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Recommendations for a New Administration: Weed and Lead with Canada

By Christopher Sands | December 21, 2012

Canada is the United States' largest economic partner, with more than $1 million in trade per minute crossing the border every year. Canada is a security partner and close ally whose young men and women have marched alongside ours from the battlefields of Korea to Afghanistan.

In his memoir, former U.S. secretary of state George Schultz referred to diplomatic efforts with Canada as "weeding the garden" since such ties will flourish so long as occasional problems are resolved. Yet there are times in this relationship when weed pulling is not enough, when growing conditions threaten the garden's viability and require rethinking of the management of the garden.

Deepening economic integration has reshaped the largest bilateral trading relationship in the world. Four areas stand out as priorities for the U.S. administration in 2013: energy infrastructure; regulatory cooperation; border security; and global affairs. In each case, a persistent "weedy" problem points to a larger challenge that requires greater presidential engagement in U.S.-Canada relations for the United States to overcome it. That challenge suggests the need to:

- Collaborate more on energy infrastructure,
- Strengthen border security,
- Cooperate on global affairs, and
- Improve the quality of senior leader engagement.

Energy Infrastructure

Former Canadian ambassador to the United States Derek Burney recently wrote in an article that appeared in *Foreign Affairs*,

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> "Obama's [Keystone pipeline] choice marked a triumph of campaign posturing over pragmatism and diplomacy, and it brought U.S.-Canada relations to their lowest point in decades."[1]

Burney goes too far in blaming President Obama personally and impugning his motivations, but the reason that the delay in approvals for the Keystone XL pipeline (to bring oil from Alberta to refineries on the U.S. Gulf Coast) rankles Canadians is that it points to a deeper problem in the way that the two countries cooperate over energy infrastructure.

Canada is the United States' largest foreign energy supplier in every category: oil, natural gas, electricity, and even uranium. New capacity in oil, gas, and electricity production is now being developed that could increase energy supplies for U.S. consumers—but only if new pipelines and powerlines can be sited, permitted, and built to bring this energy to the U.S. market. This challenge is more complex because the required approvals involve federal, state, and local governments and often several different firms. The strategic benefits of secure access to Canadian energy—both geopolitical and economic—are significant, and the next administration should take steps to reform approval processes for the energy transportation infrastructure that will be needed for the coming century.

Regulatory Coordination

Another source of bilateral friction has been the imposition by the U.S. Congress of mandatory "country of origin" labeling for beef and pork products in the United States. The requirement is burdensome for producers that operate on both sides of the border: breeding, grazing or feeding, and slaughtering livestock. Some U.S.-only producers supported the new rules in the hope that it would give them a marketing advantage, but the compliance costs of documenting and certifying the origin of beef and pork for other producers are significant and likely to raise the cost to consumers.

Country of origin labeling is just one contentious episode in a long series of conflicts over domestic regulation between Canada and the United States. While the North American Free Trade Agreement (NAFTA) promised a single market for goods and some services in North America, domestic regulations continue to establish barriers to a product being sold without modification to consumers in both countries.

The Clinton administration attempted regulatory cooperation with Canada and Mexico through a dozen NAFTA Working Groups, and the George W. Bush administration similarly established working groups under the Security and Prosperity Partnership of North America for this purpose. Neither made significant progress. The Obama administration established parallel regulatory cooperation commissions with Canada and Mexico, but these have taken only tentative steps to address a small number of areas. None of has begun to address state and local regulation, and none has engaged the Congress—source of the statutory authority for federal regulation in the United States.

Whereas major economic competitors such in the European Union and China have established a single market with a single regulatory system, U.S. firms face a bewildering patchwork of rules and rising compliance costs operating in North America. The next U.S. administration should redouble efforts to clean up regulatory cooperation with Canada and press the Congress to help in the process.

Border Security

Even before September 11, 2001, there were calls for an additional bridge crossing the Detroit River; the current Ambassador Bridge is the busiest crossing on the entire border, carrying roughly 25 percent (by value) of all bilateral trade and serving as a crucial link in the automotive supply chain. The Bush and Obama administrations made construction of a new bridge a priority, as did their Cana-

[1] Derek Burney and Fen Osler Hampson, "How Obama Lost Canada: Botching Relations with the United States' Biggest Trade Partner," *Foreign Affairs* (June 21, 2012), http://www.foreignaffairs.com/articles/137744/derek-h-burney-and-fen-osler-hampson/how-obama-lost-canada#.

dian counterparts, but opposition in the state of Michigan held up the project until earlier this year. Today the challenge is to better connect and coordinate security efforts and investments on both sides of the border.

The Obama administration and the Harper government sought to promote border security cooperation by launching the Beyond the Border initiative in 2011. It has already begun work to enable the sharing of traveler information, cross-training of law enforcement and first responders, increasing participation in trusted shipper programs, preinspection and clearance of shipments before they reach the border, and coordinated efforts to identify and arrest homegrown terrorist suspects.

Military cooperation, exemplified by NORAD (a joint command under which U.S. and Canadian air forces identify airborne threats and coordinate the dispatch of fighter jets to meet them), provides a model. Officials involved in the Beyond the Border talks should be encouraged to think ambitiously so that the fortification of the border can gradually be replaced by seamless security and law enforcement collaboration and intelligence sharing that is both more effective as a deterrent to terrorism and less disruptive of commerce.

Global Affairs

As the United States works with Canada to improve energy infrastructure, regulatory cooperation, and border security, it should also do so with Mexico. Although the Bush administration established trilateral structures for cooperation among all three governments, Canada has insisted on bilateral structures with the Obama administration. Canadian officials believe that strong rule of law and governmental capacities, cultural similarities, historical ties, and comparable standards of living incline Canada and the United States toward easier cooperation. By keeping Mexico on a separate track, Canadians hope that U.S.-Canada talks will make faster, more significant gains. The resultant duplication of effort taxes U.S. officials, particularly in domestic regulatory and security agencies. Efforts to coordinate U.S. negotiating positions and promote convergence—so that Canada and Mexico adopt compatible (and often U.S.) standards as new norms—are complicated by the fact that similar talks on regulatory cooperation, supply chain security, energy and environmental policy, and technology are underway between the United States and partners in Asia and Europe.

Presidential time and attention is a scarce and precious resource in any U.S. administration. In 2013, the president should provide firm leadership and reintegrate the current dual-bilateral talks between the United States and its North American neighbors. Canada will object, but reintegration will foster the development of continental standards and practices that can more effectively promote North American economic competitiveness.

Beyond North America, the president has an opportunity to strengthen the U.S. position in the Trans-Pacific Partnership (TPP) and the Transatlantic Economic Council (TEC) talks by establishing coordinated positions and objectives with the governments of Canada and Mexico. Canada and Mexico joined the United States as TPP members in 2012, making a joint approach easiest in this forum. Mexico has a trade agreement with the European Union, and Canada and the European Union are negotiating now. The United States could learn from these talks and, rather than allow EU negotiators to play the three North American countries off one another, establish a common approach to advance the interests of all three and generate additional leverage for market access and standards setting within the European Union.

The beginning of a new administration in 2013 is an opportunity for more than weeding out small problems in the U.S.-Canada relationship. The small problems in recent years point to larger challenges in the bilateral relationship that will require a significant investment of presidential time and commitment to resolve.

Successful negotiations with Canada create momentum for deals with other allies that advance of U.S. norms and interests. From NATO to NAFTA, successful administrations, from Franklin Roosevelt's to Ronald Reagan's, have engaged Canada first as a catalyst. Doing so requires presidential leadership, commitment, and a clear-eyed view of the larger challenges that does not get dragged down into the weeds.

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