreement, what should we expect and what should we do? Here are six possible pivots, or shifts, in the global economy that we should consider building into our trade and investment planning for the decade ahead.

**F**irst, global cooperation is fragmenting into blocs. In the UN vote to condemn the Russian invasion of Ukraine, more than 30 countries abstained, including China and India, and both continue to do business with Russia. China has ramped up its rhetoric with respect to Taiwan and doubled down on its aggressive diplomacy. Middle Eastern oil producers have deflected to OPEC any discussion of increasing ener-

**“ What Donald Trump preposterously called the “worst trade agreement in history” has become the global model for trade liberalization agreements, while significantly raising economic growth, productivity, and incomes in all three countries. ”**

gy production to attenuate the global gas price spike. And the political dysfunction in the US is likely to get worse after the Congressional midterm elections this fall, where Republicans and their nationalistic tendencies are expected to take the House of Representatives, while the Senate is a toss-up.

Second, the era of ultra-low interest rates is ending. Clearly, inflation in Canada, the US, European Union and the United Kingdom is much higher and more persistent than central banks had ever expected. That interest rates were too low for too long is now recognized as a significant contributor to current inflation pressures. Interest rates are now shooting back to “neutral” or higher levels as central banks, including the Bank of Canada, which kept inflation within the target range for 25 years, struggle to rein in inflation and re-anchor inflation expectations. While that is a needed change, it will cause lasting reverberations in financial markets, particularly with respect to highly leveraged (indebted) companies and asset values for housing, equities and venture capital investments.

**“ While technology stocks have pulled back from stratospheric levels and hype, the digital-tech revolution is very far from over. During the pandemic, the way many of us work and live changed overnight, and the future of work will not be a return to the past. ”**

Third, peak globalization has been reached. Supply chains, which have been a driver of globalization over the past decade, will change: shorter, more diversified, more resilient. Protectionism and sanctions will further constrain trade growth. Regional trade strategies and alliances, rather than global trade strategies, will be the order of the day.

Fourth, left and right-wing populism could increasingly dominate our domestic and shape global politics. Nationalism and tribalism are on the rise. The Trump brand of nation-state populism and economic nationalism resonates with those facing financial uncertainty and social angst. It is in their face every time the fill up at the gas pump or turn on Fox News. This next generation of populists will likely attack traditional institutions and reduce trust in them, eschew international cooperation and rules in favour of transactional relations and power-based relationships, making progress on issues like climate change, global tax rules and international security even more difficult.

Fifth, while technology stocks have pulled back from stratospheric levels and hype, the digital-tech revolution is very far from over. During the pandemic, the way many of us work and live changed overnight, and the future of work will not be a return to the past. Businesses and governments will increase investments in digital technologies to make services better and cheaper. And the metaverse, artificial intelligence, machine learning and advanced data analytics are just in their infancy, with massive potential to change how firms work and to transform social interaction.

Sixth, the energy transition will be anything but smooth. Putin's heinous invasion of Ukraine has underscored our reliance of fossil fuels and global energy supply chains. Like it or not: natural gas – something Canada has in abundance – will remain an important transition fuel in power generation for quite some time. While consumers are feeling the pernicious pinch at the pump and with their electricity bill, the spike in energy prices will be both a catalyst to wean us off fossil fuels for transportation and a reality check on the length of the transition period away from fossil fuels. As a major energy producer and consumer, Canada has opportunities as well as challenges.

These six pivots in the global economy present many challenges as well as upside potential for Canada. But we need to rethink our trade and investment policies now to seize the opportunities of tomorrow. And tomorrow is here today.

Secure trade agreements matter. With the US focused on Russia and China, and Mexico looking inward, Canadian leadership is needed to harden the CUSMA and keep it up-to-date and relevant. And our leadership is needed now, given that the agreement has a sunset provision that will force all three countries to revisit the agreement every six years – meaning in 2026. Canada also has tremendous opportunity with the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). With the EU's annual imports greater than Canada's GDP, the upside is massive. And, while the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was an important step forward for trade between Canada and Japan, which is Canada's fourth-largest trading partner, the time has come to strike a bilateral deal with this important Pacific economic and security ally.

**T**he energy transition provides opportunities. Atlantic Canada can be a major LNG supplier to Europe, helping them to become

**“ To be a leader in diversifying global supply chains, we need a thinner border with the Americans with more rapid clearance for goods and people combined with stronger ties to European and Asian agricultural supply chains.”**

less Russia-reliant and more energy secure. The Atlantic energy opportunity faces two domestic obstacles and a tough foreign competitor. We have no LNG export terminals despite efforts to establish ones at Saint John and Goldboro, where both proposed terminals would be about five days closer to Europe for an LNG tanker, compared to US gulf ports, which are already gearing up to supply LNG to Europe. And, we totally lack a supportive regulatory environment to build such projects despite the obvious need.

The shift to electric vehicles (EV) is another area that offers Canada a tremendous opportunity to be a leader. Both the federal and Ontario governments are stepping up, but we need to define where in the EV supply chain we want to be dominant, and invest accordingly. As well, we should have more cooperation to harness the collective talent and expertise of the mining sector – we have an abundance of the minerals used in EVs, but we lack the infrastructure and supply chains to bring it to market.

The war in Ukraine has put a spotlight on global food supply chains. Canada is blessed with natural resources to feed and supply the world, and we have strong port and rail infrastructure. But to be a leader in diversifying global supply chains, we need a thinner border with the Americans with more rapid clearance for goods and people combined with stronger ties to European and Asian agricultural supply chains.

Digital trade is thriving, with both the US and China the dominant market leaders, while our regulatory approach is stuck in the analog world and we are lagging badly. As Canadians, we should be very concerned about the impact of Big Tech on competition, economic growth, personal privacy, and our democratic institutions. We can't move from start-up to scale-up when foreign behemoths who pay little to no Canadian taxes gobble up our start-ups and talent and stifle made-in-Canada innovation.

Competitiveness and trade are inextricably linked: trade agreements like the CUSMA are enablers of trade success not guarantors. What Canada needs is a competitiveness strategy that capitalizes on our comparative advantages, but also recognizes potential risks. Natural resources (oil, gas, coal, hydro, lumber, etc.) and transportation equipment (cars and car parts) account for 70 percent of goods exports. That level of concentration puts us at risk from decarbonization efforts, “Buy American” preferences and tariffs, and geopolitical tensions. We have not had an in-depth review of our competitiveness since Red Wilson's Compete to Win report during the 2008 global financial crisis, and we're overdue for another comprehensive one.

Brian Mulroney, Ronald Reagan, and their teams of public servants and diplomats had a great vision, which has served North America extremely well. Today, we need to build on that vision to make North America stronger, more prosperous, and more economically secure for all in a much more uncertain global environment. **P**

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Ambassador Kirsten Hillman on the rooftop of the Canadian Embassy at 501 Pennsylvania Ave, in Washington, with its spectacular view of the US Capitol. —Canadian Embassy photo

# The View from 501 Pennsylvania Avenue: Common Interests, Shared Values and Trade

*Kirsten Hillman was appointed Canada's ambassador to the United States in 2020, the first woman to fill the Washington role that is the jewel in the crown of Canada's diplomatic service. Hillman's background as Canada's most senior trade negotiator and as Canada's senior legal adviser to the World Trade Organization were indispensable assets to the negotiation of the Canada-United States-Mexico Agreement. Ambassador Hillman describes how that and other recent bilateral engagements have served Canada's relationship with our closest ally.*

## **Kirsten Hillman**

**T**here is no question that North American economic integration, starting with the Canada-US Free Trade Agreement in 1989 and followed by the North American Free Trade Agreement (NAFTA) five years later, strengthened the economies of Canada, the United States and Mexico and made them more innovative and competitive.

However, NAFTA and other free trade agreements have also been lightning rods for criticism and concerns over the domestic effects of economic globalization. As a consequence, for most of my career as a trade law-

yer and trade negotiator, the accepted wisdom was that NAFTA was too politically sensitive to be modernized. While there were certainly aspects of the agreement that were due for a refresh, and new issues to be included, the political debate surrounding the agreement, especially in the US, made such a move too risky. The negotiation would inevitably lead to sensitive demands and counterdemands, and whatever the outcome, there would be no way to strike a new deal that would satisfy the critics.

Nevertheless, shortly after President Donald Trump was sworn into office, he moved forward with his promise to renegotiate what he called “the worst trade deal in history”. The NAFTA renegotiation that followed differed from any other in which I have participated.

Normally, before countries start a trade negotiation, they spend months in exploratory discussions to identify key objectives and any “no-go” zones. Consequently, if they decide to proceed, they come to the table with common goals, all expecting to get benefits from the deal. Trade agreements are not simply economic arrangements; they are geopolitical choices, to deepen relationships to the mutual benefit of all parties.

In the NAFTA renegotiation, Canada and Mexico were brought to the table by the threat that President Trump would withdraw the US from the agreement. In addition, the stated goal of the president was not to modernize the agreement to bring mutual benefit to all parties, but to “recalibrate” it by pushing Mexico and Canada to make concessions while offering none in return, other than simply staying in the deal.

Canada’s top-notch negotiators responded quickly to these unexpected challenges. The political leadership from Prime Minister Justin Trudeau was clear, and then-Foreign Affairs Minister Chrystia Freeland, who led the discussions, was resolute. Maintaining a strong, open and predictable trading relationship with the US was essential to Canada, but we knew that it was also very important to the US. This fact, combined with the unusual dynamics in these talks led to a new

“ *One of our greatest strengths is the depth and breadth of relationships that Canadians have with Americans. We mobilized as many of these as possible.* ”

aspect to trade negotiations for Canada: widespread and highly coordinated advocacy in the United States.

Typically, governments spend time communicating the benefits of a trade agreement domestically. In this case, we also needed to reach out to US decision-makers from both political parties at the federal and state levels, as well as US businesses and unions, to promote the benefits of keeping NAFTA and to convey the damage that a US withdrawal would cause.

Working in coordination with the Prime Minister’s Office, the Privy Council Office and Global Affairs, our US Embassy and 12 consulates across the country gathered intelligence and developed a detailed, systematic and multi-pronged plan. The goal was to demonstrate to key US interlocutors that predictable, rules-based trade with Canada is in the interests of Americans; and that “ripping up NAFTA” was not. We identified Canadian voices that would resonate with US decision makers and we targeted sectors, businesses, community leaders and other influential individuals across the US, especially those states and sectors that rely on trade with Canada.

One of our greatest strengths is the depth and breadth of relationships that Canadians have with Americans. We mobilized as many of these as possible. We shared tailored data so that the Canadians could provide concrete examples to their specific US counterparts of why NAFTA mattered to them. Coordinated messages were carried by the prime minister and federal ministers, premiers, mayors, business leaders, labour leaders, opposition parties, former political leaders, and of course, all of our diplomats in the US. Overall, the goal was to diminish, and if possible neutralize, the threat of withdrawal and to make it clear that the only deal possible was one that would work for all three countries.

While the negotiations were proceeding, the Trump administration added another challenge by imposing national security tariffs on Canadian steel and aluminum imports, the US’s largest source of these products. Tariffs based on Canada allegedly posing a national security threat called for swift, strong action, and we immediately launched WTO and NAFTA disputes and announced reciprocal, dollar-for-dollar countermeasures valued at \$16.6 billion.

Canada’s retaliatory duties were targeted for maximum impact and pressure. We continued our Team Canada advocacy approach, drawing maximum attention to the impact of countermeasures on US communities and companies, particularly those in non-steel-producing areas. We worked to activate as many US voices as possible calling for the removal of the tariffs.

Eventually, the impact of countermeasures became an obstacle to passing the newly negotiated Canada-US-Mexico Agreement (CUSMA) through Congress. Pressure from US states and businesses impacted by the countermeasures was a key factor in their removal from Canadian and Mexican steel and aluminum in May 2019, paving the way for Congressional approval of CUSMA.

While President Trump had specific objectives for the NAFTA renegotiation, the Democrat-controlled Congress had its own. Many of the modifications made by Congress in the areas of labour, environment and dispute settlement built on specific proposals that Canada had made during the negotiations. In the end, when CUSMA passed Congress, it enjoyed significant bipartisan support. It entered into force on July 1, 2020 and preserved market access, improved dispute settlement and added strong, enforceable labour and environment rules and other forward-looking provisions.

President Joe Biden entered the White House in 2021 with a pledge to work with allies and a commit-

ment to the international rules-based order. He and Prime Minister Trudeau moved quickly to release the ambitious *Roadmap for a Renewed US-Canada Partnership* a month after the president's inauguration. The roadmap establishes more than two dozen concrete economic, social, environmental and security objectives for bilateral collaboration in the coming years.

An important area of focus is cooperation on supply chains, including the creation of a bilateral Supply Chain Working Group. The first progress report of this group was released in June 2022, highlighting work in eight key sectors, including electric vehicles and batteries, critical minerals, public health, and defense. This is very timely as both Canada and the US are increasingly emphasizing the need to work with allies and the importance of “friend-shoring” critical supply chains.

Despite this strong collaborative approach, Canada must remain vigilant. Given our high degree of integration, US domestic policies and actions can have unintended negative impacts on Canada. The important contacts and valuable experience that we gained during the CUSMA negotiations remain essential today, as we advocate with the Biden administration and Congress.

For example, in the summer of 2021, the Embassy became aware of a proposal in Congress for tax credits for electric vehicles that would only apply to those assembled in the US. If adopted, these tax credits would have been disastrous to our integrated auto industry, put hundreds of thousands of jobs at risk in Canada and the US and jeopardized our shared clean energy goals.

Once again, Team Canada got to work on advocacy. With leadership from the prime minister, who expressed very serious concerns to the president and the Congressional leadership, a multi-faceted advocacy campaign was undertaken. We focused on the potential economic and jobs losses for Americans but also on the risks for our shared energy security, environmental protection goals and critical minerals development. This messaging resonated as the legislation



Ambassador Kirsten Hillman with President Joe Biden in the Oval Office of the White House on Nov. 18, 2021. —Adam Scotti photo

evolved and is reflected in the Inflation Reduction Act signed into law by the president on August 16th.

The challenges of the last few years, including the COVID pandemic, trucker blockades, and supply chain issues, have only served to under-

**“ In the summer of 2021, the Embassy became aware of a proposal in Congress for tax credits for electric vehicles that would only apply to those assembled in the US. ”**

score – and strengthen – the cooperation among governments, businesses and workers in Canada and the US. More recently, with Russia's invasion of Ukraine, we have demonstrated our joint resolve to stand on the world stage shoulder to shoulder.

I expect more tumultuous times ahead. Putin's war in Ukraine is jeopardiz-

ing food and energy security and critical supply chains, putting the world's most vulnerable at risk. On China, we share common interests with the US in advancing a level playing field for our workers and businesses. As we advance our common interests and shared values amid the challenges ahead, Canada's strength in natural resources — energy, critical minerals, food — our skilled and competitive workforce, together with our commitment to environmental protection, labour rights and inclusive trade, will continue to create opportunities for North America. I am confident that with CUSMA as a strong anchor, Canada and the US will continue in a strengthened partnership to advance our shared priorities for the future prosperity of our continent and beyond. **P**

*Kirsten Hillman was appointed Canada's Ambassador to the United States in Washington D.C. in March 2020, the first woman to serve in this position. Prior to this, she served as Deputy Ambassador and Acting Ambassador, and was deeply involved in the negotiations to modernize the NAFTA.*



# The Work of Tending the Free Trade Garden Never Ends

*The epic trilateral negotiations that produced NAFTA three decades ago and its successful renegotiation in 2018 stand as testament to a broad consensus on the economic benefits of trade liberalization. Former NAFTA negotiator John Weekes, who was present at the creation of the massive trade deal that transformed the North American economy, provides a tour d’horizon of the agreement’s impact, importance and future.*

## John M Weekes

As history has proven over and over again, personality matters as much in policy as in politics. Strong leadership by Prime Minister Brian Mulroney and President Ronald Reagan was critical to the initiation and success of the Canada-United States free trade (FTA) negotiations. Similarly, the North American Free Trade Agreement (NAFTA) negotiations were successful, in large part, because the three North American leaders – President George H. W. Bush, Prime Minister Mulroney, and President Carlos Salinas – were all strongly committed to an ambitious outcome.

Unfortunately, recent history has proven that personality works both ways. President Donald Trump’s approach to trade and relations with Canada and Mexico posed an existential threat to NAFTA. The commitment of Mexican President Lopez Obrador to the implementation of the new Canada-United States-Mexico Agreement (CUSMA) seems uncertain. These worrying developments show that it is necessary to build strong domestic support for trade agreements at the grassroots level and across the political landscape. Leadership at the top is important but not enough.

The proposal to negotiate a free trade agreement with the US was a bold response by Canada to the challenges it faced in the mid-1980s. The Macdonald Royal Commission on the

Economic Union and Development Prospects for Canada was established in 1982 by Prime Minister Pierre Trudeau and reported its findings to the new Mulroney government in 1985. Its call for free trade with the United States had a major influence on the new prime minister. The threat to Canadian access to the US market from protectionist pressures and a plethora of protectionist bills in Congress strengthened the rationale for strong action on the trade front.

**“The actual provisions of the NAFTA were remarkably progressive and far-reaching. This was the first trade agreement to include broad, across-the-board obligations on trade in services and investment, as well as provisions protecting intellectual property.”**

Through vigorous leadership and hard work, a high-quality free trade agreement was secured which, in addition to eliminating almost all duties, included specific commitments for the liberation of trade in services and innovative dispute settlement provisions to ensure the undertakings of the agreement would be respected by both sides.

When the FTA came into force in 1989, the Mexican business community took note and pressured the Mexican government to seek a similar outcome. The Bush administration was receptive to the Mexican overtures and began preliminary discussions with Mexico. Initial Canadian reaction to participating in a trilateral effort was cautious but soon the government decided that engagement was a wiser course than standing to one side. On February 5, 1991, the three North American leaders issued a joint statement committing to “proceed as soon as possible, in accordance with each country’s domestic procedures, with trilateral negotiations aimed at a comprehensive North American free trade agreement. The goal would be to progressively eliminate obstacles to the flow of goods and services and to investment, provide for the protection of intellectual property rights, and establish a fair and expeditious dispute settlement mechanism.”

This clear and succinct political instruction went a long way to ensuring the negotiation of what was then the most ambitious major free trade agreement in history. Actual negotiations were initiated by ministers in Toronto on June 12, 1991, and concluded with an agreement on August 12, 1992. It was initialed by the trade ministers on October 7 in the presence of the two presidents and the PM and then formally signed by the leaders in December but not yet ratified.

In the American presidential election of November 1992, Bush lost to Bill Clinton who, while supportive of the NAFTA, said he would only put it to Congress for ratification if it was complemented with provisions on labour and the environment. Canada and Mexico agreed to

enter negotiations on these parallel matters which were initiated in the spring of 1993 and concluded on August 12, 1993. After a strenuous political fight, the US Congress approved the NAFTA in October 1993, and it came into force on January 1, 1994. In Canada, the Mulroney government decided to seek parliamentary approval for the NAFTA, and the necessary implementing legislation was tabled in the spring of 1993, before Mulroney stepped down as PM in June. When Jean Chrétien became prime minister in November 1993, his government had to seek parliamentary approval of additional legislative provisions needed to implement the NAFTA side agreements on labour and environmental cooperation. The new Liberal government also had to decide whether to proceed with the final implementation of the NAFTA.

These were interesting times and the fact that the agreements all came into force at the beginning of 1994 was testament to the broad support of the enterprise in all three North American countries. It also showed the importance, not only of political leadership at the top, but of working hard to ensure broad stakeholder support from business, civil society, regional governments and across political lines. This new reality became even clearer two decades later, when President Trump threatened to tear up the NAFTA and withdraw from the WTO.

These negotiations on the North American continent took place against the backdrop of the most far-reaching multilateral trade negotiation in history, the Uruguay Round of GATT – initiated in 1986 in Punta del Este, Uruguay and concluded in 1994 in Marrakech. Exceptional leadership was shown in the Uruguay Round by both Canada and the United States. Canadian Trade Minister John Crosbie hosted a meeting of all GATT trade ministers for the mid-term review of the Uruguay Round negotiations in Montreal in 1988. This meeting played a critical role in laying the

**“ Canada should be constructive but also prepared to defend its interests. This means the Canadian government will need to be prepared to retaliate in the face of possible unjustified American action against Canadian trade interests. ”**

groundwork for eventual success. This negotiation culminated in the creation of the World Trade Organization which came into effect on January 1, 1995.

The North American framework of regional trade agreements, including the Canada-US FTA and the NAFTA proved to be extraordinarily successful. Trade expanded rapidly as did cross-border investment. Production of many products, notably automobiles and parts, became integrated on a North American basis. As the saying goes, Canada, the United States and Mexico went from selling goods and services to each other, to making things together.

The actual provisions of the NAFTA were remarkably progressive and far-reaching. This was the first trade agreement to include broad, across-the-board obligations on trade in services and investment, as well as provisions protecting intellectual property. However, in my view, the most important benefit from a Canadian perspective was psychological. For the first time in the history of the continent, Canadian business people had the confidence to believe that they could do business in the North American marketplace on an equal footing with American business.

Unfortunately, the NAFTA very nearly became the victim of its own success. The private sectors in the three countries used the NAFTA's provisions and the domestic legal framework set up to implement the agreement to develop very successful North American business operations. While business took the new reality for granted, opposition to globalization and labor dissatisfaction with free trade led to growing opposition to the NAFTA. The political management of the agreement

was neglected; there was no political prize for touting the NAFTA's success and little interest in more ambitious approaches to North American trade. In fact, Barack Obama and Hillary Clinton owed some of their political success to taking pot shots at the NAFTA. This erosion of support opened the door for Donald Trump to call NAFTA the worst trade agreement ever negotiated, and to call for it to be renegotiated or terminated.

Faced with this situation, Prime Minister Justin Trudeau announced within days of Trump's election in 2016 that Canada was ready to renegotiate. It was a very difficult situation. Trump wanted NAFTA to be rebalanced in favour of the United States. Securing a decent outcome was an uphill battle for Mexico and Canada. Fortunately, many American interests realized that NAFTA was very beneficial to the United States and that its demise would be damaging for all three North American countries. Both Canada and Mexico mobilized a broad range of domestic interests to reach out to their counterparts in the United States to build support for maintaining a strong and barrier-free North American marketplace. This effort was largely successful and resulted in the conclusion of a new agreement, the Canada-United States-Mexico Agreement (CUSMA) – called USMCA by the Americans.

Unfortunately, there was some backsliding, notably in the automobile sector, where the Trump administration wanted to reduce Mexican and Canadian inputs to the production of vehicles in the United States. Some important modernising of the agreement was achieved in areas like digital trade.

One provision that may cause real trouble down the road is Article 34.7: Review and Term Extension. This provision provides for the termination of the CUSMA 16 years after its coming into effect unless the three countries agree, at the level of heads of government, to continue the agreement for a further 16-year period. The article provides for a “joint review” of the agreement by the CUSMA Free Trade Commission (composed of the three trade ministers) on the sixth anniversary of the agreement. The article further provides that any party “may provide recommendations for the Commission to take action”. It is not difficult to imagine how continuation of the agreement could become hostage to American demands that Canada or Mexico agree to certain changes

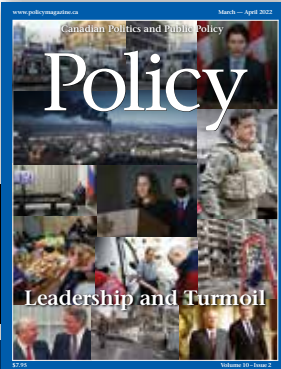
to the agreement. For instance, over American concerns about Canadian dairy policy. Preparations for the first joint review will be underway in a little over three years.

The work of tending the free trade garden is never over. Going forward, Canada will need to be on guard. Canada should be constructive but also prepared to defend its interests. This means the Canadian government will need to be prepared to retaliate in the face of possible unjustified American action against Canadian trade interests. It also means that Canada should be working continuously with partners in the United States, who share an interest in maintaining a strong trade relationship. Ideally, these efforts should start with a strong relation-

ship at the top between the president and the prime minister, but must also involve strengthening cross-border relationships among business interests, civil society, provinces and states, legislators at all levels and political leaders of all stripes.

The road ahead will not be easy but with the right effort, Canada will continue to benefit from an open, prosperous, and predictable trade relationship with the United States. **P**

*John M Weekes was the chief negotiator for Canada in the original NAFTA negotiations. He was Canada's ambassador to GATT during the Uruguay Round that led to the formation of the WTO. For the past 20 years, he has been a senior adviser to business and governments on trade matters.*



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# Policy



The World Trade Organization greeted the new millennium with the “Battle of Seattle” in November, 1999. Then, things really got interesting, writes Lisa Van Dusen. — Steve Kaiser/Wikipedia

## How the World Trade Organization Became a Proxy Battleground

*The events of September 11, 2001 ushered in a new millennium with an emotional shock shared by humanity in real time. As the impact understandably monopolized policy agendas for years, it overshadowed less spectacular transformations unleashed around the hinge of history of 2000, including the fourth industrial revolution, China’s rise and the disruption of global trade diplomacy. Policy Associate Editor Lisa Van Dusen explores the World Trade Organization’s bumpy ride since the Battle of Seattle.*

### Lisa Van Dusen

The existing global trade regime was born in 1947 with the General Agreement on Tariffs and Trade (GATT) and solidified in 1995 with the launch of its successor, the

World Trade Organization (WTO). As it happened, two events that straddled the birth of the millennium — the Seattle WTO Ministerial Conference of 1999 and China’s accession to the organization in December of 2001 — telegraphed the core elements of the

drama that has defined the existential trajectory of the Geneva-based global trade arbiter in the two decades since: tactical intractability and China’s role in that tactical intractability.

When the “Battle of Seattle” began brewing in the streets of the host date-line days before the November 30, 1999 WTO ministerial, the metaphorical hordes of international trade bureaucrats, diplomats, negotiators and ministers preparing to descend on the Emerald City had to confront for the first time the prospect of a meeting derailed by actual hordes ostensibly so hostile to globalization and the WTO that a curfew was decreed amid “some of the tightest restrictions imposed on any US city since World War II,” per the *New York Times*. “Anyone protest-

ing in a designated 19-block area faced immediate arrest.” The WTO’s role as a lightning rod for anti-globalization fervour — much of it genuine and motivated by a push for equality and fairness — was born, and the Seattle Round was stillborn.

Four months later, in Washington, on March 8, 2000, then-President Bill Clinton delivered his closing argument to America’s foreign policy elite, Congress and the international community on the merits of China’s accession to the WTO. With a key congressional vote looming, the case was made in a speech at the Johns Hopkins School of Advanced International Studies on Embassy Row. “Membership in the WTO, of course, will not create a free society in China overnight or guarantee that China will play by global rules,” said Clinton, who had made China’s WTO accession a key part of his policy legacy, eight months before the election of his successor. “But over time, I believe it will move China faster and further in the right direction.” In November, 2001, at the WTO ministerial at the comfortably remote Doha Sheraton in Qatar, the doomed Doha Development Round was launched, along with the organization’s approval of China’s entry as a member.

The WTO serves three main functions: facilitating trade negotiations, monitoring compliance and arbitrating trade disputes. It is sometimes also defined by three main “pillars”: market access, domestic support and export competition. But the nous of the WTO’s mission is probably best captured in the language of the Marrakesh Agreement of April, 1994, that codified the transition, at the successful conclusion of the Uruguay Round, from GATT to the WTO. “The establishment of the World Trade Organization ushers in a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system for the benefit and welfare of their peoples,” the declaration reads. “Ministers express their determination to resist protectionist pressures of all kinds. They believe that the



Happier times: US Trade Representative Mickey Kantor signing the April, 1994 Marrakesh Agreement codifying the transition from GATT to the WTO. —Wikimedia Commons

trade liberalization and strengthened rules achieved in the Uruguay Round will lead to a progressively more open world trading environment.”

That worldview, reflecting as it does a belief in the unifying power of multilateralism in general and trade liberalization in particular, seems far more Panglossian in retrospect than it did at the time. In that

**“ War-and-peace is for the show horses, trade diplomacy culture contends; the real, daily, granular bargaining over salmon and softwood lumber and aluminium tariffs is where the irritant rubber meets the resolution road. ”**

post-Cold War window of broad and reasonable assumptions about the inviolability of the liberal, rules-based international order that had prevailed, the WTO, among the multilateral institutions, represented the core values of liberalization and rules. It also

represented the engine of what all the trade negotiators in all the trade negotiations I’ve ever covered consider the grinding gears that really move global diplomacy. War-and-peace is for the show horses, trade diplomacy culture contends; the real, daily, granular bargaining over salmon and softwood lumber and aluminium tariffs is where the irritant rubber meets the resolution road. Trade negotiations are about jobs and livelihoods and the interdependence, communication and commerce fed by the vast, multicolored container Legolands of the ports of Los Angeles and Rotterdam and Singapore. Entire lunches are spent on the swapping of combat stories from the great WTO banana wars of the 90s.

When countries are able to negotiate their commercial interests, including the transnational movement of goods and provision of services, in a mature, equitable, face-value, mutually and collectively beneficial fashion, it tends to be a barometer of diplomacy and international relations at other levels and on other files. Which is why, in a century defined so far by assaults on the institutions of democracy and the existing international order, the WTO has spent 20 years buffeted by narrative warfare, internal and external, intended to under-

mine its role in that order. The state of global trade always presents symptoms of referred pain or peace from larger dynamics. In this new smaller, interconnected, eminently hackable — literally and figuratively — world, that fact has become an organizational vulnerability for the WTO.

As it turned out, accession would, over time, move China faster and farther in the wrong direction, unless you happen to consider Beijing's indispensable role in the global decline of democracy over the past two decades the right direction. China, from its exponentially disruptive position as a WTO member, has also moved the organization itself in the wrong direction as defined by any rational observer — toward internal division, avoidable conflict, tactical obstruction and reputational degradation. Or, as the subhead to the *Wall Street Journal* piece, *How China Swallowed the WTO* by Jacob M. Schlesinger from November, 2017, put it: "The US helped create the group to smooth global commerce and integrate a rising China. Instead, it's become a battleground for intense national rivalries."

That fate of tactical organizational weakening has befallen other United Nations bodies over the same time period, as China's economic rise has enabled it to deploy a combination of financial carrots and intimidation sticks within the institutions that represent the liberal, democracy-led status quo of multilateralism. As with the systematic degradation of the domestic pillars of democracy in key geopolitical targets such as the United States, Britain, Italy and Brazil, among others, the gradual corruption capture of international institutions has hewed to an operational paradigm.

As Kristine Lee reported in her April 2020 Politico piece, *It's Not Just the WHO: How China Is Moving on the Whole U.N.*: "Beijing has moved expeditiously to impose its illiberal values on international organizations. Through a combination of deft coalition-building, strategically timed financial contributions and narrative-shaping efforts, Beijing has made progress in transforming the U.N.

“ Beyond its assaults on the WTO's institutional integrity, China has also been seizing control of the infrastructure of global trade, having established ownership positions in more than 100 ports in 63 countries.”

into a platform for its foreign policy agenda, including advancing China's economic interests, stifling dissent and democracy, and hollowing out the rules-based order.”

As Lee points out, Donald Trump's vilification of the WTO — wrapped as it was in the misdirectional faux patriotism of a traitorous president claiming to defend US interests even as he did more to advance the anti-democracy agendas of China and Russia than their own leaders ever could — only served to compound the organization's woes. Like Trump's withdrawal from the World Health Organization (a decision later reversed by the Biden administration), his attacks on NATO and his contempt for the G7, the inclusion of the WTO on his institutional hit list was a feature of his presidency for new world order aspirants, not a bug. Per NATO's own description of hybrid warfare, "A hybrid actor attempts to erode trust between the state institutions and the people," a narrative tactic we can assume also applies to multi-state institutions based on its frequent use by hybrid actors against multilateral institutions.

Meanwhile, in normal-presidency developments, the Biden administration's 2021 annual report from the United States Trade Representative on China's WTO Compliance, published in February, focused on Beijing's persistent veer in the wrong direction on its economic model. "China has not moved to embrace the market-oriented principles on which the WTO and its rules are based, despite the representations that it made when it joined 20 years ago," said USTR Katherine Tai. "China has instead retained and expanded its state-led, non-market approach to the economy and trade. It is clear that in pursuing that approach, Chi-

na's policies and practices challenge the premise of the WTO's rules and cause serious harm to workers and businesses around the world, particularly in industries targeted by China's industrial plans.”

Beyond its assaults on the WTO's institutional integrity, China has also been seizing control of the infrastructure of global trade, having established ownership positions in more than 100 ports in 63 countries, including Los Angeles, Rotterdam and Singapore. The recent elevation of previously humming supply chains to the status of multifarious disaster rationale attests to the strategic value of those investments.

Among the more dubious hybrid warfare innovations of the political, geopolitical and propaganda revolution enabled by the internet is the weaponized abrogation of good faith. It makes negotiations of any consequence extraordinarily difficult because that's what it is meant to do. Replacing the WTO with a new and different arbiter of global trade will only serve interests undermining existing institutions to erect versions that better suit their purposes which, so far, have not redounded to the benefit of humanity.

Canada has taken a leadership role on addressing what ails the World Trade Organization since the 14-country Ottawa Group on WTO reform was created in 2018. Perhaps, irony averted, its work will proceed unimpeded. **P**

*Policy Magazine Associate Editor Lisa Van Dusen was a senior writer at Maclean's, Washington columnist for the Ottawa Citizen and Sun Media, international writer for Peter Jennings at ABC News and an editor at AP National in New York and UPI in Washington. She has covered international trade as a writer and editor since the Montreal Midterm Ministerial of the final GATT Uruguay Round.*

# Canada and the Future of Trade: Theory, Policy and Numbers

*Canada's milestone trade agreements — the North American Free Trade Agreement, the Comprehensive Economic and Trade Agreement with the European Union, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and more than a dozen other bilateral and plurilateral deals — were all forged from a posture of openness and a belief in the positive benefits of liberalized trade. Recent geopolitical tensions and economic disruptions have raised questions about the future of global trade. Kevin Page, president of the Institute of Fiscal Studies and Democracy and Policy contributing writer, looks to the numbers.*

## Kevin Page

Canada is a wealthy country. Our high quality of life is consistently recognized in global rankings, including by the United Nations Human Development Index, the Organisation for Economic Cooperation and Development (OECD) Better Life Index and the US News & World Report Best Countries in the World rankings. There are many important factors that have underscored our success, including our location and geography, our bountiful natural resources and relatively strong systems of education, health, and governance. This combination of factors has enhanced our ability to trade in the global marketplace and grow our collective wealth.

The late British philosopher and public intellectual Bertrand Russell once said “In all affairs, it’s a healthy thing now and then to hang a question mark on the things you have long taken for granted.” As we look back on the significant trade agreement activity over the past three decades, what role can Canada play to strengthen trade and international relations to improve economic, social and environmental outcomes at

home and abroad? Can we remain committed to the principles that promote freer trade in a world facing significant geopolitical stress?

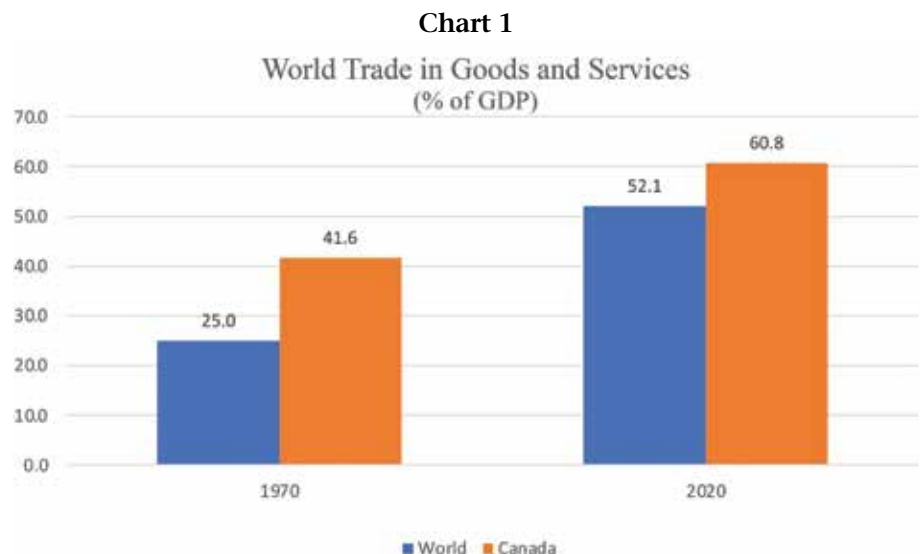
Statistics Canada tells us that one in six Canadian jobs is linked to exports. We are an open economy. When the global economy does better, we do better. Economists using macroeconomic models to assess welfare gains estimate that “freer trade” has contributed an additional 15 to 40 percent to real incomes in Canada. The

economic pie is much bigger thanks to trade. Canadian consumers also get more selection of goods and services at lower prices.

Does freer trade guarantee better economic and social outcomes for all? No. Does it grow economic opportunity and wealth that could be used to improve general well-being? Yes – the evidence is compelling.

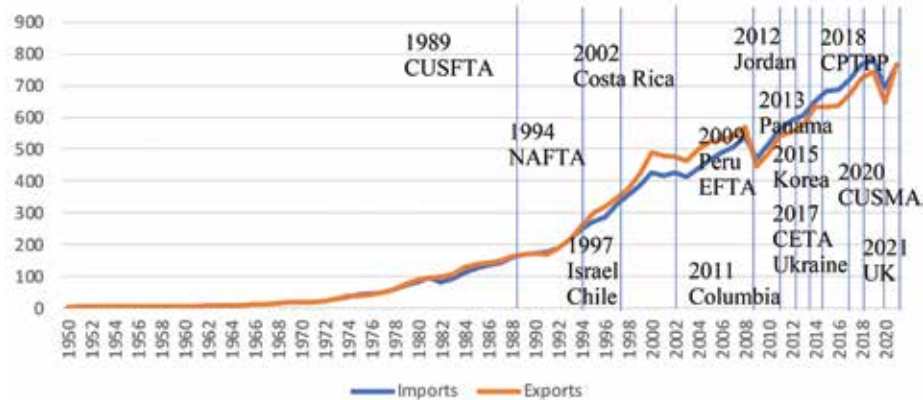
In 1998, *The Economist* magazine said, with some cheek: “Economists are usually accused of three sins: an inability to agree among themselves; stating the obvious; and giving bad advice. In the field of international trade, they would be right to plead not guilty to all three. If there is one proposition with which virtually all economists agree, it is that free trade is almost always better than protection.”

The economic theory supporting freer trade goes as far back as Adam Smith (*Wealth of Nations*, 1776) and David Ricardo (*On the Principles of Political Economy and Taxation*, 1817). Not exactly household names, but thinkers whose views on economics



Sources and Notes: World Bank; OECD; National Accounts data

**Chart 2**  
Evolution of Canada Trade  
and Free Trade Agreement Timeline  
(\$ billions)



Sources: Global Affairs Canada; Statistics Canada; Balance of payments data

Notes: CUSFTA Canada-US Free Trade Agreement; NAFTA North America Free Trade Agreement; EFTA Canada-European Free Trade Agreement; CETA Canada-European Comprehensive Economic and Trade Agreement; CPTPP Comprehensive and Progressive Agreement for the Trans-Pacific Partnership; CUSMA Canada-US-Mexico Agreement

have influenced the fate of households across generations.

The basic theoretical constructs evolve around concepts such as comparative advantage – which promotes the use of specialization and the development of economies of scale; and trade creation, whereby the reduction of barriers enhances competition and innovation.

Trade as an engine of growth is seen in the rise in global GDP and trade since the development of the World Trade Organization (WTO). With global rules and regulations, real net exports have grown on average by 7 percent per year. Over the last 50 years, the share of trade in global GDP has risen from 25 percent to 52 percent (Chart 1). For Canada, that share has gone from 42 percent to 61 percent.

Vaclav Smil, the Professor Emeritus at the University of Manitoba, makes the case in his book *How the World Really Works* (2022) that globalization and trade are not forces of nature bound to continue expanding. Successive waves of globalization and trade expansion depend on a combination of factors – technical prime movers (e.g., engines and turbines) that facilitate the movement of goods

and services; new ways of communication that can bring us together and drive innovation; and political and social conditions. With respect to the latter, international peace and order is good. Multilateral, bilateral and regional trade agreements are good. War is bad.

**“ Economists using macroeconomic models to assess welfare gains estimate that “freer trade” has contributed an additional 15 to 40 percent to real incomes in Canada. The economic pie is much bigger thanks to trade. ”**

Like many economies after the Second World War, Canada’s exposure to international trade agreements started with the General Agreement on Tariffs and Trade (GATT) in 1947. The GATT process included eight rounds of multilateral trade negotiations before its role was largely su-

perseded by the WTO in 1995. With more economies joining the WTO, we have seen a proliferation of bilateral and regional agreements (more than 350).

Chart 2 illustrates that Canada’s experience with bilateral and regional agreements started with the Canada-US Free Trade Agreement in 1989. Canada now has 15 free trade agreements (FTAs) in place. The trend has accelerated. These agreements have been negotiated and signed by both Conservative and Liberal governments. Freer trade has become bipartisan.

FTAs cover 51 countries representing more than 60 percent of global GDP and 1.5 billion consumers. The arguments for these bilateral and regional agreements are tied to geography (e.g., North America) and the prospects of promoting shared systems and values (Europe, Asia, South America). The concerns relate to the enormous gaps in the bilateral and regional FTA strategy (i.e., no China, no India, etc.), a reflection, increasingly, of the tension between the shared systems and values of democracies and those of autocracies as geopolitical ructions have registered across the diplomatic, commercial and legal realms of world trade.

With three decades of experience and data, Global Affairs Canada has undertaken a range of analyses on the impact of FTAs (State of Trade, 2022). The headline results are both intuitive and positive. They include:

- Bilateral trade more than doubles with FTA partners in the ten years after coming-into-force agreements, compared with an average 48 percent growth with non-FTA partners;
- Exports of products that benefited from tariff reductions grew faster than products with no FTA treatment;
- Trade growth among products with tariff reductions of more than 10 percent grew faster



than products with modest reductions in tariffs; and

- Economic research supports significant productivity gains in our manufacturing sector in the years following the Canada-US FTA.

The anti FTA arguments among economists largely relate to special conditions involving development — protecting young industries, culture and the environment; encouraging diversification in developing economies; and guarding against dumping (selling of excess stock at low prices for strategic interests). These are tough issues that need to be addressed in the new, modern FTAs.

Perhaps the most stinging general criticism on the promotion of freer trade has come from Nobel Prize-winning economist Joseph Stiglitz. He argues that theories of free trade are largely based on the assumption of efficient markets and ignore the challenges of mobility for labour to move from less efficient firms.

**“ Higher skilled workers are more likely to get the greater benefits from freer trade. Bottom line: governments promoting freer trade must do more to strengthen labour market policies and social safety nets to promote adjustment and fairness. ”**

Research on the labour impacts of modern FTAs is ongoing. There is some evidence that workers with less attachment to the work force do struggle with adjustment related to FTAs. Higher skilled workers are more likely to get the greater benefits from freer trade. Bottom line: governments promoting freer trade must do more to strengthen labour market policies and social safety nets to promote adjustment and fairness.

Chart 3



Sources and Notes: Statistics Canada; Havers Analytics; National Accounts; Seasonally adjusted at annual rates

In the wake of the COVID pandemic lockdown and amid the commodity, supply chain and other economic disruptions of the war in Ukraine, there is much uncertainty about the global economic outlook. So far, the trade numbers have not raised red flags. The value of global trade and Canadian trade continue to point upwards in 2021 and 2022. While this is good news, it comes with an asterisk. The growth in value is largely driven by higher prices for natural resources. Numbers on quantities of trade for both goods and services are struggling to get back to pre-COVID levels.

The latest United Nations Conference on Trade and Development report (July 2022) highlights six major issues for trade watchers to follow.

- 1) Downward adjustments to the global economic growth outlook will weaken trade prospects.
- 2) The Russian war in Ukraine will continue to put upward pressure on energy and food prices resulting in higher trade values but likely lower trade volumes.
- 3) Ongoing supply challenges from COVID and rising levels of economic uncertainty will promote a move to shorten supply chains and increase diversification.
- 4) Trends toward intra-regional agree-

ments (e.g., Africa) could come at the expense of inter-regional agreements struggling with high transport costs and geopolitical tensions.

- 5) The impact of higher energy prices and government regulation on carbon should boost demand and trade for green energy alternatives.
- 6) Higher interest rates will increase financial stress on highly indebted countries and weaken investment and trade flows.

Over the past three decades, Canada and much of the world were firmly committed to freer trade. In retrospect, the increase in integration has heightened our vulnerability to global shocks, on the one hand, and promoted greater resilience when they strike through trade diversification, on the other.

In periods of significant geopolitical stress, can we continue to adapt to changing times but remain committed to principles that support freer trade? **P**

*Kevin Page is the President of the Institute of Fiscal Studies and Democracy at the University of Ottawa, former Parliamentary Budget Officer and a contributing writer for Policy Magazine.*

# Free Trade at 35: Canadian Public Opinion, Then and Now

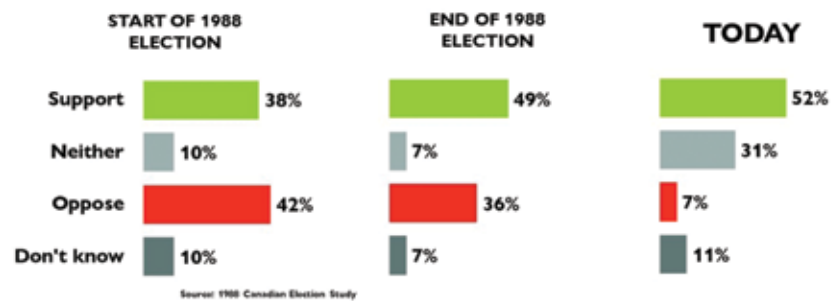
David Coletto

When the Macdonald Commission on the Economic Union and Development Prospects for Canada recommended free trade with the United States in 1985, an Environics Research survey found that two-thirds of Canadians supported the idea. But over time, support declined, and opposition increased.

When Prime Minister Brian Mulroney called a federal election on October 1, 1988, after the Liberals used their majority in the Senate to block ratification of the Canada-US Free Trade Agreement, the November 21st election outcome was far from certain. A Gallup poll published two days after the election call showed Mulroney's Progressive Conservatives ahead by 10 points at 43 percent to 33 for John Turner's Liberals, with Ed Broadbent's NDP at 22. By November 5th, Gallup showed the numbers for the key clash on free trade between Mulroney in favour and Turner against essentially flipped, with the Liberals at 43 and the Tories at 31. On November 12th, Gallup showed a dead heat — 35 to 35. In the end, Mulroney's Progressive Conservatives and the FTA won with 43 percent to 32 percent for the Liberals, and the NDP at 20 percent. Despite support for free trade higher than opposition, a PC victory was by no means guaranteed — although a pretty good bet in hindsight given that both major opposition parties were against the agreement.

Free trade dominated the election campaign — both in terms of the argument being litigated by Mulroney and Turner with back-up from Broadbent, in media coverage and in what voters said was the top issue impacting their vote. According to the 1988 Canadian National Election Study, a survey conducted several political scientists and led by UBC professor Richard Johnston during and

## THEN & NOW: SUPPORT FOR CANADA-US FREE TRADE AGREEMENT



Canada and the US have had a free trade agreement since 1987. All things considered, do you support the agreement or do you oppose it?

ABACUS DATA

after the election, Canadians were almost evenly split on free trade with the United States when the election started. Few didn't have a view on the issue. The country was fairly polarized, and opinions were deeply held.

By the end of the 1988 election campaign, views had shifted. Support for free trade increased by 11-points to 49 percent while opposition decreased by 8 points to 36 percent. Those who were indifferent or unsure dropped by 6 points. Only 14 percent of Canadians at the time were unsure or didn't have a position on the issue.

More striking was the partisan divide on the issue. At the start of the campaign, PC voters were almost seven times more likely to support free trade than those voting Liberal or NDP. By

**“ Today, there is little partisan division on free trade with the United States. A majority, or close to a majority, of Liberal, Conservative, New Democratic, and Bloc voters support bilateral free trade. ”**

the end of the campaign, those partisan divides increased even more with almost all PC voters (86 percent) supporting free trade with the United States compared with only around one in five Liberal and NDP supporters.

So where do we stand today, 35 years after completion of the Canada-US FTA talks in October 1987? According to a new poll conducted by my firm, Abacus Data, opposition to free trade with the United States stands in the single digits. Only 7 percent today are opposed compared to half (52 percent) who say they support it.

Support for free trade is fairly consistent across the country with a narrow band of 12 percentage points separating Albertans who are most in favour (58 percent) and Quebecers who are less likely to support free trade with the US (46 percent).

There's also a generational consensus. A clear plurality or majority of younger and older Canadians support free trade with the United States although those who were politically conscious during the debate in the 1980s are more likely to support free trade with the US and less likely to be indifferent or unsure about it than those not around or politically unaware during that time.

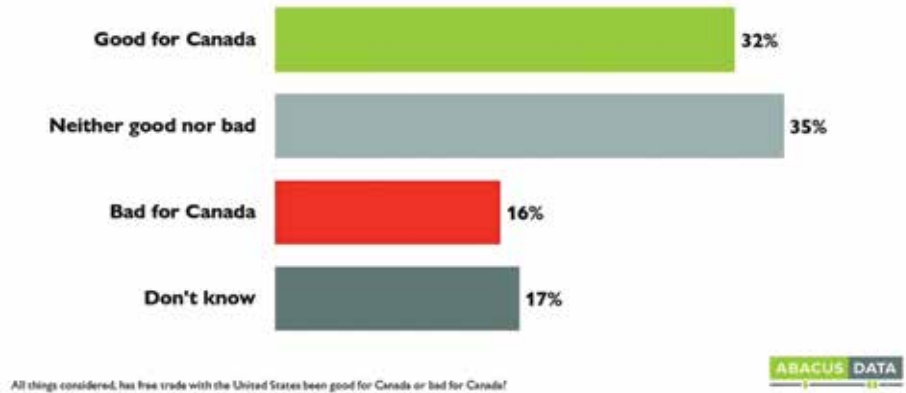
Most important however, is that today, there is little partisan division on free trade with the United States. A majority, or close to a majority, of Liberal, Conservative, New Democratic, and Bloc voters support bilateral free trade. Even a plurality of Green Party and People's Party voters support free trade between Canada and the United States.

This near-consensus across party supporters reflects the actual consensus among the political class in Canada. While differences of opinion around trade with the United States exist on the margins, you never hear our political leaders talking about scrapping free trade with the United States.

But the real story in the data, in my view, isn't that support for free trade with the US is essentially the same as it was when the question was debated and settled in 1988 or that a tiny minority of Canadians today are opposed to it. It's the seeming indifference to Canada-US free trade that exists among close to half of Canadians. I'd like to share these other findings from the survey:

- 1 in 3 Canadians believe that free trade with the US has made no difference to the strength of the Canadian economy. 41 percent think the Canadian economy is better off while 27 percent think it is worse off.
- Almost 4 in 10 Canadians believe that Canada-US free trade has made no difference to our relationship with the United States.

FREE TRADE WITH THE US GOOD OR BAD FOR CANADA?



- 52 percent either believe free trade with the United States has been neither good nor bad for Canada overall or don't know.

For too long, business, policy, and political leaders have assumed that Canadians are a free-trading people. We assume that the Canadian public understands that as a smallish country blessed with an enormous quantity of natural resources, free trade is our ticket to prosperity even while our largest trading partner is increasingly protectionist, and the UK exits the largest common market in the world.

When asked whether free trade with the United States has benefited Canada or the US more, 45 percent believe the US has benefited more, 10 percent think Canada has, while 27 percent think both countries have benefited equally. Almost 1 in 5 aren't sure.

When asked whether free trade with the United States has led to more jobs or less jobs for Canadians, 1 in 4 say they don't know, 35 percent think it's made no difference and more think free trade has ultimately led to fewer jobs in Canada than more jobs.

If those findings are not a warning signal that Canadian public opinion on free trade is vulnerable to elite persuasion, then I don't know what is. For those who believe free trade with the United States is essential to Canada's economic well-being, don't forget to engage the public regularly on the merits of the deal.

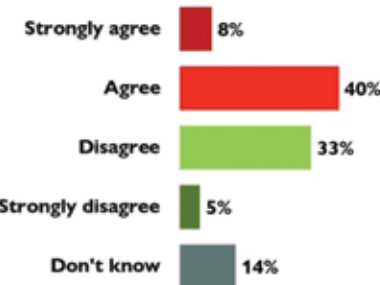
Complacency leads to indifference which can create opportunities for political entrepreneurs to leverage that indifference into opposition, misunderstanding, or worse.

Thirty-five years after the Canada-US Free Trade Agreement took effect, opposition to the agreement has all but disappeared. There are few divisions politically, regionally, or generationally. But growing indifference to Canada-US free trade is its greatest threat today, especially when more and more Canadians feel threatened by changes in the economy and the United States moves increasingly in a protectionist direction. **P**

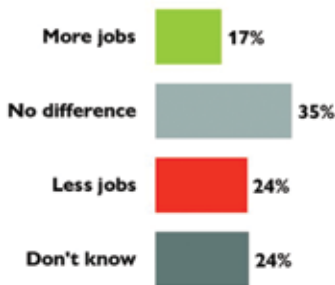
*Dr. David Coletto is founder and CEO of Ottawa and Toronto-based Abacus Data. He is also an adjunct professor at the Arthur Kroeger College of Public Affairs where he teaches in the graduate program on political management.*

THEN & NOW: HAS THE AGREEMENT COST CANADIANS A LOT OF JOBS?

1988 (POST ELECTION)  
 AGREE OR DISAGREE:  
 Because of this agreement, many Canadians will lose their jobs.



TODAY  
 At the time when the agreement was reached, some people said that under the agreement many Canadian would lose their jobs in industries such as textiles, automobiles, and services. All things considered, do you think free trade with the United States has lead to...



# All Hands on Deck: How to Restore our Most Important Relationship

*So much of the Canada-US relationship plays out in trade issues that our dynamic can often seem predominantly transactional. But the network of constant human contact that manages our commercial relations is a crucial element of the larger bilateral bond across a range of files. Former longtime diplomat Colin Robertson outlines how that network can help restore our most important relationship.*

## Colin Robertson

There are many reasons why, as Canadians, we would not want to change global geography. Our location is a huge part of our identity, our worldview and our climate. In terms of trade, geography has put us in what is arguably the most enviable position on Earth – right next door to the world’s biggest consumer market. For Canadian business, big and small, when it comes to ease of trade it’s the US. Period.

Yes, Canada’s main market is the United States. The US buys three-quarters of our exports and provides 60 percent of our imports. The US is also by far our biggest source of foreign investment.

But we forget, at our peril, the asymmetries in our relative dependencies. For the Americans, Canada represents 18 percent of their export market, important but not critical. While trade generates almost two thirds of our GDP, it only accounts for a quarter of US GDP. By comparison, the US takes three quarters of our exports, and trade with the US generates about a third of our national income.

The US security umbrella, provided through NORAD, our bi-nation-

al air defence command, and NATO, our trans-Atlantic collective security alliance, has also given us a break on defence spending. Where Canada spends 1.27 percent of GDP on defence, the US spends 3.47 percent. The return of great power competition will oblige more Canadian spending because, at its most basic, our preferred access to the US market depends on the American belief that we “have their back”.

**“ American protectionism is not going away and it now has a geopolitical imperative. The return of great power competition has politicized trade in protectionist “Buy American” and “Made in America” policies embraced by both Democrats and Republicans. ”**

Since Mackenzie King and Franklin Roosevelt set the parameters of the original Canada-US trade and security partnership with the Cana-

dian-American Trade Agreement of 1935 and the Ogdensburg Agreement of 1940, the benefits of continued access to the US market have depended on a shrewd calculation of our shared strategic and geopolitical goals. Canadian leaders – in the various levels of government, business and labour – who understand this can lift our relationship out of the trough of the transactional and into a partnership that is strategic, mutually beneficial and self-reinforcing. Because in a relationship that is vast in size and scope there will always be problems and irritants.

For the foreseeable future, Canadians are going to have to contend with American protectionism. American protectionism is not going away and it now has a geopolitical imperative. The return of great power competition has politicized trade in protectionist “Buy American” and “Made in America” policies embraced by both Democrats and Republicans.

To deal with protectionism, we need to redouble our outreach and advocacy efforts in the United States. Preserving our access requires a continuous, coordinated Canadian campaign to remind Americans that our trade reciprocity is fair to our workers and mutually beneficial to our citizens.

As the US trade representative has acknowledged, our immense bilateral trade is virtually in balance, with the US enjoying a slight surplus on the services side and Canada on the goods side. Importantly, Canadian oil provides half of American oil imports and 99 percent of gas imports, helping keep prices down at the pumps.



A profile in bilateral leadership: “Geography has made us neighbours. History has made us friends. Economics has made us partners. And necessity has made us allies.”— President John F. Kennedy in his Address to Parliament, May 17, 1961. Words now engraved in stone in front of the US Embassy on Sussex Drive. —*JFK Library*

The key actors on trade development and keeping American protectionism at bay will be the business community and the provincial governments, and to the extent possible, the manufacturing and trade unions, working closely with our embassy in Washington and consulates across the US.

If the premiers and provinces (all but Quebec led by Robert Bourassa and Alberta led by Don Getty) voted against free trade in the 1988 election, within a decade all of the premiers, regardless of political stripe, embraced freer trade. They saw how it benefitted their economies and they led successful trade missions into the United States and abroad.

As prime minister, Jean Chrétien instituted the successful series of Team Canada trade missions that took him and the premiers to Asia, Europe and into the Americas. The testimonials from participants in those delegations – from agri-food representatives to the Royal Winnipeg Ballet – make the case of how the plan served our commercial interests.

That the premiers kept coming, including in variations like Team Atlantic and Team West, underlined another benefit that Canadians appreciated – watching their principal levels of government working together for the common good. As Canadian Consul General in California at the time, I can personally attest to their success. In the wake of 9/11, the Team Canada West mis-

**“ If the premiers and provinces (all but Quebec led by Robert Bourassa and Alberta led by Don Getty) voted against free trade in the 1988 election, within a decade all of the premiers, regardless of political stripe, embraced freer trade. They saw how it benefitted their economies and they led successful trade missions into the United States and abroad.”**

sion to Los Angeles in November 2001 included a dinner and concert with Paul Anka, David Foster and Chantal Kreviazuk at the Hollywood hilltop Getty Museum. It not only opened doors that led to commercial deals on everything from beer to tech servicing, it also visibly demonstrated to Americans that Canadians stood with them in the battle against terrorism.

**O**ur network of 13 consulates general and honorary consuls in the US should be expanded, as they are best placed to identify local protectionist measures which, once introduced at the state, county or city level, have a tendency to mutate into congressional legislation.

It’s much easier to make the case for a Canadian exemption or reciprocal treatment at the local level, especially when we can now identify the jobs Canadian trade and investment create. When it reaches the national level, it is like firefighting on various fronts.

Time and again I have witnessed instances where action by our consulates, working in tandem with Canadian interests and American allies, has snuffed out protectionist threats. A good example is the ongoing effort by the Canadian Cattlemen’s Association who make regular trips to the American Farm Bureau Federation meetings in the US to push back on country-of-origin labelling (COOL) requirements.

Working with our trade unions, especially those such as the Steelworkers – the largest industrial union in North America – that are affiliates of the US labour unions, must also be a key piece in our ongoing advocacy to shield us from “Buy American” policies. Ambassador Gary Doer, himself a former union rep, was especially effective in making these connections and backing them with facts and figures on American jobs.

Canadian business plays a key role but governments need to do a better job in making them a partner when

developing and implementing our trade strategy.

Beginning with the original Canada-US FTA, what is now the Business Council of Canada has galvanized business leadership to work with their US counterparts and American clients to bring US business support for closer trade and investment ties. To help with the NAFTA renegotiations, the Business Council created and has kept up-to-date a very useful trade map detailing Canadian business operations state-by-state. Partnering with the North American Competitiveness Network (NASC), the Business Council of Canada developed a border action plan that would begin by harmonizing cross-border programs and practices, leveraging infrastructure, technology and resources, and eliminating redundancy then move to stronger regulatory cooperation and the creation of an infrastructure bank for cross-border projects.

The Business Council is also godparent to the Coalition for a Better Future, whose third mission piece, after Growing Sustainably and Living Better, is Winning Globally, with the emphasis on scaling through innovation to create global champions.

The Canadian Chamber of Commerce has focused on the US relationship with co-chairs Enbridge and Johnson & Johnson. The Chamber's initiatives cover Border, Regulatory Cooperation, Buy American, Critical Minerals, Energy and the Environment, and Defence and Security.

The trans-border associations, always problem-solvers, continue to focus on the practical. The Canadian American Business Council has partnered with Quebec in its North American Rebound campaign with its focus on supply chain resiliency.

The Pacific Northwest Economic Region, long a driving force for creative border solutions, is now collaborating with the Vancouver Airport Authority in the Future Borders Coalition. It has produced timely practical advice on COVID recovery and its white paper, Beyond Preclearance

(2018), and its recommendations continues to be a starting point for border reform.

Threat assessment must be part of any updated US trade strategy. The Trudeau government waged a forceful advocacy campaign over the Biden administration's proposed electric vehicle tax credit – part of its stillborn Build Back Better legislation. But was it necessary? It perplexed the Americans, who consistently said that the likelihood of the legislation passing was slim and pointed to our own incentives for electric vehicles. Would our energies have been better spent on joint development of the innovation necessary to create 'clean' electric vehicles?

**“ We are most successful when we come to the table with creative solutions. This is how Brian Mulroneu got the FTA and the Acid Rain Accord while parting with Ronald Reagan on Star Wars and South Africa. It is how Jean Chrétien got the Smart Border Accord while parting with George W. Bush on Iraq.”**

The detailed “Roadmap for a Renewed Canada-US Partnership” (February, 2021) announced with much fanfare by President Joe Biden and Prime Minister Justin Trudeau was followed up with a series of meetings by key cabinet officers. The vision is right. But this year's first anniversary statement by the leaders was long on title and aspiration but short in actual achievements. There has been some progress on, for example, NORAD Renewal. Now we need to see progress in improving the dependability,

redundancy and resiliency of our shared supply chains.

Our relationship with the US risks descending into transactionalism around irritants. Canadians will always lose in this game, as we saw when the Harper government made Keystone the litmus test of the relationship. We made no progress in other critical areas.

Looking forward, it is time to lift our relations with the US from the current trough of the tactical and transactional. Planning needs to be strategic as well as tactical. It must be a Team Canada approach involving the provinces, business, and labour.

It starts with identifying American interests that match Canadian interests and then coming up with two or three priorities. The temptation will always be to add more items to satisfy this or that interest, but experience has taught us that our systems can only manage two or three priorities. Again, the Americans are managing a world. They like us, but we're not their priority.

We are most successful when we come to the table with creative solutions. This is how Brian Mulroneu got the FTA and the Acid Rain Accord while parting with Ronald Reagan on Star Wars and South Africa. It is how Jean Chrétien got the Smart Border Accord while parting with George W. Bush on Iraq. Both understood we could disagree with our American neighbours without being disagreeable.

Mulroneu and Chrétien also understood the importance of looking at problems through a geopolitical lens and then coming to the table with solutions. This is how we can restore our most important relationship. We have done it before. We can do it again. **P**

*Contributing Writer Colin Robertson, a Fellow and Senior Adviser to the Canadian Global Affairs Institute in Ottawa, is a former career diplomat who was posted to Washington, New York and served as Consul-General in Los Angeles.*

# The Canadian Century? Time to Lace Up for the Big Game

*When Maryscott “Scotty” Greenwood talks about Canada, Washington listens. Which is why her latest take on our bilateral dynamic is a must-read for Canadians, too. With the United States besieged by political lunacy and Britain still in the throes of a Brexit hangover, could Canada — with its relative reasonableness — be on the rise?*

## Maryscott Greenwood

Two decades into the 21st century, we are enduring an age of disruption.

The new millennium has so far been a series of economic, political and public health concussions, which, along with creative destruction in the tech sector, have created widespread anxiety, and for some, a profound public distrust in institutions.

Governments are straining to provide basic services. The private sector is regaining its footing after the chaos of the pandemic, but remains constrained by contemporary realities, not the least of which is the first labour shortage in decades.

In Europe, a dictator who controls vast energy resources is bent on crushing a nation that normally furnishes significant shipments of food to the world. In the West, we are seeing the result at fuel pumps and grocery store cash registers, and ever more dismaying images on newscasts.

Global supply chains remain stretched and sclerotic. Inflation, has returned with gusto, reaching levels not seen in forty years. And while many among us have decided the pandemic is over, the coronavirus appears to have other ideas.

Understandably, people are anxious. Indeed, public grievances are so powerful that catering to them, rather than appealing to strengths and charting a positive course, has proven

too great a temptation for some politicians to resist.

Certainly, all of these disruptive forces are at work in Canada. But this may also be Canada’s time to lead. As Premier John Horgan of British Columbia put it recently: “In a time of disruption, that’s when innovation begins.”

As an avowed bilateralist from Washington, D.C., I could not agree more. Canada has remarkable, unique qualities at which the rest of the world marvels.

**“ We are at a moment in history when Canada can and should flex its inherent advantages. Doing so would increase Canada’s prestige and influence in Washington, and contribute to the good of the democracy-led, rules-based international order. ”**

Let me start with what Canada, fortunately, does not have.

At least in part because of its massive inflows of immigration over decades, but also because of its foundational history, Canada’s politics are not as fundamentally riven by racial issues in the way America’s are.

As a result, Canada does not have as many powerful, nativist, anti-immi-

gration forces whipsawing government policy. Canada does not have viciously fought constitutional battles unfolding in a politicized high court. Settled law in Canada actually does seem to mean settled law.

Canada has neither unfettered dark campaign money nor two-year terms for lawmakers, which effectively guarantee an endless election campaign. It is difficult to legislate effectively when you’re constantly worried about fundraising or fighting off primary challenges from within your own political party.

Gerrymandering, which tends to entrench extremism in America’s political structure, often thwarting the will of a more moderate majority, disappeared in Canada decades ago. The country’s electoral boundaries census-based, implemented not by self-interested politicians, but rather the Chief Electoral Officer.

And Canada has a much higher degree of social solidarity than its southern neighbour. Look at masking, vaccination uptake and distancing during the pandemic. Canadians found it just as annoying as everyone else, but mostly cooperated. There was some politicization of pandemic restrictions, but the per capita mortality statistics speak for themselves, with the US having nearly 275 deaths per 100,000 and Canada at fewer than 93 deaths per 100,000, according to data from Johns Hopkins.

We are at a moment in history when Canada can and should flex its inherent advantages. Doing so would increase Canada’s prestige and influence in Washington, and contribute to the good of the democracy-led, rules-based international order.

Canadians helped pioneer free trade. There was a convulsive debate in 1988, and an election was fought over it, and then it was done. It is now a political non-is-

sue. (which is no small feat when you compare attitudes toward trade on the US side of the border).

Canada in fact went on to sign multiple bilateral and multilateral trade agreements: With Europe, with Pacific nations, with Israel, and even a modernized deal with its North American neighbours. Today, Canada has trade agreements with 51 countries, representing 1.5 billion consumers.

Oddly, though, Canada has a harder time embracing business itself. There is a view among various officials in Canada (with a few notable exceptions) that the population needs to be protected from business – as opposed to being uplifted by its innovation, drive and ambition. Never mind the fact that private enterprise creates the tax base to fund government programs and the direct prosperity that NGOs, charitable organizations and everyday people rely on.

Now would be a good time for Canada to begin treating the private sector as a true partner, rather than something to be distrusted and regulated into submission. In our modern, market-based economy, it is business, reacting to social issues and demand, that provides solutions.

We need to acknowledge that the massive capital investments necessary to make energy production sustainable and feasible in a time of changing climate must come in large measure from the private sector. Government can help make that happen, by clearing obstacles to industrial-scale infrastructure development. Canada needs LNG export facilities, large carbon capture hubs, and more pipelines.

The way to confront the colossal challenge of climate change is not to sloganeer about “leaving it in the ground.” That is unrealistic. The real-world answer is to figure out the safest, lowest-emission way to transition off fossil fuels. The private sector is working on this. The public sector is too. Neither can do it alone. But they appear to be at odds, talking past one another, mired in distrust, rather than collaborating.

Anyone who lived on planet Earth during the first year of the pandem-



CABC CEO Scotty Greenwood hosts a lunch in Washington in June 2022, for former US ambassadors to Canada and Canadian ambassadors to the US. Canada's Gary Doer and Raymond Chrétien on the left, with Americans Jim Blanchard, (below right), Greenwood (centre) and State Department official Russ Singer (left) —Virginia Beckett, CABC

ic watched as Western pharmaceutical firms, backstopped financially by a US government determined to obtain a vaccine, got to work. The result was spectacular: the highly effective Pfizer and Moderna jabs were going into arms within a year, rather than the decade or so it usually takes. But Canada was just another customer, lining up with the rest of the world to buy doses, principally because pharmaceutical manufacturers long ago concluded Canada's intellectual property laws are inimical to life-science innovation.

Canada needs to foster research and development, protect IP, and tolerate failures along the way, in order to become a destination for foreign direct investment (FDI). The announcement in April that Moderna will build a vaccine manufacturing facility in Montreal was welcome news. Let's hope it's a harbinger of new policies that will attract R&D investors and manufacturers looking to build plants. There is no good reason this sort of capital cannot land regularly in Canada.

Canada has accepted proportionally more immigrants than the United States. It can do that because there is broad public consent on the issue. Make no mistake, that is a huge Canadian advantage. Experts observe that in a time of aging populations, skilled and motivated immigrants are a priceless force multiplier.

But for all its good intentions, the Canadian immigration system moves glacially. Canada has a doctor shortage, and, increasingly a shortage of nurses, never mind the shortages in other sectors.

Canada should add a couple of zeroes to refugee and immigration targets, which is something America cannot do. And then see to it that the public service understands and is rewarded for prompt, efficient processing of claims and applications. And, furthermore, see to it that regulatory regimes allow immigrants and refugees to use their expertise after they arrive, rather than forcing them into unskilled positions. Canada would benefit directly from the addition of such talent. Canada would also benefit reputationally in the world, all while earning admiration from its neighbor to the south.

Canada was apparently unhappily surprised at being left out of AUKUS, the US-Australia-UK security pact, which basically involves three of the so-called “Five Eyes” allies forming a private club to share nuclear submarine propulsion technology and explore cyber, quantum and artificial intelligence from a defence perspective.

It should not have been much of a surprise, though. Canada lags in defence spending, and has for many decades. It has spent below the NATO minimum,



despite its repeated commitments to do more. Defence spending has not been at 2 percent of GDP since 1990.

Canada’s announcement of \$40 billion over the next 20 years to beef up NORAD’s continental defence systems is a welcome step. But its intelligence contribution to Five Eyes falls short. A recent study by the Macdonald-Laurier Institute neatly sets out how Canada needs to up its game.

Unless Canada wants to merely be an honorary member of important defence and intelligence pacts, it needs to do more.

Then, Canada needs to become an alternative to China in modernizing the supply chain for the sustainable, net zero economy. This issue could be the defining one for Canada in the second millennium.

Critical minerals vital to our increasingly tech-enabled economy. Computers, mobile phones, fibre optics, semiconductors, medical and military applications, aerospace development all depend on them. They are also key ingredients in solar panels and elec-

tric vehicle batteries. We cannot transition to net zero or fight the war in Ukraine (or anywhere else) without heavy utilization of critical minerals.

**“ Canada should lace up for the big game. This is not the time to act like a second- or third-string quarterback, nominally ready but seldom called upon.”**

But China currently handles over 80 per cent of all global critical mineral processing. The United States would be relieved if that were not the case; critical minerals are, after all, an economic and national security issue. But that would mean building its own processing facilities in a political environment where it is difficult to obtain agreement on naming a post office, let alone standing up a massive new greenfield industrial minerals processing plant. Canada, however, could.

Compared to the UK, the US and other partners, Canada’s government is stable. There are no midterm elections or insurrection hearings underway. No Brexit to cope with. No war next door.

Canada should lace up for the big game. This is not the time to act like a second- or third-string quarterback, nominally ready but seldom called upon. To do so would mean changing embedded thinking that is deeply resistant to change, but the impact would be enormous.

In this age of distrust and disruption, Canada, with its reputation in the world as a trusted partner, its vast agriculture, rich natural resources, and remarkable stores of knowledge and expertise, is perfectly positioned to lead.

If, of course, that is what Canada wants to do. **P**

*Maryscott Greenwood is CEO of the Canadian American Business Council and a partner with Crestview Strategy in Washington, DC. She previously served in the State Department as a diplomat based in Ottawa.*

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# Free Trade: Then and Now



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GE Canada President and CEO Heather Chalmers and Prime Minister Justin Trudeau at the announcement of an expansion to GE Renewable Energy subsidiary LM Wind Power's facility in Gaspé in July 2021. The plant will manufacture the world's largest wind turbine blades. —Alex Tetreault, PMO photo

# Then, Now and Beyond: How Canada and the US Can Work Together on the Energy Transition

## Heather Chalmers

The year 2022 marks several milestones in the Canada-US relationship. Thirty-five years ago, Canadian and American negotiators made a historic breakthrough by reaching a deal on the Canada-US

Free Trade Agreement. Thirty years ago, Mexico's inclusion, with NAFTA, dramatically broadened the geographic scope of what eventually led to today's Canada-United States-Mexico-Agreement (CUSMA).

This is also a notable year for GE: In April, we celebrated our 130th birth-

day and this summer, GE Canada celebrated our 130th anniversary as well. The story dates to our founder Thomas Edison, who visited Peterborough and loved the Kawarthas so much that he built a cottage in the region. He chose what became known as Canada's Electric City to

build a manufacturing site, and in 1892, Canada became the first foray for GE's expansion into international markets.

**“ To achieve mutual net zero targets, we will need to electrify more sectors of the economy, invest heavily in low and non-emitting electricity, and decarbonize thermal power plants.”**

Canada and the United States build things better, together. We have been doing so for generations. Look no further than GE's own operations. In 1916, GE built Canada's first vertical waterwheel-driven generator in Peterborough, while in the 1970s GE installed the world's first fully operating solid-state high voltage direct current converter in New Brunswick. In recent decades, various trade agreements have strengthened North American competitiveness at a time of rising global competition, and ensured the continued strength of continental manufacturing, from engineering across the value chain to finished goods.

Now, however, our world is defined by volatility, uncertainty complexity, and ambiguity, or VUCA. VUCA is our new steady state – since 2020, we have experienced a once-in-a-century pandemic, extraordinary supply chain challenges, significant inflation, the sociopolitical and economic impacts stemming from Russia's invasion of Ukraine, and other geopolitical flashpoints around the world. Despite these and many other challenges to effective bilateral cooperation, Canada and the United States have shown the ability to develop the rules and norms needed to prosper sustainably in today's global economy. CUSMA contained major commercially significant breakthroughs for intellectual property,

trade in services, and digital trade. These can be incorporated in other new agreements being negotiated. The North American trading relationship must continue to evolve and adapt to a changing global environment. The world – and North America – would benefit from Canada playing a more prominent role in supporting shared economic interests alongside the United States and other close partners.

**B**uilding on the “Roadmap for a Renewed US-Canada Partnership” developed during Prime Minister Justin Trudeau and President Joe Biden's first bilateral summit in 2021, Canada and the United States can play a critical role in shaping how new frontiers for global commerce develop, particularly around the energy transition. To achieve mutual net zero targets, we will need to electrify more sectors of the economy, invest heavily in low and non-emitting electricity, and decarbonize thermal power plants through post-combustion carbon capture, utilization, and sequestration (CCUS) and the use of hydrogen and other low carbon fuels. To enable this, the grid will need to modernize by becoming smarter and taking advantage of new ways to optimize the movement of electricity.

Canada and the United States routinely conduct around US\$100 billion in annual energy trade, but electricity transmission accounts for a small proportion of the total. Growing this amount will require investments to accelerate North American grid modernization, beginning with improved cross-border transmission planning processes and digital tools to ensure a reliable and secure grid. Canada and the United States can advance mutual trade and help resolve the energy transition trilemma of sustainability, reliability, and affordability by further enabling bilateral electricity flows.

Similarly, strengthening integrated North American supply chains, particularly in sectors where global demand is currently or is projected to

outstrip supply, will be essential if both countries want to achieve economic, energy, and climate goals. In addition to decarbonizing local energy systems, these supply chains can support global emissions reductions. For example, the small modular reactor (SMR) supply chains GE Hitachi is developing alongside Ontario Power Generation, SaskPower, and other partners for deployment in North America will be in a future position to export nuclear fuel and reactor parts to Europe. These critical components will enable countries such as Poland to replace coal power with reliable nuclear power for the grid and heat for industrial applications and buildings in the future, complementing the role that coal-to-gas conversions play today in decarbonization.

**“ Strengthening integrated North American supply chains, particularly in sectors where global demand is currently or is projected to outstrip supply, will be essential if both countries want to achieve economic, energy, and climate goals.”**

Other export sectors stand ready to benefit from strengthened collaboration, from critical minerals and transportation to hydrogen production and CCUS. While Canadian and US businesses on both sides of the border will drive much of this cooperation, governments have a critical role to play in promoting shared norms and standards within international bodies, among other things, to facilitate cross-border carbon removal or hydrogen transportation infrastructure. Scaling up these breakthrough innovations will require a whole-of-government approach on both sides of the bor-

der and in fora such as the G7 and G20.

Developing carbon trading and offsetting is another enabling tool at the nexus of trade and the energy transition that should be on the bilateral agenda, particularly in the run-up to COP27 in Egypt this November. Last year at COP26, climate negotiators made a breakthrough on Article 6 of the Paris Agreement, which establishes rules governing carbon markets. Carbon trading and offsetting can help incentivize investments in emissions reductions technologies; the World Bank estimates “carbon trading could facilitate the removal of 50 percent more emissions” by 2030. By amplifying the role of carbon trading and offsetting in accelerating emissions reductions, Canada and the United States can raise local and global climate ambition and impact.

**“To achieve mutual net zero targets, we will need to electrify more sectors of the economy, invest heavily in low and non-emitting electricity, and decarbonize thermal power plants.”**

More, too, can be done in areas of traditional trade policy. For example, the US-Japan-EU trilateral has proposed World Trade Organization (WTO) reforms targeting non-market practices by members and developing necessary enforcement tools to address these practices. Under the General Agreement on Tariffs and Trade (GATT), the WTO’s predecessor, Canada as a member of the informal “Quad” process would have been leading such efforts alongside the other three members and existing talks would benefit from Canada’s perspectives.

Broadening access to global government procurement could be another possible area of cooperation. This may seem counterintuitive to those who are familiar with longstanding bilateral frictions over procurement. However, both Canada and the United States uphold commitments to open most of their high-value public procurement to each other, and to other countries that make comparable reciprocal commitments, especially through the WTO Agreement on Government Procurement (GPA), which aims to open procurement markets on a reciprocal basis. Currently, only 48 of 164 WTO members (including Canada and the United States) are parties to the WTO/GPA, and 36 of those countries are in Europe. Many major and emerging economies provide no WTO guarantee of market access or due process for their government procurement, including in sectors such as energy, health care, and IT. Canada, the United States, and other like-minded partners can advocate for fair and transparent competition in government procurement by persuading other WTO members not currently in the GPA to consider accession to the pact. Doing so would increase trading opportunities while also strengthening the rules-based multilateral trading system. It could also open the door to discussions on how procurement can promote climate and diversity, equity, and inclusion goals – priorities for both Canada and the United States – in a manner that is consistent with trade rules. Finally, meaningful steps to enhance and ensure competition and transparency in public procurement could be an important step in supporting sustainable development in those countries.

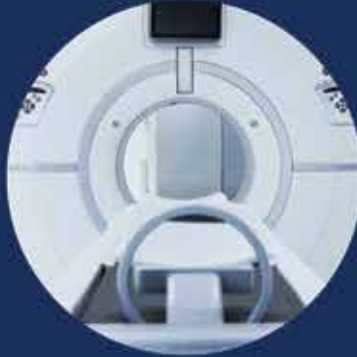
Federal governments cannot be alone in collaborating on the future of trade policy. Indeed, in recent years provinces, states, and bi-national regional organizations have been essential both in serving as policy test beds and in reiterating the importance of cross-border ties. The private sector must also continue its

leadership in promoting the importance of a rules-based trading system bilaterally and globally. On emerging technologies and policy areas, industry needs to remain at the table to ensure mutually beneficial outcomes.

**“Continued prosperity depends on governments and businesses remembering that whether in the classroom or the boardroom, neither trade nor the energy transition are a zero-sum game.”**

Continued prosperity depends on governments and businesses remembering that whether in the classroom or the boardroom, neither trade nor the energy transition are a zero-sum game. We either win together, or we do not at all. At GE, our purpose is to rise to the challenge of building a world that works. Then, in 1892, we did so by lighting up the world. Now, as we plan to create three formidable public companies essential to modern life, our employees are committed to leading the energy transition, delivering precision health care, and inventing the future of flight. Then, as now, we have both enabled and benefited from the flow of technologies, ideas and products across borders. Building a world that works into the future will require Canada and the United States to continue collaborating on areas of mutual interest for the benefit of the bilateral relationship, the global economy, and our planet. **P**

*Heather Chalmers is the President and CEO for GE Canada and leads International Advocacy for GE’s suite of technology and products across power, renewables, and digital for the newly announced GE VERNOVA, GE’s portfolio of energy businesses.*



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Trees absorb carbon and Canada, as Eric Miller writes, “has more than 40 percent of the forest land certified as globally sustainable.” —FPAC photo

# Toward a New Canada-US Model in Forestry Trade

**Eric Miller**

In international relations, some things seem eternal. One of these is lumber trade frictions between Canada and the United States. The two countries are on the fifth round of the softwood lumber wars in the modern era, but the roots of the conflict run much deeper. These disputes continued through the negotiation of the Canada-US Free Trade Agreement, North American Free Trade Agreement, World Trade Organization agreements, and Canada-United States-Mexico Agreement. Despite all of this “free trade”, Canadian softwood lumber stubbornly remains “managed” in trade with the United States.

Some commentators deride the forestry sector as being antiquated. Canadian schoolchildren are taught the phrase “hewers of wood and drawers of water”, which comes from the Bi-

ble but was popularized by Harold Innis as a shorthand for the resource dependency of Canada’s economy.

Yet, far from being an industry of the past, forestry is central to North America’s ability to meet the greatest economic challenge of the next two decades – the transition to a low carbon economy. In this context, trees are increasingly seen as carbon sequestration machines.

“One of the challenges for the coming decades is to introduce into our trade discourse the idea of free trade in environmental goods, of which forest products are a central example.”

One of the challenges for the coming decades is to introduce into our trade discourse the idea of free trade in environmental goods, of which forest products are a central example. Trade is a powerful vehicle for efficiently allocating goods. To do this, Canada and the United States need to move away from the practice of viewing Canadian forest products as a mere commodity to be restricted.

If one were to boil down the why Canada and the United States have had a centuries old dispute over forest products, it comes down to three interrelated facts. First, the United States produces, on average only two-thirds to three-quarters of the lumber it consumes. Second, Canada has a larger volume of accessible forest lands than the United States, making the Americans fear competition from Canada. Third, tariffs keep US lumber prices higher than they otherwise would be, driving lumber company profits.



The lumber dispute dates to the very founding of the United States. The first important law passed by the first Congress in 1789 established a US tariff schedule, including a 5 percent duty on most forest products. Given geographic proximity, the future provinces of Canada were the primary sources of imports. By the 1830s, the duty on sawed lumber reached 25 percent.

From 1854-1866, the Reciprocity Treaty provided duty-free, quota-free access to all goods, including forest products. In the 1853 congressional debate, Ohio Congressman N.S. Townshend offered a surprisingly contemporary analysis:

“The British Provinces have almost inexhaustible supplies of pine timber. This is greatly needed...But Maine, for which... the best timber is already cut, wants to exclude lumber (from) the Canadas, and to force her spruce and inferior pine on the market at high prices. It is asserted that unless competition... is prevented..., her... lumbermen cannot make fair wages... (Yet)...protection is not designed for their benefit but for the benefit of the wealthy few.”

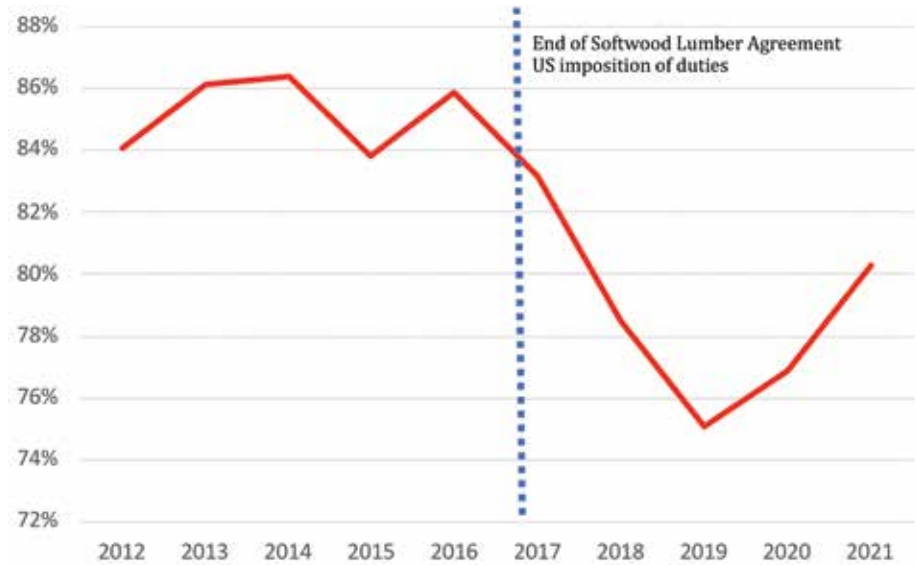
When the US abrogated the treaty in 1866, Canadian forest products faced a 20 percent duty.

In the 20th century, Canadian lumber enjoyed tariff-free access (1913-1930), was subject to a high tariff (1930-1935), and faced a tariff-rate quota (1935-39). In the post-war period, demand for Canadian lumber was high as the US economy boomed. Renewed petitions for protection came in the 1960s. By the 1980s, the stage was set for “Lumber I”.

**I**n the post-war period, the broad thrust of US trade policy was to lower tariffs. Impacted industries were no longer able to directly petition Congress for relief, so they increasingly turned to trade remedy processes.

Lumber I began in October 1982 when the US industry sought an investigation into Canadian subsidies. Ultimately, the Department of Commerce

**Table one**  
**Canada’s share of us imports of sawn lumber (hs 44.07)**  
2012-2021



Source: US Department of Commerce

found that the Canadian stumpage regime was not countervailable. Yet, the US industry was unwilling to accept this outcome. In 1985, five companies came together to form the “Coalition for Fair Lumber Imports” (now the US Lumber Coalition.) In May 1986, the Coalition asked Commerce to again investigate Canadian softwood, thus launching “Lumber II: This time, Commerce found evidence of subsidies. It levied a 15 percent duty in its preliminary determination. In December 1986, Canada negotiated a Memorandum of Understanding (MOU) with United States in which it agreed to impose a 15 percent export charge, but allowed provinces to implement in-kind measures, such as increasing stumpage fees and privatizing silviculture management.

The MOU was reached right in the middle of the Canada-US Free Trade (FTA) talks. It allowed the two parties to exclude softwood lumber from the negotiations. Given its history, lumber had the potential to sink the whole agreement. Yet, Canada’s experience in Lumber II directly informed its FTA negotiating strategy. It insisted on the inclusion in the agreement of a mechanism to review and settle disputes re-

lated to the application of anti-dumping and countervailing measures.

With this mechanism in hand, Canada withdrew from the MOU in 1991. The US industry immediately petitioned for an investigation, so beginning Lumber III. After a series of determinations and counteractions, Canada appealed the US findings to the FTA binational dispute settlement panel, which eventually led to their reversal.

In 1994, the US implemented the World Trade Organization (WTO) Uruguay Round Agreements. Included in this package were amendments that ensured that Canada could not use the same strategy that succeeded in Lumber III. In April 1996, Canada and the United States agreed to a five-year Softwood Lumber Agreement (SLA-1996). It applied a Tariff-Rate Quota to softwood exports from the four biggest provinces in exchange for not initiating a new trade case. Nevertheless, the US launched a case in 1998 over B.C. stumpage and classification issues.

Three days after SLA-1996 expired in 2001, the Coalition filed a countervailing duty petition and its first

ever anti-dumping petition. So began Lumber IV. Commerce found in favor of the US industry. Canada turned to both the NAFTA and WTO dispute settlement systems. A NAFTA Panel found that while the Canadian industry was subsidized, the 18 percent tariff ordered by Commerce was too high. The WTO Panel found that provincial stumpage regimes constituted a “financial benefit”, but it was not enough to be considered a subsidy. The US turned to the NAFTA Extraordinary Challenges Panel, but its claims were dismissed.

Shortly after these decisions, Canada and the United States negotiated a new Softwood Lumber Agreement (SLA-2006). It locked in managed trade and lumber peace for seven years with the option to renew for an additional two years. Additionally, SLA-2006 included a commitment to refrain from trade action for one year after its expiration. Post-moratorium, the Coalition swiftly petitioned Commerce to start an investigation, so beginning Lumber V.

Lumber V began around the time of the 2016 US election. A leaked document from Donald Trump’s transition team suggested that he wanted to use the NAFTA renegotiation to force permanent limits on Canadian forest products exports to the United States. Despite dreams of a quick win, the CUSMA negotiations dragged on through much of his presidency. Measures to permanently address the Canada-US lumber dispute were left out, just as in NAFTA and the FTA.

**W**hat is the key lesson from these decades of disputes? Free trade agreements cannot deliver a long-term resolution to this battle. Canada is compelled to defend itself in every instance where its forestry regime is challenged. There is no prospect for permanent lumber peace between the two countries.

Yet, while the old lumber game rolls on, the importance of wood in building a low carbon economy only grows. A key question for the future is how can trade policy enable the free movement between the United States

**“ What is the key lesson from these decades of disputes? Free trade agreements cannot deliver a long-term resolution to this battle. Canada is compelled to defend itself in every instance where its forestry regime is challenged. There is no prospect for permanent lumber peace between the two countries.”**

and Canada of wood that is directly used to off-set higher carbon materials and processes.

In 2014, 46 WTO members, including Canada and the United States, set out to negotiate an Environmental Goods Agreement. The idea was to ensure duty-free, quota-free trade in goods that directly contributed to building a cleaner, healthier environment.

While multilateral free trade in environmental goods has not succeeded, negotiating a meaningful Canada-United States environmental goods agreement could work. Wood is a fundamental enabler of the shift to a low carbon economy. Given the long history of the bilateral dispute, the United States is unlikely to agree to a blanket removal of restrictions on forest products. To avoid misperceptions and ensure that the product is genuinely being used in a carbon reducing manner, Canada and the United States could negotiate a list of approved end-uses that would qualify for free movement under the agreement.

For example, wood destined for mass timber construction could be an end use. Why? Typically, large buildings in our cities and public infrastructure are made of steel and concrete. According to the OECD, these materials account for approximately 13 percent of carbon emissions globally. By building with wood – a material that sequesters carbon – substantial amounts of carbon are kept out of the atmosphere.

To operationalize the end use, a self-certification process subject to review by Customs and other authorities would be required. In terms of process, this would be no more complex than the rules of origin certification process used for imports under CUSMA and other free trade agreements.

An additional step that Canada and the United States could take is to commit to measuring the carbon impact of their trade remedy actions. Companies are increasingly documenting and publishing their carbon emissions, including downstream “Scope 3” emissions.

One seldom discussed fact is that trade remedy actions carry with them significant climate impacts. Take the case of sawn lumber from Canada. Table One looks at what happened to Canada’s share of the sawn lumber market after SLA2006 ended and tariffs were imposed. In short, it dropped significantly.

So, from where is the US getting its non-Canadian sawn lumber? The largest suppliers are Germany, Sweden, Brazil, New Zealand, and Chile. The additional carbon emissions generated from shipping sawn lumber from these distant lands is immense. Moreover, Canada has more than 40 percent of the forest land certified as sustainable globally, compared to single digits for these countries.

Today, Canada similarly finds itself at a crossroads. The challenge of our time is to build a low-carbon economy in a manner that strengthens, not weakens, its key sectors. Given forestry’s significant potential in this new world, the government of Canada should prioritize the pursuit of free trade in forest products for carbon reduction purposes. Finally, Canada and the United States could have something positive in the forest products world to agree on. **P**

*Eric Miller is President of Rideau Potomac Strategy Group and a Fellow at the Canadian Global Affairs Institute.*



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# Security of Supply in a Clean Energy Transition

**Mike Gladstone**

This year, we mark the 30th anniversary of the initialing of the North American Free Trade Agreement and the generation of growth it kicked off for Canada. NAFTA – and its successor, the Canada-US-Mexico-Agreement (CUSMA)— represent a continuation of a long history of agreements that connect our countries, foster cooperation and importantly, safeguard and advance our shared interests.

There is no more important trading relationship in the world than that between Canada and the United States. There are few shared interests as impactful to our national economies as our energy future – a world of secure, sustainable and affordable energy.

North America's economies rely on an integrated energy system.

As the world digs out from under the weight of the COVID-19 pandemic and looks to address the dual crises of addressing climate change and returning to economic growth, the North American responsibility to provide sustainable energy to allies around the world is becoming more important and evident.

To fulfill that responsibility and realize the benefits at home and abroad, it will be critical to sustain – and enhance – the spirit of cooperation engendered by agreements like NAFTA.

The Global Energy Institute at the U.S. Chamber of Commerce has referred to North America as an “energy powerhouse” arguing that “integration of these large markets enhances the flexibility and reliability of the energy supply and distribution system for American consumers, business and industry”.

In March of this year, West Virginia Senator Joe Manchin, chair of the U.S. Senate Committee on Energy and Nat-

ural Resources, put forward the concept of a North American Energy Alliance to “strengthen our collective supply chains and minimize vulnerabilities to those nations that might use supply chain dependencies against us.”

A robust North American energy alliance serves global interests in meeting the energy transition aspirations. By focusing on how we build upon our integrated energy strengths. North America can do more to support our allies need for secure energy sources, reduce global emissions and ensure long-term energy affordability.

**“Line 5 feeds the Sarnia refining complex — in turn providing gasoline and jet fuel to some of Canada’s busiest airports — and now is a linchpin for how Canada moves Canadian oil into the Quebec market, supplying Quebec refineries with roughly 60 percent of their feedstock.”**

We take for granted how integrated our energy system is with the United States. Energy flows every day across the border, in both directions, and drives economic activity and supports our quality of life. According to the United States Trade Representative, in 2019 the overall trade relationship between Canada and United States was valued at US\$718.4 billion. That same year energy accounted for one-quarter of Canadian exports to the United States with 91 percent of this being crude oil and petroleum products. Flowing north to Canada was US\$23 billion of energy (89 percent petroleum

products) accounting for 8 percent of total U.S. imports by Canada.

Our existing integrated system is not risk free. For example, Enbridge’s Line 5 offers a powerful illustration of the risks on both sides of the border when cooperation is compromised – as well as the importance of another, less well-known, international treaty.

In 1977 then-Prime Minister Pierre Trudeau signed the Transit Pipelines Treaty with President Jimmy Carter. This treaty was initiated by the United States’ desire to secure transit of American energy from Alaska, through Canada and back into the United States during the Arab oil embargo energy crisis of the late 1970’s. Although long forgotten, this treaty has recently risen to prominence.

Enter Line 5. This pipeline is existing critical infrastructure, safely and reliably moves crude oil, including western Canadian oil from Superior, Wisconsin, across the Straits of Mackinac and into Canada. Line 5 feeds the Sarnia refining complex – in turn providing gasoline and jet fuel to some of Canada’s busiest airports - and now is a linchpin for how Canada moves Canadian oil into the Quebec market, supplying Quebec refineries with roughly 60 percent of their feedstock.

As a symbol of integration, the impact of Line 5 is broader than just Canada and helps showcase the integrated nature of North America’s energy systems. This single pipeline supplies product to 10 regional refineries across Canada, Michigan, Ohio, and Pennsylvania. These refineries in turn provide local and cost-effective gasoline, diesel, jet fuel, home heating oils, and other products. This pipeline is also important to the movement of natural gas liquids which can be refined for peak winter deliverability of propane

for heating purposes in homes and businesses across the region.

Notwithstanding an agreement between Enbridge and the State of Michigan to replace and modernize a segment of the existing Line 5 at the Straits of Mackinac, while ensuring safe and uninterrupted flow of energy, Michigan's current Governor and Attorney General have sought an immediate shut down of Line 5. In response, the Government of Canada invoked the Transit Pipeline Treaty's dispute resolution mechanism to defend its national interest, with Minister Seamus O'Regan stating that the "continued operations of Line 5 is non-negotiable." In August of this year the Government of Canada invoked the Treaty again in relation a legal challenge in Wisconsin related to the continued operation of Line 5.

Canada's efforts on defending the continued operations of Line 5, including invoking the Treaty, has been a remarkable show of what a united "Team Canada" can achieve.

Line 5 is a symbol of how interconnected our energy systems are, but it is also a representation of what can go wrong when we take for granted our North American energy partnership. The world needs more Canadian energy and our path to realizing this is through our energy collaboration with the United States.

Later agreements between Canada and the United States further cemented the energy relationship with key articles, perhaps most notable in the NAFTA agreement where they recognized "that it is desirable to strengthen the important role that trade in energy and basic petrochemical goods plays in the free trade area and to enhance this role through sustained and gradual liberalization".

**F**oreign Affairs Minister Melanie Joly put it succinctly in a statement on Aug. 29: "Line 5 not only helps provide energy that is essential for empowering a resilient Canadian economy, it also supplies energy to business owners and residents in the Midwestern United States, including Wisconsin," she said. "Canada and the United States share a vision for a sustainable and inclusive



Enbridge's Line 5 runs under Michigan's Straits of Mackinac en route to Sarnia, Ontario from Superior, Wisconsin. Line 5 feeds regional refineries in Ontario, Michigan, Ohio, Pennsylvania and Quebec. The pipeline serves Sarnia's refining complex, providing gas and jet fuel to some of Canada's busiest airports, and supplies Quebec's refineries with about 60 percent of their feedstock. —Enbridge photo

economic growth that strengthens the middle class, creates more opportunities for them, and ensures people have good jobs and careers on both sides of the border. Both Canadians and Americans expect their governments to strengthen Canada-US supply chain security and work to reinforce our deeply interconnected and mutually beneficial economic relationship."

This is where we came from, but where we are going is equally important. How can we seize the next shared opportunity – achieving net-zero?

The global energy transition is not a time to tear down our free trade agreements but rather to use them to increase the supply for lower-emission, cleaner, affordable and secure sources of energy that the world, and especially our allies, need.

North America's existing infrastructure is ideal for maximizing our continental advantages with existing ports proximate to major reserves, especially in the U.S. Gulf Coast and British Columbia, and with a new eye to Europe increasingly off the Northeast Coast as well. Collaboration at the policy, regulatory and government level with industry could improve our ability to leverage this natural advantage to maximum effect by prioritizing which molecules move where based on proximity and cost.

What is needed for us to build North America's next great opportunity?

In Canada, energy strategy needs to capitalize on our advantages. We have a world-class energy system and the know-how to export the most sustainable energy world-wide. In partnership with the United States, we have world-class resources connected to every major global demand centre and the highest ESG standards in the world.

Canada's strongest asset is our friendship and alliance with the United States, whereby working together on energy policy, North America can be the world's dominant energy supplier in a net-zero world.

We can leverage the energy systems of today as a bridge to creating the energy systems of the future. We can do all of that while advancing Indigenous reconciliation at home.

The time has come to take a fresh look at Canada's role in the energy transition and we need to do it as a partner of the United States. Together, we can lead the world. **P**

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Column / Don Newman

# Canada's Free Trade Journey

It has been around longer than Canada has been a country. It has usually been contentious. In one election where it was an issue, Canadians rejected it convincingly. In another, 77 years later, Canadians gave their approval. And in the last 35 years, Canadians have grown to accept it, even like it, and worry that it might disappear.

The “it” of course is free trade. Explicitly, free trade with the Americans.

Modern free trade with the Americans has been around since 1989, when the Canada-US Free Trade Agreement went into effect after a bruising election campaign in which the Progressive Conservatives of Brian Mulroney staked the fate of their government on a deal that took two years to negotiate with the Republican administration of Ronald Reagan. The Liberals and leader John Turner claimed acceptance of the deal would be the beginning of the end of Canada. Turner waged “the fight of his life” but fell short of victory. The Tories won a majority of the seats in the House of Commons and Free Trade was adopted, even though together the Liberals and the New Democratic Party had more votes in the historic election of Nov. 21, 1988.

From that contentious beginning, the Canada-US deal was expanded three years later in 1992 to include Mexico and the agreement was rechristened as the North American Free Trade Agreement, or NAFTA. Since then, none of the disastrous calamities that were predicted have befallen Canada and free trade has grown to be seen as central to the country's economic well being. So much so that when then US President Donald Trump

threatened to tear up the treaty in 2017, it took a full-court Canadian effort to renegotiate the deal, which emerged with a new name; CUSMA – the Canada-United States- Mexico Agreement.

It wasn't particularly noticed at the time of those negotiations but around us geopolitical and international relations were changing, and even before the Russia-Ukraine war the future of free trade was becoming cloudy. The Americans and the Chinese were threatening and sometimes imposing tariffs and quotas on each other's exports. Trump had decided to draw a line under China's predatory trade practices. China was been admitted to the World Trade Organization in 2001 on the promise that access to the multilateral trade organization would bring the country more in line with the norms of the rules-based order.

That belief has been proven wrong. As have other ideas that bringing China into international systems would make the country more like a democracy. Particularly since 2012, China has been developing a harder line with potential trading partners, quickly increasing its military capabilities and becoming a competitor with the rest of the world rather than a partner.

Canada has 15 free trade agreements with 49 countries. Most are definitely second-tier agreements, although a couple have the potential to grow into more substantive arrangements, like the Canada-United Kingdom agreement and CETA, the free trade agreement between Canada and the European Union. In fact, they and a beefed up CUSMA almost certainly

have to be the future of where trade is headed.

Vladimir Putin's reckless invasion of Ukraine has isolated his country from the world's economic mainstream. It has had a similar effect on countries like China who are supporting Russia and stirring up potential conflict with its determination to bring Taiwan under Beijing's control. Trade with China, which has driven a lot of the world's economic growth in this century is quickly becoming problematic. So, too, is trade with Russia and the countries within its sphere of influence. The Russian attack has also had the effect of reinvigorating the North Atlantic Treaty Organization and its membership.

What we should be recognizing in the current geopolitical landscape is the outline of the future of free trade. An economic grouping of the North American Free Trade countries with the European Union and Britain. Plus, a working alliance with the non-China countries of the Pacific Rim are where the future lies.

The world order that came into being following the fall of the Berlin Wall has lasted about 30 years. Something resembling a new Cold War is taking its place. Democracies prevailed in the last Cold War in part by having the right organizations and infrastructure in place. To prevail in the new Cold War, we must quickly do the same again. **P**

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# The Magic Formula for Fighting Climate Change: Political Will + Leadership

*These are not simple times for heads of government. Perpetually pulled between public service and self-interest, confronting a vortex of choice-distorting propaganda, navigating the maze of technological disruption and economic uncertainty are all a challenge for even the most gifted leaders. But the wicked problem of climate change comes with the clarity of science, which should make the solutions relatively straightforward. As former Green Party Leader Elizabeth May writes, only two things are missing.*

## Elizabeth May

In October of 2018, the Intergovernmental Panel on Climate Change (IPCC) handed world leaders a golden ticket. It was a special report saying that holding to 1.5 was still possible but only with “large, immediate and unprecedented global efforts to mitigate greenhouse gases.”

The mandate to the IPCC to answer the question of whether it was possible to hold to no more than a 1.5-degree C global average temperature rise, or even to stay below 2 degrees, was among the action items agreed by the climate negotiators gathered in Paris in 2015 at COP21. The UN scientific intelligence body on climate change was also asked to estimate the severity of impacts from global climate crisis at each level of increased warming.

COP21 had also agreed to a treaty that promised to do just that – stay as far below 2 degrees as possible and preferably hold to 1.5 degrees. So, the 2018 IPCC special report was good news. Yes, it said, holding to 1.5 was still possible but only with “large, immediate and unprecedented global efforts to mitigate greenhouse gases.”

It was important politically because it handed leaders the catalyst they needed to muster and justify the political will to implement change.

Of course, the keyword there is “leaders”. As the young climate activist Greta Thunberg once wryly observed, armed with the information that ur-

**“The term “political will” is a proxy term for “political leadership.” It definitely requires politicians capable of standing up to industry. It requires something like backbone, although other bodily parts are often referenced.”**

gent action was needed, governments “began to act,” but in the sense of acting as theatre — a political thespian tutorial of “blah, blah, blah.”

The IPCC special report on 1.5 contained other good news. It concluded that to avoid going beyond 1.5 degrees C was possible without any new

technology being invented. It found no economic barrier, no lack of basic scientific information, no obstacles at all — except one thing. All that was lacking was the political will.

On my motion, the release of the October 2018 report led to an emergency debate in Parliament. Within a few months, then-Minister of Environment and Climate Change Catherine McKenna moved her own motion that we were in a “climate emergency.” It passed on June 18, 2019. Two days later, her government re-committed to the Trans Mountain pipeline expansion (TMX).

In spring 2022, the IPCC released the last chapter in its regular (every seven years) review and report on the state of climate science. The Sixth Assessment Report from Working Group 3 substantially reduced the estimate of how much time remains to meet Paris goals and increased the urgency for needed action. Really no surprise, since most governments, even those who want to claim “climate leadership,” are still moving in the wrong direction. Globally, emissions increased since the October 2018 warning. In Canada, the only time our emissions declined at all was during 2020 and COVID shutting down much of our economy. Our emissions are predicted to bounce back and grow again in the next set of numbers for 2021.

On April 4, 2022, the IPCC advised that the window on holding to 1.5 degrees or even 2, will close “before 2025” unless global emissions peak and begin to drop dramatically to roughly half by 2030. United Nations Secretary General Antonio Guterres said that, in light of this clear warning, expanding fossil fuels was “moral and economic madness.”

Two days later, our new Environment and Climate Change Minister Steven Guilbeault approved drilling off the coast of Newfoundland for crude oil to produce an additional billion barrels of oil. Clearly, the missing ingredient is still missing. What does “political will” look like?

The term “political will” is a proxy term for “political leadership.” It definitely requires politicians capable of standing up to industry. It requires something like backbone, although other bodily parts are often referenced.

The stakes could not be higher. Within the lifetimes of our children, much of the earth could become uninhabitable and increasingly unstable as climate-driven famine, migration and chaos overwhelm governments. All four horsemen of Apocalypse are saddling up, and we still have politicians who preach the Gospel of Kicking it down the Road.

What would true political leadership look like?

In the 1980s, the government of Brian Mulroney faced down numerous industry groups in confronting the threat to the ozone layer, acid rain and toxic pollution. Political leadership from the federal government was matched by that of numerous provinces of differing political stripes. David Peterson in Ontario faced down mining company Inco’s demands that he fire Environment Minister Jim Bradley. If he had caved, we could not have solved Canada’s acid rain problem and if we had not been forceful in cutting Canada’s pollution in half, Mulroney could never have persuaded the US under Ronald Reagan to do the same.

On saving the ozone layer, our political leaders had to deal with Dupont executives who initially denied their products were harmful. Mulroney did not waver. Federal Environment officials went toe to toe with the GATT folks, then an embryonic World Trade Organization, to explain forcefully that the protection of the ozone layer was not to be undermined by trade rules. Vic Buxton, Canada’s lead negotiator for what became the Montreal Protocol on ozone depletion, was dispatched by the head of



Brian Mulroney with Environment Minister Catherine McKenna at the 30th anniversary of the Montreal Protocol on the ozone layer hosted by the UN in Montreal in November 2017. It remains the only environmental agreement signed by every member of the UN. —Photo courtesy Catherine McKenna

the United Nations Environment Programme, Mostafa Tolba, to deliver that message. Ten years later, our environment minister went to Kyoto with instructions to put trade ahead of climate.

**T**he Montreal Protocol was the last environment treaty with enforcement mechanisms. Any party violating the treaty could be subject to trade sanctions from every other nation on earth. It is, without a doubt, the strongest and most effective environment treaty ever negotiated. Not only has it worked to stop the destruction of the ozone layer, the ozone layer is now repairing itself.

To get that strong and effective treaty, Canada had strong and effective leadership. It ran from the Prime Minister’s Office to the Environment Department, to every empowered and informed member of the team.

The September 1987 Montreal Protocol saved life on earth. That is not hyperbole. It is a fact. So, now that life on earth is again and increasingly threatened, our political class is running for cover. The oil sands must be protected at all costs. And the cost is our children’s future.

We do not need to shut down all fossil fuels tomorrow, but we need to establish the date on which the oil sands stop producing. That date needs to be in 2030 at the latest. Conventional crude has a longer time horizon, but on reduced levels. The TMX pipeline is a threat to our children. Stopping

construction is a no-brainer. Similar resources in a crown corporation must be re-directed to building resilience into our national priorities; adapting to the inevitable avalanche of increasingly dangerous climate events.

What would leadership look like?

Democracy must be protected. There is no climate solution in the absence of equity, climate justice and a citizenry that can trust and believe in their institutions.

Real leadership in the climate emergency starts with being honest with Canadians. Strategies based on having our cake and eating it, too — such as carbon capture and storage or new pipelines to make the money to fund the transition — are doomed to failure.

Only clear and unequivocal leadership will save us. We need to cancel TMX, reverse the approval for drilling at Bay du Nord and ban fracking — immediately. We need to ensure workers in the fossil fuel sector get the just transition they were promised. And we need to seize the opportunity presented by the climate crisis to ensure greater fairness throughout our society.

There are storms ahead. Canadians are weary of politicians who promise sunny days and cannot deliver. We need leaders who inspire us to pull together and weather the storm. **P**

*Contributing Writer Elizabeth May, the MP for Saanich-Gulf Islands, has been a leader in the global movement on Climate Change since the 1980s.*





Ukrainian President Volodymyr Zelenskyy receives a rousing ovation from all sides as he makes the first-ever virtual speech to Canada's Parliament from Kyiv on March 15, 2022. —Adam Scotti photo

# Ukraine's Path to Peace: From a Day that Will Live in Infamy to Never Again

*Vladimir Putin's illegal invasion of Ukraine was launched not only to subjugate a democratic neighbour through military aggression but to destabilize the existing international order. Six months later, the reality both on the ground and in global perception is quite different. Veteran diplomat Jeremy Kinsman, who served as Canada's ambassador to Russia, lays out the terms for a negotiated peace.*

## Jeremy Kinsman

A searing half-year has elapsed since February 24, when Vladimir Putin fatefully launched his illegal war of naked conquest on Ukraine, whose very existence as a country Moscow contests. For Ukrainians, the day will always “live in infamy,” as Franklin Roosevelt described December 7, 1941, when Japan attacked Pearl Harbor. The

world has watched Ukrainians suffer the atrocities, deprivations and displacements of Russia's assault, as the country of 44 million fights its brutish neighbour of 144 million to a draw.

The invasion has turned out badly for Russia. It has devastated but united Ukraine, re-energized NATO's collective security solidarity and deepened global economic woes.

As neither side is likely to win an all-out victory, there is no end in sight, especially since no signs have yet emerged of a mutually acceptable negotiated settlement. Logic and history nonetheless predict that mutual recognition of the costs of stalemate will encourage a ceasefire and then a likely-protracted negotiation. But the two sides are not there yet, each apparently believing its situation on the ground could improve. Ukraine is mounting a counter-offensive in the South, to retake Kherson and protect access to the Black Sea. But longer wars increase in violence and the risk of escalation rises.

Minimum Ukrainian requirements from negotiation would re-set demarcation lines back at least to those that applied before February 24 to deny any Russian territorial conquest, along with

viable security and sovereignty guarantees. President Zelensky's recent vow to re-take Crimea is politically necessary but militarily unrealistic.

The international community should mirror Ukraine's bottom-line requirements and hold together with tough-minded diplomacy to prevent hard-won international norms against aggression from being thrown under the bus of renewed 1930s-style fascist aggression.

**W**e must expect that after hostilities cease, the West will remain in adversarial relations with Russia for as long as Vladimir Putin is President. Putin's regime thrives on enmity with the US, and pretends isolation is a badge of patriotic honour, though it will argue for the alleviation of isolating sanctions. Outrageous evidence of war crimes will need a route to justice, but it is by no means clear what that will be without full support of the International Criminal Court. Yet, urgent transnational challenges also insist that the international community, including Russia, be able to function as cooperatively as possible, which requires productive diplomatic contact.

Only Putin can decide how Russia comes to terms with such competing conditions. He seems convinced that Western democracies are so perilously fragile and fractious that Western unity, resolve, and deterrent and punitive sanctions will bend under pressure of the long game of attrition and intractability, even though Russia's economic challenges will likely deepen its growing and costly isolation.

His extremely competitive nature, built-in ambitions and resentments, confidence in his police-state control, and apparent belief that only he is tough enough to prevail, are traits that drive him. Our goal must be to encourage Putin's acceptance of the clear evidence that he is wrong. Putin is not irrational. We know how he adjusted objectives once he saw that he had erred in his estimates of success of the initial all-country invasion.

He needs to understand that the world is not prepared to see



Ukrainian President Zelensky chats with Prime Minister Justin Trudeau during a visit to Kyiv in May 2022, as senior Canadian officials look on. (L to R) Ambassador to Ukraine Larisa Galadza, Deputy PM Chrystia Freeland, herself a Ukrainian Canadian, and Foreign Affairs Minister Mélanie Joly. —Adam Scotti photo

February 24th go down in history as another infamous date when violent calamity upturned everything, like 9/11, searing collective memories for a lifetime as remembered thresholds between an unknowing “before”, and a punishing, rueful, “after.”

**“ Minimum Ukrainian requirements from negotiation would re-set demarcation lines back at least to those that applied before February 24 to deny any Russian territorial conquest, along with viable security and sovereignty guarantees. ”**

The Christian Bible depicts calamity as swift, borne on the horsemen of the apocalypse; conquest, war, famine, and ultimately death. The First World War was the great calamity whose armistice anniversary of November 11 became dedicated to resolve that it remain “the war to end all wars.”

The rise of competitive militarized nationalism in the 1930s blew such hopes away. Nazi Germany's invasion of Poland on September 1, 1939 launched an even deadlier world conflict that took about 80 million lives, including those of the unthinkable Holocaust. It traumatized Polish memory, just as the fall of France on June 25, 1940 permanently scarred its psyche.

Victors mark the days that turned the tide — the “longest day,” D-Day, June 6, 1944, and for Russians, the conquest of Berlin, May 7, 1945. The atomic bombing of Hiroshima, August 6, 1945, effectively ended the war, introducing the nuclear age, and chastening forever the human contemplation of conflict.

**A**t the war's end, then-sovereign nations committed the world to make certain 1918's pledge of “never again.” US Secretary of State Dean Acheson titled his literate narrative of the construction of a new world order to outlaw aggression, *Present at the Creation*.

Does Putin think the world will now acquiesce to his reversion to the old, barbaric ways?

Of course, over these decades, war still stalked the Earth, as wars of independence from colonialism, as proxies of Cold War rivalry, notably in Korea, Vietnam, and Afghanistan, and as insurgencies, civil wars, and ethno-tribal or sectarian collisions. Generally, they ended in exhausted, negotiated truce.

Determined to end Europe's history of murderous wars, Europeans aligned within a union meant to dull competitive nationalism with transformative pooling of national sovereignties and collective economic prosperity. The remarkably non-violent parallel transformation from communism, and then break-up of the Soviet Union, seemed at first to reinforce the positive European trend. But the revival of old majoritarian identities and hostilities, and initially overlooked loose ends of the Soviet break-up — including ethnic dislocation and economic degradation — deepened the sense for Russians of growing isolation, victimhood, and vulnerability, that welcomed Putin's strong hand.

**T**hrough all this, the world generally held to the need to protect the injunction against outright invasion of one country by another.

When Iraq invaded oil-rich Kuwait in 1990, the post-Cold War consensus at the time enabled a global coalition under UN/US command to affirm the unacceptability of a war of aggressive choice against a smaller neighbour, though the question lingered as to whether a nuclear power would be so easily overcome.

The invasion of Iraq by the US (with UK collusion) in March, 2003, was a disastrous war of choice that seemed to flow from an exceptionalist conceit expressed in George H.W. Bush's State of the Union address of 1992, that "A world once divided into two armed camps.....now recognizes one sole and preeminent power, the United States of America."

In Russia, that assumption of unipolarity ignited multiple grievances that Putin addressed in leading his coun-

try's climb back from its ruinous and ultimately humiliating descent into chaos at the end of the Cold War. He chose — as would Donald Trump — to prioritize nationalism over internationalism.

**“ Putin has morphed from being an international disrupter to an outlaw, indeed armed with thermonuclear weapons, the autocratic ruler of a society still traumatized by its convulsive and essentially unsuccessful and violent history. ”**

Assertively championing the ascent elsewhere of often illiberal nationalism, Putin became increasingly vexed by independent Ukraine's growing orientation to the EU and NATO as partners of choice. Russia processed Ukraine's embrace of Europe and democracy as a threat fomented by Western interests. The invasion on February 24 was a consequence.

Few commentators and analysts believed Russia would launch an all-out invasion of Ukraine. Despite his increasing hostility to the West, Putin was considered fairly pragmatic, reasonably cautious, and certainly rational enough to avoid incurring punitive reprisals and international pushback.

**T**he invasion and destructive war that converted battlegrounds into crime scenes, now defines Putin as a throwback renegade.

Putin has morphed from being an international disrupter to an outlaw, indeed armed with thermonuclear weapons, the autocratic ruler of a society still

**“ Zelensky himself has acknowledged the war 'will only end through diplomacy' while 'each negotiation reflects the facts on the ground.' ”**

traumatized by its convulsive and essentially unsuccessful and violent history. He mobilizes passive Russians through self-serving lies and half-baked historical fantasies that explosively validate the dictum that the "The first casualty when war comes is Truth," a dictum from and for the ages, and never truer than in this age of disinformation.

In the communications war, Ukraine's plight, its heroic defence of its sovereignty, its charismatic leader, and the broader stakes of defence of the rules-based security order together feed the narrative of one of the most effective military assistance and fundraising campaigns in history, providing an arsenal via aid that this year will exceed Ukraine's defence budget several times over. Recent billion-dollar upgrades include advanced rockets and missiles intended to stanch Russian ambition and lead to negotiation.

Zelensky himself has acknowledged the war "will only end through diplomacy" while "each negotiation reflects the facts on the ground." Despite growing pressures on Western economies, there must be no sign of relenting.

At the same time, in parallel with our immediate preoccupations with persevering to save Ukraine and the prohibition on aggression, we need to reboot confidence in the rules-based system more generally, especially for the most economically vulnerable countries already reeling from the costs of climate change, COVID, and other near-calamities.

February 24th will always be remembered as the day a Ukrainian nightmare began. It will be remembered, too, as the day the nation's spirit rose to save it. We must enable it to be memorialized also as the date when the world successfully pushed back to save the pledge, once and for all, of "Never Again." **P**

*Contributing Writer Jeremy Kinsman served as Canadian Ambassador to Russia from 1992-96, as well as Ambassador to the EU and Italy, and High Commissioner to the United Kingdom. He is a Distinguished Fellow of the Canadian International Council.*

# Mea Culpa: The Conservative Leadership Process I Helped Invent Needs an Overhaul

*While the Conservative Party of Canada's revolving door leadership syndrome is often blamed on internal divisions, the process by which leaders are chosen may be a contributing factor. Spectacle nostalgia won't bring back the meatspace convention with its epic betrayals and riveting floor fights, but the current, one-member-one-vote selection process has serious flaws. Veteran Tory strategist and Earncliffe Principal Geoff Norquay, who helped create that system, has some suggestions.*

## Geoff Norquay

By September 10, the Conservative Party of Canada will have spent a total of 22 months of the past five years searching for a new leader. That's what two failed leaders and the search for a third gives you, and it's an awful lot of time for Canada's alternative governing party to be on hold – handcuffed by interim management, unable to plan for the longer term and not fully engaged in holding the government to account.

The reason for the party's long leadership contests is that they are based on a one-member-one-vote system accompanied by open recruitment, and that means the candidates need the time to sign up new members. Open recruitment has implications that are easy to criticize – that signing up new members is labour-intensive and expensive – so the party opens itself up to the possibility of under-the-table fundraising practices, bulk purchases of memberships on others' behalf and faked memberships. As *Globe and Mail* columnist Andrew Coyne recently wrote, "Even if the candidates are not corrupt, the process is corrupting, producing very different candidates, and leaders, than would otherwise be the case."

Open recruitment also exposes the leadership process to domination by self-interested lobby groups seeking to influence policy for as long as their chosen candidate is leader. It's widely suspected that Andrew Scheer won the leadership in 2017 through the recruitment of dairy farmers who bought memberships solely for the purpose of ensuring that the party maintained its longstanding opposition to ending supply management in the agricultural sector.

While leadership contests used to be managed in a completely different manner, through the delegated convention, it wasn't always that way. For the first 50 years of Canada's history, the leadership selection process was an informal and elite one, with both Conservative and Liberal leaders chosen through consultation involving the retiring leader, caucus members, senior party notables and fundraisers, and the governor general. By the 1920s, both parties had moved to leadership selection by a national convention, where each constituency association sent an equal number of representatives to elect the new leader. Within the former Progressive Conservative Party, this approach to choosing a new leader was in place until the mid-1990s.

After the crushing defeat of the Progressive Conservatives in the 1993 election, which saw them reduced to only two seats in the House, the new leader, Jean Charest, established a National Restructuring Committee to review the party's operations, governance structures, policy development and leadership selection process. Full disclosure: as director of research for the committee, I wrote the analysis that led to the adoption of one-member one-vote leadership selection by the first national party in the country to do so: Mea culpa!

As the committee met with party members across the country, they complained that the process of selecting constituency delegates for leadership conventions was "divisive and destructive." They argued that the scars left by these battles "are sometimes long-lasting or permanent, and hamper the reconciliation and reconstruction that must take place after the leadership is decided."

While some party members felt that the delegated convention "retains and supports the influence of the constituency association in the leadership selection process" thereby ensuring the future accountability of the leader, a clear majority wished to move to direct election by party members, seeing the new approach as "more democratic, open and accessible." They also argued that with every member being able to cast a vote for leader, "there is a great incentive to recruit new members to the party." A subsequent party convention sealed the deal, choosing the direct election leadership process, which was, in turn, adopted by the newly formed Conservative Par-

ty of Canada in 2004. All national parties in Canada have now adopted some form of member-based leadership selection.

On the face of it, direct election of the leader appeared to make a lot of sense. It was more inclusively democratic than the delegated convention, and it carried the added advantage of bringing “new blood” into the party through membership recruitment. When teamed with the 100 points per constituency system, which prevented constituencies with 2,000 members from overwhelming those with 200 members, it encouraged leadership candidates to recruit in the areas where the party was weakest. But here’s what one long-time Conservative says about that “advantage”: “Stacking riding associations has not gone out of fashion in the Conservative leadership selection process—it merely has morphed into flooding (by buying 10 or 20 memberships in some cases) virtually dormant riding associations to snatch up the 100 points.”

Open recruitment of new members and direct election has also displaced the most engaged local party activists and stalwarts who showed up through thick and thin, recruiting and coaching the next candidate, fundraising, running the campaign office and knocking on doors at election time. Today, who knows if the thousands of new members recruited to support a specific leadership candidate will stick around to contribute locally for the long haul?

Despite the imperfections of the delegated convention, political parties lost a lot with its demise. Local delegates to a leadership convention were deprived of the opportunity to meet as a party, bond with fellow members and participate in a national spectacle. As historian John Courtney has written, “Competition is made for television, whether in politics or sports.” A leadership convention that lasted several days presented a huge opportunity for the party to present itself to the people of the country on national television. Over successive ballots, the hand-to-hand combat among the



Michael Wilson (R) and Peter Pocklington (C) together moved to Brian Mulroney after the first ballot at the Progressive Conservative leadership convention in Ottawa on June 11, 1983. It was a delegated convention, with Mulroney winning on the fourth ballot. *Colin McConnell, Toronto Star Photograph Archive, Courtesy of Toronto Public Library*

**“ A candidate can make the best speech of his or her life, but it doesn’t matter, because the votes have all been cast, sent and tabulated weeks before.”**

contenders was visible and transparent, as were the dynamics and excitement of coalition building on the convention floor, in real time.

It all made for some memorable moments:

- At the 1968 Liberal convention that chose Pierre Trudeau as leader, the TV cameras captured health minister Judy LaMarsh desperately trying to convince Paul Hellyer to withdraw in favour of Robert Winters to “stop that bastard Trudeau.”
- John Crosbie’s team brought a

massive, tricked-out blimp to the 1983 convention that elected Brian Mulroney Progressive Conservative leader. What could go wrong? Well, the blimp became uncontrollable and went rogue, cruising among the 5,000 delegates, crashing into press boxes and TV cameras. It was amazing television.

- At the NDP leadership convention in 1989, contender Simon de Jong dithered and fumed over whom to support once he was eliminated as he tried to find his mother to get her advice: “Oh Mummy, Mummy, what should I do? Where should I go?”

Contrast all that with what happens today in one-member one-vote leadership contests. The dealmaking for down-ballot support is all negotiated in advance among the contestants and in secret. A candidate can make the best speech of his or her life, but it doesn’t matter, because the votes have all been

cast, sent and tabulated weeks before. In a leadership with ranked preferential ballots, the suspense of successive votes is lost and the only way a party can sustain the viability of the TV event unveiling the new leader is to delay announcing the results of each ballot.

It's a good bet that the delegated convention is not coming back: reforms that increase participation and broaden democracy are rarely called back. But how could the Conservative model be improved, beginning with how could it be shortened?

The process for the replacement of Boris Johnson as leader of the British Conservative Party provides some useful ideas. Here's how that process is unfolding:

- Johnson resigned as leader on July 7
- On nomination day, which was July 12, eight candidates declared, having gained the support of at least 20 MPs to get to the first ballot
- Between July 13 and July 21, successive votes by the Conservative caucus a few days apart reduced

“It's a good bet that the delegated convention is not coming back: reforms that increase participation and broaden democracy are rarely called back.”

the number of candidates one by one, until only two remained.

- More than 200,000 individual members of the party, who have been paid up members for three months, could then choose the winner by postal ballot, with the outcome announced on September 5.

Several points about this process are striking. First, in the initial stage of the UK approach, the British Conservative caucus plays a much more important role than its Canadian counterpart in leadership selection; the British system ensures at least a minimum level of support among caucus members. Second, the round-by-round caucus votes to deplete the number of contenders simplifies the process for the party voters and eliminates the need for a transferable preferential ballot. Third, party member-

ships are frozen as of three months before the vote, so the need to recruit new members of the party simply does not exist. Fourth, the entire British process from start to finish was to be completed in two months, and at a fraction of the cost and significantly less wear and tear on the contestants and the party than the Canadian approach. Perhaps most importantly, the party will not be reduced to that status of a bystander for six months as it is in Canada.

As Canada's Conservative Party looks to future leadership elections, this is a model they might wish to consider. **P**

*Contributing Writer Geoff Norquay was lead adviser on social policy in the Prime Minister's Office for Brian Mulroney and director of communications under Stephen Harper in the Opposition Leader's Office from 2004-06. He is a Principal at Earncliffe Strategies in Ottawa.*



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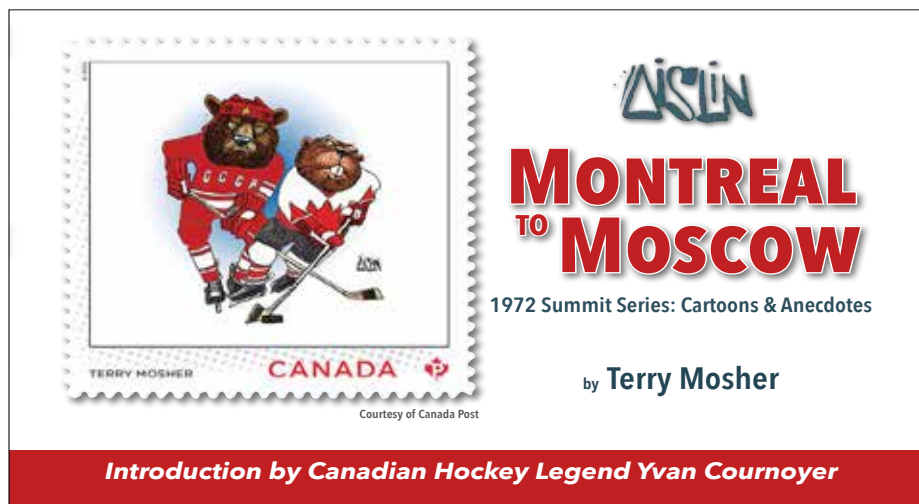
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# BOOK REVIEWS



## The Series of the Century, Rendered in Pen

*Montreal to Moscow: 1972 Summit Series Cartoons & Anecdotes*

By Terry Mosher

Aislin Publications/September 2022

Review by  
Anthony Wilson-Smith

Half a century ago, before he became the *éminence grise* (or *blanche*), of Canadian editorial cartoonists, Terry (Aislin) Mosher was the archetypal intense young man – burning dark eyes, black hair, and, on occasion, mood to match. Today, he is a member of the Order of Canada, immortalized on a Canada Post stamp, member of the News Hall of Fame, recipient of honorary degrees from both Concordia and McGill, and still cartoonist for the *Montreal Gazette*.

Mosher's snow-white hair, beard and twinkling eyes give him a Santa Claus look – without the waistline and with a harder edge when needed. On the eve of 80, he remains atop his game – and, by his own description, the happiest he's ever been.

But for a vision of who he was a half century ago, and how he matched the clan-

gorous times, read Terry's engaging new book, *Montreal to Moscow: 1972 Summit Series Cartoons & Anecdotes*, about the Team Canada vs. Soviet Union Cold War hockey series – four games across Canada followed by four games in Moscow – that transcended sports to become an indelible element of Canadian identity. Slim but packed with engrossing drawings, photographs and anecdotes, it details the on-ice and background drama during what remains the country's most storied sporting event, based largely on the odds-defying goal by Paul Henderson that clinched the series for Canada with 34 seconds to go.

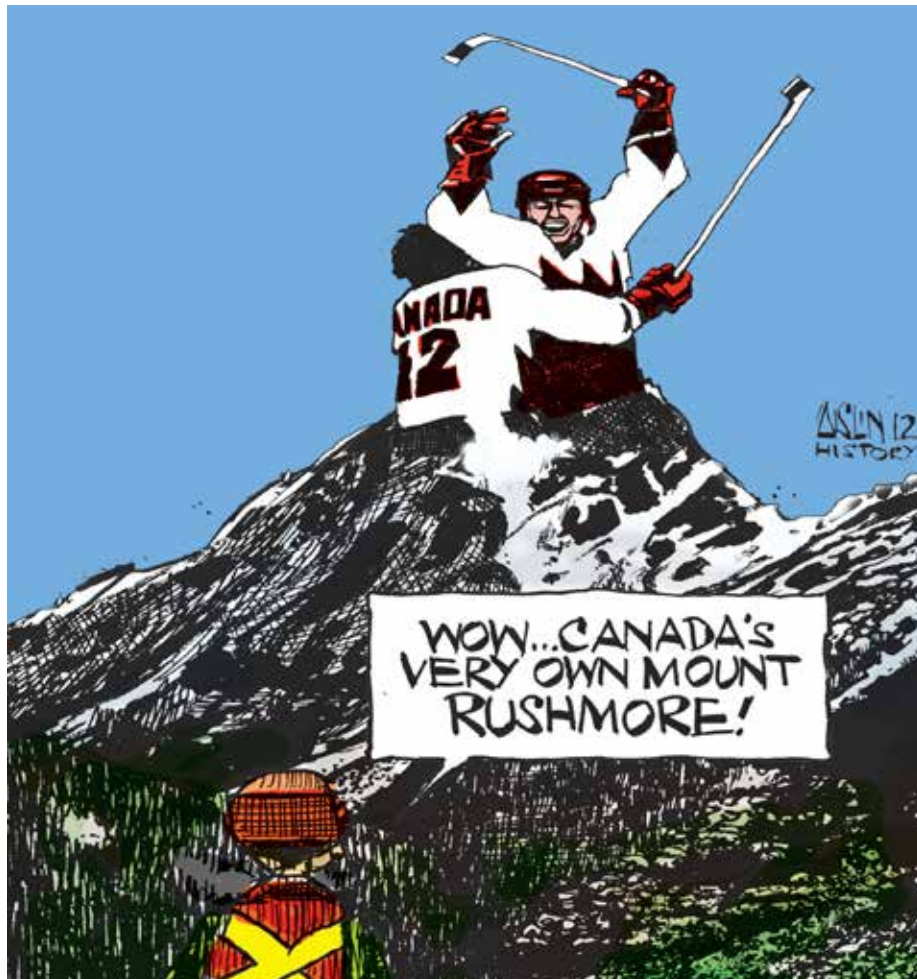
But before the goal of the century, there was the confidence of Canadian players and fans; the shock and despair as the Russians swept to three wins and a tie in the first five games; Canada's underdog comeback and, finally, the winning goal that sent the largest live television audience in Canadian history into paroxysms. To all that, Terry was a witness, from Montreal to Moscow. His notebooks, drawings and memories vividly re-create the period, and the passions, fears and bragging rights involved.

As the series began, the soft-power side of the Cold War rivalry between the Soviet Union and the West that played out in PR battlefields from chess boards to outer space was still in full swing. Quebec was still reeling from the after-effects of the 1970 October Crisis. Just days after the series began, 11 Israeli athletes were murdered by terrorists at the Munich Olympics. The United States was still in Vietnam and the Watergate conspiracy was still in its containment stage. But that September in Canada, all eyes were on the Summit Series.

In 1972, Terry was only five years removed from scratching out a living doing caricatures of tourists in Quebec City's *Vieux Quartier*. In photo-



Ken Dryden after the Russians filled the net with goals in Game 1 in Montreal. —Aislin, 1972



Paul Henderson is embraced by Yvan Courmoyer after scoring the most famous winning goal in Canadian hockey history, breaking a tie in Game 8 in Moscow with only 34 seconds left to play. —Aislin, 2012



Phil Esposito, taking some satisfaction in the outcome. —Aislin, 1972

graphs included, he has a cigarette in one hand, a beer or shot in the other – vices he put aside many years ago. His images and captions are sharp to the point of razor-tipped: a blood-spattered ice surface reflects the goonish behavior of Team Canada at times; a drawing of Moscow with Canadian tourists asking to buy the most basic food items and answered by a series of ‘nyet’s reflects the paucity of choice in Russian stores.

“ Terry was a witness, from *Montreal to Moscow*. His notebooks, drawings and memories vividly re-create the period, and the passions, fears and bragging rights involved. ”



Vladislav Tretiak emerged in the first half of the series as the virtually unbeatable star goalie of Russia —Aislin, 1972

The book reminds us how smoothly Terry moved beyond an early indifference to politics and world events to become a superb journalist and commentator. His descriptions of both sides – and countries – in this story are balanced and delivered in telling anecdotes. Some are heartwarming: Henderson gave the iconic number 19 jersey he was wearing when he scored his momentous goal – a triumph replayed today by fans of both sports and human drama in the hundreds of thousands on YouTube – to team trainer Joe Sgro as a thank-you. Years later, after changing hands several times, it sold for more than one million dollars.

*Montreal to Moscow* also reminds readers of how long – and thoroughly – Terry, as Aislin (the pen-name is after his first-born daughter), has been an integral part of Canadian life. Terry has chronicled our collective experience for so long and so well, it’s impossible to imagine a world without him engaging, enraging, amusing and arousing his readers. Happily, he’s far from done. With this book, he reminds us that even as the world lurches from one crisis to the next, we’ve been down bumpy roads before, and history is full of surprises. **P**

Contributing Writer Anthony Wilson-Smith, President and CEO of *Historica Canada* is a former editor-in-chief of *Maclean’s*.



# DISMANTLING GLOBAL WHITE PRIVILEGE

Equity for a Post-Western World

**CHANDRAN NAIR**  
Founder and CEO, Global Institute For Tomorrow

## Dismantling Global White Privilege: A Roadmap for Change

*Dismantling Global White Privilege:  
Equity for a Post-Equity World*

By Chandran Nair

Berrett-Koehler Publishers, 2022

Reviewed by  
Robin V. Sears

One of the few uplifting political trends of the past decade has been the growing strength of movements for gender equality and, even more surprisingly, the demand for racial justice. But a higher-level structure of discrimination governs both racism and sexism: The global dominance of a white power elite in virtually every arena of human activity.

Chandran Nair, one of Asia's most respected public intellectuals, makes a powerful case for the existence of a white thread connecting sectors as diverse as sports and finance, and seven others, in his new book *Dismantling Global White Privilege: Equity for a Post-Western World*. Chosen in June by the Financial Times as one

the best books of the season, Nair's thesis weaves an undeniable tapestry of how the McKinseys, Deloittes, the NBA, and global media are connected by the dominance of European and North American leadership and Western values.

Nair is an engineer by training, so his acute analysis of systems is not surprising. But he was also one of the most successful environmental consultants in Asia for more than three decades. He is now CEO of an Asian think tank, the Global Institute for Tomorrow. He has advised governments around the world, and as a senior board member of the Club of Rome is personally acquainted with the global club of white senior executives.

In sector after sector he points out the dominance of Western white-led organizations, from the World Bank to the big four auditing giants, to the Ivy League, to fashion and publishing. He challenges the liberal democratic narrative of our system of governance as being not only the best, but the only workable one in the world.

From my conversations with him, he refuses to take sides between China/US, for example. Acknowledges their racism and other dysfunctions, simply observes the West still rules, and China does not, and probably never will. Nair does not advocate for an acceptance of Chinese or any other authoritarian model. He focuses on the West because that is where the power and the problems are today.

He takes swipes at Western liberals' willingness to take tough stands on

“Nair is, perhaps inevitably, a little less granular in prescription, than in critical description. He acknowledges that there are many sectors – finance perhaps first among them – that will be deeply resistant to his demand for greater equity for non-whites.”

racism, while failing to promote non-white candidates to CEO level roles.

What makes his thesis so compelling is that he connects the elements that underpin global white privilege not only by sector and geography, but by history. He draws a straight line between early European traders in Asia, to colonialism to today. The legacy of decolonization, he maintains, is the appearance of independence and self-government, but the reality of white privilege continuing to control economies, alliances, and trade relations. He also connects today's American geopolitical strategy, so often grounded in the use of its military dominance, to the maintenance of Western commercial interests, most famously, of course, in oil.

He cites as well the casual dismissal of non-white deaths in such interventions, quoting former US Secretary of State Madeleine Albright, stunningly answering a question on 60 Minutes in 1996 about the 500,000 civilian deaths attributed to post-Gulf War sanctions against Iraq saying, “We think the price is worth it.”

As a sometime academic and frequent speaker at university forums, he wonders why the American Ivy League and Oxford and Cambridge dominate global academia to this day in power, wealth and rankings. He observes that the rankings are done by groups dominated by Western white privilege as judges, using factors of assessment uniquely suited to the established big universities.

Nair grew up in Malaysia and cites his own experience moving from a teen addicted to British and American rock and roll to an adult realizing that despite their “revolutionary” stance even the Rolling Stones were merely another evocation of the life of Western white kids. He grew into a music fan and musician now focused on Asian, African and Middle Eastern musical giants. He wonders why they do not get the same attention, even in their own countries, as the Anglo-American superstars.

He questioned as an adolescent why a Malaysian of Indian ancestry was studying Shakespeare, to the exclu-

sion of Asian literary giants such as Omar Khayyam, Laozi, or the Upanishads. He links this to continuing colonization of the minds of too many Asian students in a white Western literary and historical narrative. He calls, quite reasonably, for non-white students not to have to ingest these constructs as the price of their entry into and success in Western universities and commerce.

Given his 30 years of experience in environmental practice, Nair's critiques here are especially biting. What he dubs the "Whitewashed Environmental Movement," is guilty of many obstacles to a real path to sustainability. Challenging the role of the green public rockstars, an entirely white global leadership, he asks why this is so. The only possible explanation he claims is that we in the West believe non-white communities and organizations do not really care about the environment, or that they don't have the ability and resources to make real change, or that by keeping non-white critiques out of the green spotlight we ensure that white privilege's climate guilt can be deflected.

Whether you accept this searing critique or not, his citation of the games with numbers that rich societies play about environmental virtue are unchallengeable. Conceding both India and China's ongoing pollution and emissions issues, he points out that China is still the world leader in solar energy installation at 205,000 megawatts (2019). More than three times number two, the US at 62,000.

Nair is, perhaps inevitably, a little less granular in prescription, than in critical description. He acknowledges that there are many sectors – finance perhaps first among them – that will be deeply resistant to his demand for greater equity for non-whites. And he concedes the kinds of changes that he is calling for may require decades, even generations.

However, underpinning his entire thesis is not a naive assumption that the powerful will generously cede their power. That will never happen unless they are persuaded that failing to do so risks violent resistance, and the potential to lose much greater power. History offers support for such an approach. It was, after all Franklin D. Roosevelt's private message to Ameri-

can capital: accept my social justice reforms or risk communism. It worked.

His most powerful call to action is a detailed examination of how white privilege is built into early childhood education through to post-secondary study – and how to begin to transform and roll back its most discriminatory values. Transforming the attitudes of a Citibank or a Shell Oil executive about their responsibility for sustainability and justice cannot begin at that level. It must be set as universal values among the very young.

Nair has produced the first analysis, accessible to all readers, that clearly delineates the complex spider web that tightly binds the global dominance of Western, white-led business, governmental and academic organizations. If occasionally polemic, his thesis is compelling. The book deserves a wide audience in the corridors of power. **P**

*Contributing Writer Robin V. Sears served as Ontario's Delegate General to Asia in Tokyo from 1990-95, and later worked in the private sector in Hong Kong. He is now an independent crisis communications consultant based in Ottawa.*

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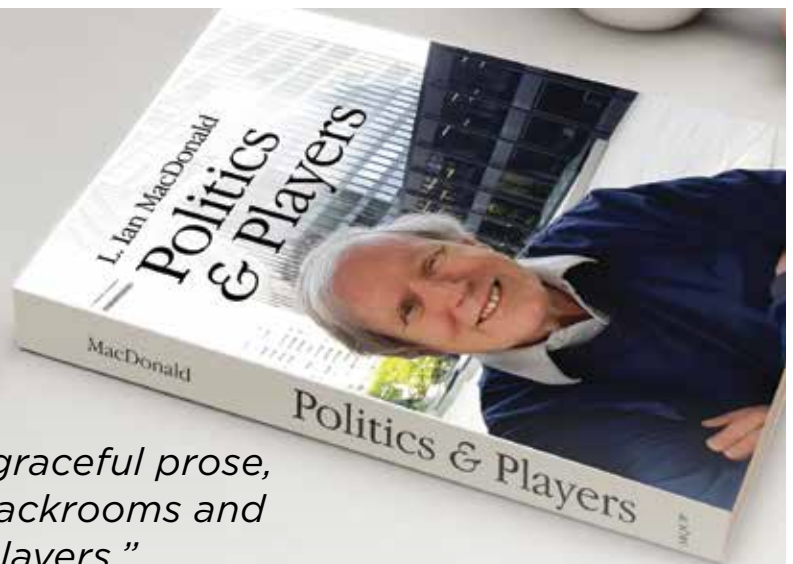
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# Helping Canada's Charities Serve More Canadians

*An open letter to Members of Parliament,*

Welcome back to MPs and Senators after a working summer break of meeting constituents, stakeholders and supporters. As the House and Senate resume sitting in mid-September, Parliament is expected to complete passage of Budget 2022.

The context is challenging—continued stimulation of the post-pandemic economic recovery while managing inflation amid rising interest rates. It's fair to ask what's achievable in terms of creating jobs without adding to the cost of the fiscal framework (FISC).

One such solution is at hand, and has been for years, with a modest tweak to the tax rules for charitable donations. The government can simply remove the capital gains tax on sales of privately held stocks and properties to be donated, as Ottawa did on publicly listed stocks back in 2006.

Since then, the Department of Finance estimates that charities across Canada are receiving \$1 billion a year in donations of listed stock. Eliminating the capital gains tax on donations of privately held stock and properties would stimulate additional donations estimated at \$200 million a year with foregone tax revenues estimated at only \$50 to \$60 million a year. In other words, a net benefit of approximately \$150 million a year to the FISC, to say nothing about the enormous benefit our charities, and the Canadians they serve would reap.

The beneficiaries will be hospitals and healthcare organizations, universities and colleges, arts and cultural organizations and social service agencies. These organizations, who employ more than two million Canadians, endorse this initiative and supporters have been advocating it for many years.

They've never needed help more than now. The Canada Helps platform forecasts in its 2022 "The Giving Report" that while the demand for charitable services will increase by over 25 percent this year, the number of Canadians donating will decline by 25 percent.

And with the highest inflation in 40 years, the situation is only more challenging.

That's where Parliament comes in – it could simply adopt a Ways and Means motion as part of the budget implementation bill. That would do it, at no cost to the FISC.

In French, this is called "le gros bon sens." Simple common sense.

It's the right thing to do. For Canada, and for Canadians.

Yours sincerely,

Donald K. Johnson, O.C., LL.D.

Director, UHN Foundation  
Chair, Vision Campaign, Toronto Western Hospital  
Member, Advisory Board, Ivey Business School, Western University  
Chairman Emeritus & Director, Business / Arts  
Member, 2022 Major Individual Giving Cabinet, United Way Greater Toronto  
Member, Honourary Board, The National Ballet of Canada

*“The beneficiaries will be hospitals and healthcare organizations, universities and colleges, arts and cultural organizations and social service agencies. These organizations, who employ more than two million Canadians, endorse this initiative and supporters have been advocating it for many years.”*

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