

EBTC NEWS

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SUBJECT: *Bad neighbour policy could leave both Canada and U.S. as losers*

SOURCE: *Laura Dawson, The Globe and Mail, 1/27/15*

Among Canada-U.S. watchers, I have been one of the slowest to admit that we are at a low ebb in bilateral economic relations.

Presidential permit on for Keystone XL pipeline? I argued that it's not about Canada, it's a U.S. domestic squabble. Country-of-origin labelling that excludes Canadian meat exports? I rationalized that Americans are concerned about the safety of food products from China and Canada got caught in the crossfire. No money for a bridge across the Detroit River but tens of millions of dollars to upgrade crossings to Mexico? Sure, I said, it makes sense to focus on security and immigration, and we'll get it next time around. Buy America restrictions on goods and services for a port terminal on Canadian soil?

There is nothing left but to admit that the White House is behaving with callous disregard for the relationship with Canada. Once in a while, you've got to do the right thing for your neighbours, even if doing so fails to score political points at home. This argument is lost on the current President.

And it's not just the United States. When faced with the opportunity to sit down and talk about North American priorities with President Barack Obama and President Enrique Pena Nieto of Mexico, Prime Minister Stephen Harper decided to cancel a long-planned leaders' summit proposed for early this year. The reasons he cancelled are not clear. Some speculate that pique over Obama's recent salvo against Keystone and Canada's unwillingness to give Mexico any comfort on visa reforms led the Prime Minister to avoid engaging with the North American free-trade agreement neighbours entirely.

As any marriage counsellor (or playground monitor) will tell you, you can't solve a problem if you don't talk about it. The silent treatment achieves precisely nothing and it leaves the shunner feeling even worse if the shunned go off and talk to each other.

It seems as though Mr. Obama and Mr. Harper are thinking more about the elections taking place over the next couple of years than they are about the economic challenges facing North America. The President, who cannot be re-elected, is attempting to carve out a legacy as an eco-warrior and an idealist. He will not yield to reason or concede to Republican wishes, even if it denies opportunities to Americans.

The Prime Minister, who wants to be re-elected, seeks to stop the clocks in order to better construct a campaign that claims credit for the positive elements of the Canada-U.S. relationship (primarily found in the Beyond the Border and Regulatory Co-operation Council initiatives) while heaping shame on U.S. bullies for pipelines, pork and ports.

But locking in the status quo and eschewing progress in favour of legacies and campaign promises serves the public very poorly. Change is the only constant in the global economy. Through investments in technology and reshoring, manufacturing in North America may be wobbling back to life even as the carbon fuels cash cow is faltering. What we need to manage this paradox and widen the window of opportunity is leadership, vision and big ideas.

Do you remember the role of big ideas in the North American relationship? They are now the stuff of history books but they gave us the confidence to build great trade routes such as the St. Lawrence Seaway and cross-border stewardship plans like the Boundary Waters Treaty and the acid rain agreement. They gave us bold trade agreements such as the auto pact, the Canada-U.S. free-trade agreement and NAFTA.

Today, the relationship is characterized by churlish griping with very little forward motion. Big ideas require sustained co-operation, dialogue and a willingness to do the right thing.

The world is changing around us. North America's relative economic strength in the world is plummeting. Citibank and PricewaterhouseCoopers predict that by 2030, Asia will be the centre of most global trade and by 2050 even Africa will leave North American trade in the dust. We can't afford to sit around and watch an election clock before taking action.

Canada and Mexico are the largest U.S. trading partners. The United States gets away with shoddy treatment of its best customers because the partners pose no credible threat of retaliation. We're not going anywhere. We're not going to stop selling them goods and services. Similarly, U.S. companies invested in Canada are tuned into long-term economic signals, they're not going to leave as a result of short-term political melodrama.

But succumbing to petty squabbles misses the larger point. Canada and the United States are not going anywhere in the global economy if we don't do it together. Mexico offers us a lifeline into emerging markets and we mostly ignore it. Meanwhile, China has eclipsed us in basic manufacturing and development of new markets.

North America can strike back with rapid, focused investment in human capital, technologies, infrastructure, and red tape reduction to make the border less important. But a counterstrike requires big thinking and big co-operation, not the bad-neighbour policy. As long as we are held captive by small mindedness, we are going nowhere.

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