Canadian Politics and Public Policy

Policy

Trudeau, Trump and Trade: The New Deal

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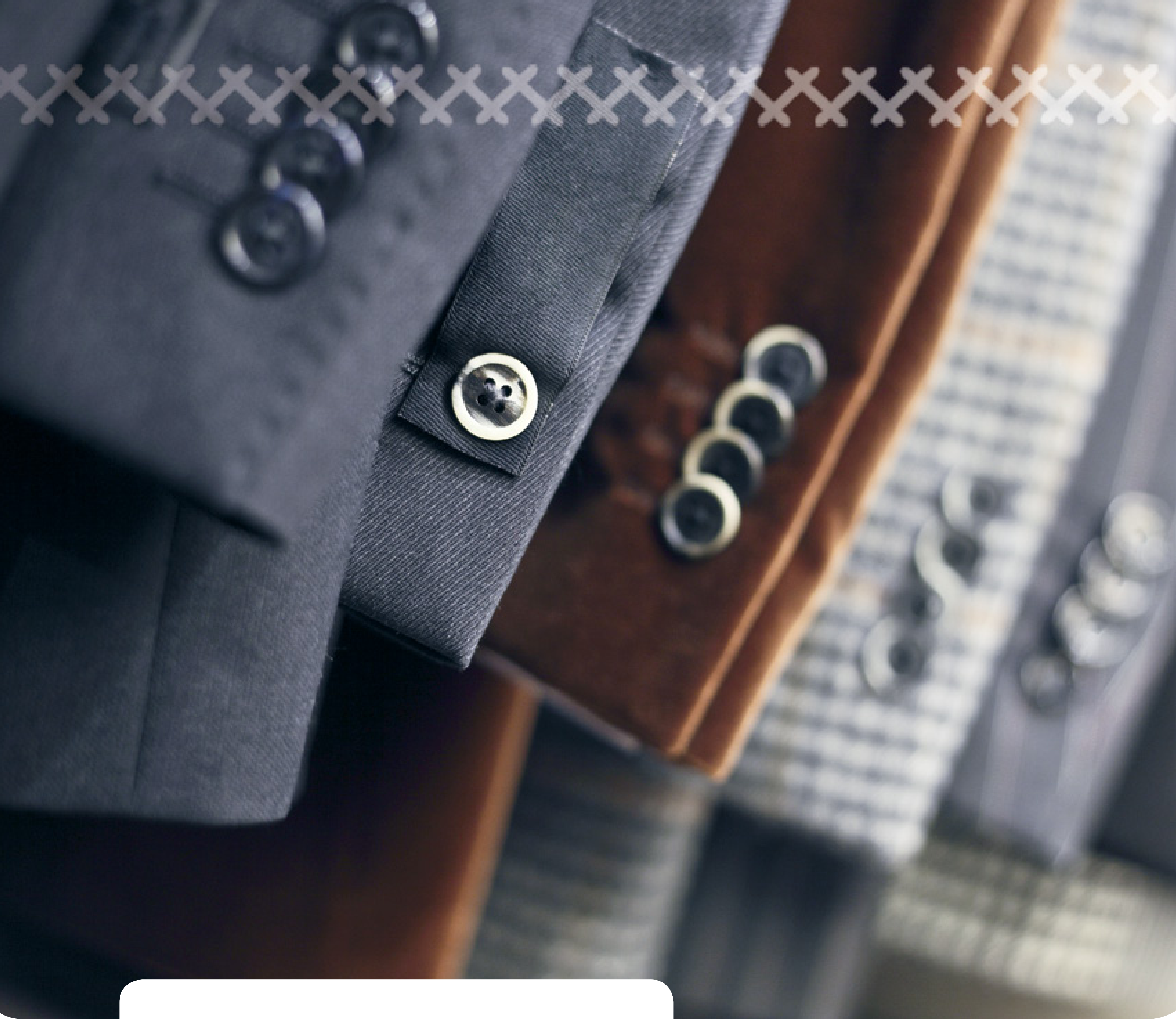

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Canadian Politics and Public Policy

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Policy

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Printed and distributed by St. Joseph Communications, 1165 Kenaston Street, Ottawa, Ontario, K1A 1A4

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From the Editor / L. Ian MacDonald

Trudeau, Trump and Trade: The New Deal

Welcome to our special issue on the new North American trade deal, NAFTA 2.0, or as Donald Trump has insisted on styling it, the U.S.-Mexico-Canada Agreement (USMCA), easy to recognize but difficult to pronounce.

It has been more than three decades since Canada and the U.S. negotiated the first FTA in 1987, and more than a quarter century since the NAFTA was negotiated to include Mexico in 1991-92.

Derek Burney was present at the creation of both, first as chief of staff to Prime Minister Brian Mulroney in the Canada-U.S. round, then as Canadian ambassador to the United States during the NAFTA talks.

There is a huge difference between then and now, in that Mulroney was dealing with rational political actors in Ronald Reagan and the first George Bush, both of whom had a closer who could deliver for them—James A. Baker, first as secretary of the treasury to Reagan, and then as secretary of state to Bush.

From the Canadian side, Burney played a somewhat similar role in both negotiations, and he offers his uniquely informed institutional memory, as well as his insights on the new USMCA, which he sees as "more as a source of relief than of celebration." Burney acknowledges the unusually difficult circumstances of dealing with Donald Trump.

From BMO Financial Group, the bank's chief economist Douglas Porter asks: "How do you spell relief?" And his answer is that while the deal "disperses clouds of uncertainty over the Canadian economy, it doesn't change the fundamental factors driving the longer-term outlook." Porter walks us through the details of the deal and the markets' view of it.

Sarah Goldfeder, a former adviser to U.S. ambassadors in Ottawa who also served for the State Department in Mexico, asks whether the deal "truly constitutes a win-win-win?"

The Munk School's Drew Fagan looks at the bilateral relationship in a time of tension and concludes Canada is walking on the razor's edge. From Washington, the Canadian American Business Council's Scotty Greenwood offers a retrospective of the Canadian-American relationship, a view from inside the Beltway.

Meredith Lilly, who was foreign policy and trade adviser to Stephen Harper, shares her assessment of the new deal. And John Weekes, who was Canada's chief negotiator of the first NAFTA agreement, offers his perspective on NAFTA 2.0.

And columnist Don Newman offers his take on the deal and its political implications for Canada in 2019.

In our *Canada and the World* section, we lead with Ed Greenspon and Kevin Lynch's timely appraisal of opportunities and challenges in trade between Canada and China, which they call "the 21st century's new great power." Representing only four per cent of the world's economy in 2000, they note that today "China accounts for 15 per cent and the U.S. 24 per cent. Those numbers are forecast to converge in a decade or so, after which China will surpass the U.S. as the world's largest economy." The Public Policy Forum has recommendations for Canada's engagement with China, which have been widely discussed since the October release of an 18-month study. Not to be overlooked—the issue of human rights in China.

Looking back at the Quebec election on October 1, Graham Fraser makes the case that what started out as a boring campaign became a fascinating one—the first since 1970 in which sovereignty was not on the ballot, which allowed François Legault to make the case for change from the dominance of the Quebec Liberals and the Parti Québécois. Legault's Coalition Avenir Québec won 74 ridings in the 125-seat legislature, a thumping majority, while the Liberals had their worst showing since Confederation and the PQ lost recognized party standing in the National Assembly.

Dalhousie University's Lori Turnbull looks at the New Brunswick election, which resulted in a minority government leading to a hung parliament that convened on October 23. She looks at the constitutional and political implications of the situation.

Robin Sears looks at the confirmation of Brett Kavanaugh as U.S. Supreme Court justice and compares the process to Canada's.

Looking at the energy, environmental and economic implications of Ottawa's Bill C-69, Enbridge EVP Bob Rooney offers an industry perspective on taking the time to get it right for stakeholders on all sides, including Indigenous peoples.

Finally, we offer two reviews of important books for the holiday season. Anthony Wilson-Smith looks at *Power, Prime Ministers and the Press*, a history of the "historic love-loathe relationship between the Parliamentary Press Gallery and the government of the day" from 1867 to the present. No one brings stronger credentials than author Bob Lewis, who spent 35 years working in the Gallery and working with his parliamentary writers as editor of *Maclean's*.

In a time of dysfunction in Washington, *Policy* Associate Editor Lisa Van Dusen finds perspective in Doris Kearns Goodwin's portrait of four great American presidents, *Leadership in Turbulent Times*.

Enjoy. P

Prime Minister Trudeau meets with President Donald Trump of the United States during the G7 in Charlevoix. June 8, 2018. *Adam Scotti photo*

Beyond USMCA: The Enemy is Complacency

While the USMCA has yet to be ratified, Canada should begin strategizing beyond the stabilization of its North American trading relationships and look to the possibilities offered by the European trade deal, the new TPP and our potential trade growth with China and India. FTA and NAFTA negotiation alumnus and former Ambassador to the United States Derek Burney offers some guidance.

Derek H. Burney

The result of our trade negotiation with the U.S. and Mexico is more a source of relief than celebration, especially given the challenge of dealing with the highly unconventional Trump administration on trade. Better a deal than no deal or a bad deal. More commendable perhaps for what it retained than what it gained. With some warts to be sure but, on balance, a decent, respectable deal.

Let's consider first the talks, and how they came together in the end. The first nine months of the negotiation proceeded cautiously, with each side doing their homework and staking out their basic positions. Not a lot of consensus. The Americans decided that the best way to gain traction was to divide and conquer. So they moved first to reach agreement with the Mexicans and then turned their focus on Canada.

“We still face tariffs on steel and aluminum that have no basis in American law—none whatsoever. Imagine, Canada is an ally in NORAD, an ally in NATO, and a partner in the Five Eyes intelligence association and yet is subject to tariffs on the grounds of “national security”. That is absurd.”

My impression is that the two major outstanding issues with Canada were, number one, access for the Americans to the dairy market in Canada, which is highly protected under supply management. This, more than anything else, seemed to agitate Donald Trump, fueling many of his bombastic attacks on Canada.

Preserving the binding dispute settlement mechanism of the existing agreement, NAFTA, was of primary importance to Canada. Why? Because, when you're dealing with someone 10 times your size, you need to protect yourself from the arbitrary or capricious actions of any U.S. administration.

That had been the *sine qua non* of the initial agreement, the FTA in 1987. It was preserved in the NAFTA, and Canada made it a “red-line” issue for us from the outset this time. The Americans wanted to get rid of it. We insisted that it stay. In the end, there was movement by Canada on dairy opening 3.6 per cent of our market (up from 3%) and by the U.S. agreeing to leave intact the dispute settlement provisions. That created momentum to resolve the remaining issues.

I suspect that the United States wanted to put a “win” on trade in the window before the midterms in November. After all, they are fighting everywhere in the world on trade. They obviously saw political advantage in being seen as getting rid of NAFTA (“promise kept”), even if only nominally.

Canada held firm against the most egregious U.S. demands—scrapping dispute settlement and supply management, insisting on 50 per cent U.S. content for autos, attacking our exemption for culture, etc.—and the Canadian team deserve credit for that.

What did Canada gain? Some of the modernization measures that were imported from the Trans-Pacific Partnership (TPP) negotiation, whether on digital commerce or the facilitation of business travel, should yield increases in access for Canada to the U.S. market.

We have accepted a managed trade quota on the auto sector, one that offers significant headroom for growth. That is a big plus given the importance of the auto sector to our exports. The auto parts firms have room to grow and the unions see the wage rate increases accepted by Mexico as helping create a more even playing field. On balance, a good result.

We also wanted more certainty for investors and the deal has given us a degree of certainty, or at least tempered some of the uncertainty.

What did we miss out on? We still face tariffs on steel and aluminum that have no basis in American law—none whatsoever. Imagine, Canada is an ally in NORAD, an ally in NATO, and a partner in the Five Eyes intelligence association and yet is subject to tariffs on the grounds of “national security”. That is absurd. For industries that are fully integrated, these tariffs make neither practical nor strategic sense.

I know that our government claims that they represent a separate issue but these tariffs, and threats of more, were used blatantly to cajole concessions at the negotiation table. We can only hope that they will be removed expeditiously after the congressional elections

Is it fair to say that things haven't changed that much? Yes, but never forget that what has changed and remains most troubling is the “America First” approach to trade generally by the U.S. With the original FTA, and with NAFTA, there was a consensus and a degree of trust among the leaders about the objective—mutually beneficial trade liberalization that would make the bloc of NAFTA more competitive in the world.

The fact that President Trump had a very different attitude about trade made these negotiations more arduous, if not exasperating. He clearly missed the lesson on mutual benefit.

“This negotiation had a serious handicap, and I take my hat off to the Canadian negotiating team in particular for their stamina and resolve. They ignored the president's barbs and tweets, held firm against key U.S. demands and dealt pragmatically with the substance.”

This negotiation had a serious handicap, and I take my hat off to the Canadian negotiating team in particular for their stamina and resolve. They ignored the president's barbs and tweets, held firm against key U.S. demands and dealt pragmatically with the substance. Yes, the result is essentially a do-over of NAFTA, although we can't say that because it's a title that's been expunged from the vocabulary. At Trump's insistence, it's now the USMCA, the U.S.-Mexico-Canada Agreement.

One new thing is the "non-market economy" restriction in Clause 32, the so-called China Clause. The clause stipulates that when one of the three USMCA countries wants to begin trade negotiations with a non-market economy, the other North American countries must be given three-months' notice.

That may be more political rhetoric aimed clearly at China than binding substantively. In my opinion, it has no place in this trilateral trade agreement.

I see it as a "knuckleball" one that was deemed essential by the Americans. I would hope that our government will do everything possible to show that this has no binding effect on Canada. If it had any effect, this restriction would be extraterritoriality out of control, and would raise questions of sovereignty.

We have misfired in our approaches to China thus far. I think we have to redouble those efforts and get more serious—not just with China, but with India as well.

Diversification has to be more real than rhetorical as an objective for Canada when it comes to trade. We're never going to replace the U.S. as our number one customer. But we do have to find opportunities elsewhere, especially in economies that are growing faster than the economies in North America.

The mini-TPP gives us good access to Japan, Malaysia, Vietnam, and other signatories. We have the Comprehensive Economic and Trade Agreement (CETA), which gives us preferential access to Europe. We need to make better use of those agreements and, as well, negotiate significant new agreements in an increasingly volatile global environment.

The biggest handicap I see in Canada is complacency. We've become too comfortable in the cocoon of dealing with the Americans for 75 per cent of our trade. There are other opportunities, other outlets for Canadian exports. The new LNG facility in Kitimat is an excellent opportunity for Canada to open the vista, especially to the Asian markets where there's strong demand for our natural gas.

We also have to take a hard look at our declining competitiveness in North America, especially on the tax and regulatory front. As the smaller economy, that is not a luxury we can indulge.

This agreement in principle is the first concrete step towards a new trade agreement. But it has to be approved by Congress, which has the ratification authority for trade and delegates the negotiating authority to the administration. Once the administration provides the details of the agreement, Congress then has to vote its approval. Per the provisions of fast-track trade promotion authority, they can only vote up or down without making changes to the agreement.

If the agreement passes, then Congress has to approve implementing legislation. Which means we're looking to 2019, at a minimum, before all of the Congressional actions take place.

We have to do the same in Canada with our Parliament. But when the executive and legislature are combined, as in our system, it is more straightforward. The Mexicans have a new administration coming in December, and a new Congress of the Union taking office in December. The team that is signing the agreement will be gone.

Throughout all the pending steps we have to remain attentive, keep our wits and ensure that the review and the legislation are consistent with what has been agreed and that no new hooks surface. Above all, remember that "it's not over until it's over, and in Washington it's never, ever over."

There are a lot of pitfalls ahead on the trade front in a world where protectionism, populism, nationalism and "America First" are getting political traction. But hopefully the success of this negotiation will have a therapeutic, calming effect.

Canada has to do a couple of things. The Trump Administration is doing its level best to undermine the World Trade Organization and the global rules governing trade. So, Canada, together with Japan, the Europeans and with other major players at the WTO, should look at pragmatic ways to strengthen the disciplines and the rules underpinning the WTO.

Complaints about China as a non-market economy stem from the fact that they're not playing by the rules, especially on intellectual property, and that is a valid criticism. It would be best to tackle that overtly and collectively at the WTO.

Secondly, diversification has to be more than part of the trade minister's title. We must get more serious about negotiating with countries, even those that do not share our values or that have political systems different from ours. After all, China is a major part of the global economy, soon to become number one. We have to decide whether we are going to deal with the world as it is or as we wish it were.

We have to determine from analysis whether we can get a proper negotiation with China that suits our interests without compromising our fundamental values. We have complementary economies. There's scope for negotiation. It's not without its dangers but it is worthy of serious attention.

A similar approach to India has obvious merit and would also enable us to use a negotiation with one Asian giant as leverage on the other. We should do it in a more coherent and strategic manner than what has been attempted over the past decade.

We have an image of being a risk averse, cossetted economy and that is unfortunate. We have entrepreneurs with brilliant ideas, innovation skills, all of that. But we have to be more ambitious, more confident and strive for opportunities beyond North America while making the most of those in our immediate neighbourhood. **P**

Derek H. Burney, Senior Strategic Adviser at Norton Rose Fulbright, was chief of staff to the Prime Minister during the negotiation of the Canada-U.S. Free Tree Agreement in 1987, and Canadian ambassador to the United States during the NAFTA negotiations of 1991-92.

Prime Minister Justin Trudeau and Foreign Minister Chrystia Freeland in the PM's Centre Block office, reviewing the new U.S.-Mexico-Canada Agreement before their press conference announcing the new deal on October 1. *Adam Scotti photo*

How Do You Spell Relief? U-S-M-C-A

The new NAFTA 2.0, the United States-Mexico-Canada Agreement, remains to be ratified. But the specifics of the deal are now known and no one is better qualified to outline the details and implications than BMO Financial Group Chief Economist Doug Porter.

Douglas Porter

While the new USMCA disperses the cloud of uncertainty over the Canadian economy, it doesn't change the fundamental factors driving the longer-term outlook. The initial financial market reaction to the deal was one of relief, but the positive vibrations didn't last long, given that it didn't move the needle on Canada's broader economic outlook. As well, there is the nagging reality that the new agreement must still be ratified by all three legislatures, including a new U.S. Congress. Finally, the conventional wisdom in markets was always that a deal would eventually get done, and the only uncertainties were around timing and the details—so the deal ultimately had little lasting impact on markets or consensus projections.

WHAT'S IN THE DEAL AND WHY IT MATTERS

- **Lifespan:** The United States-Mexico-Canada Agreement, or USMCA, will last for 16 years, with a review to be made at the six-year mark. At that point, the three countries can extend the agreement or begin formal negotiations to fix any irritants. However, as before, any party can still decide at any time to exit the agreement after six months' notice.
- **The dispute settlement mechanism** for countervailing and anti-dumping duties (Chapter 19) in the original NAFTA and not part of the U.S.-Mexico deal, is retained. This was a Canadian red-line issue and was the sticking point in the original FTA negotiations in 1987.
- The **state-to-state dispute resolution mechanism** (NAFTA's Chapter 20) was already retained in the U.S.-Mexico deal. The investor-state dispute settlement mechanism (NAFTA's Chapter 11) will be eliminated between Canada and the U.S.
- **Supply management: U.S. dairy farmers** will get access to just under 3.6 per cent of Canada's protected market. Canada has agreed to eliminate its Class 6 and Class 7 milk categories within six months. Given that Canada's dairy market is growing by roughly 1 per cent per year, and that the import quotas will be phased in over six years, Ottawa believes that the industry can adjust to the changes. Even so, the federal government intends to compensate dairy farmers. Poultry and egg producers are also relinquishing market share, with poultry opening up by almost 5 per cent over a six-year period and egg producers ceding 1.3 per cent with no phase-in period. It's debatable whether consumers will ultimately see much impact from these adjustments. Note that dairy prices are already on track to drop this year for the fifth time in the past six years, according to the Consumer Price Index.
- **Autos:** Automotive production will be subject to higher North American content provisions for duty-free shipments across the three countries, with a minimum 40 per cent coming from USMCA jurisdictions that pay workers at least US$16 per hour. There's a "side letter" guarantee that potential U.S. Section 232 tariffs on automotive products will not be applied to Canada or Mexico up to a certain limit. Canada agreed to a 2.6 million passenger vehicle duty-free limit per annum and US$32.4 billion in parts (light trucks are exempt). These are not binding constraints as Canada currently produces just under two million light vehicles for its domestic and export markets, and currently exports just over C$23 billion (or roughly US$18 billion) in parts. Effectively, this portion of the agreement is a safeguard that Canada will not become a high-volume producer in the future; given that Canada's vehicle production has trended lower since 1999, this had a low probability. We judge the overall effect of the auto agreement as a net positive for Canada.
- **U.S. steel and aluminum tariffs:** These remain in place, as do Canada's retaliatory tariffs. A quota system is a possible replacement, but this issue may not be settled until the agreement is officially approved by all three nations. A broader concern is that the deal does not limit the U.S. Administration from imposing Section 232 tariffs on other Canadian industries, apart from autos.
- **De minimis thresholds:** The threshold value of imported goods purchased online from the U.S. that qualify for duty-free access for Canadians rises from C$20 to C$150. Imported goods valued at less than C$40 will also be exempt from sales taxes. The higher thresholds have both benefits (to consumers and some small businesses) and costs (to retailers). Canadian consumers will enjoy lower prices and faster delivery times due to less customs processing, but this puts yet more pressure on a retail sector that already faces many deep challenges.
- **Prescription drugs:** Canada will extend the patent protection for certain prescription drugs (biologic drugs) from eight to 10 years. This is part of the deal that is a clear negative for Canada, since it will add to drug costs with little upside in return.
- **Cultural:** Previous protections for Canadian cultural industries are retained. However, Canada made concessions on copyrights (out to 70 years after death, from 50 years currently).
- **Restrictions on Canada's ability to forge free-trade deals with "non-market" countries:** The deal gives the U.S. and Mexico the right to review any trade deals that Canada forges with non-market countries (read China), and to abrogate the USMCA with six months' notice if unsatisfied. While opinions differ wildly, it's clear that the current U.S. administration would loom heavily over any possibility of a broad deal with China.
- **Establishing a Tri-nation Macroeconomic Committee:** The Committee will consult to prevent each USMCA member from embarking on a perceived "competitive devaluation". Since Canada has long abandoned the practice of using foreign exchange intervention to "manage" its currency, this might not be a big deal. Still, it could see the Bank of Canada second-guess policy decisions given the potential impact on the loonie. While the Committee seems innocuous, it may have challenged the Bank of Canada's rate cut in early 2015 (during the oil shock).
- **Eliminates the "Proportionality" clause in energy production:** The elimination of this clause is favourable for Canada's energy industry, as

it had the potential to limit its ability to reduce shipments to the U.S. and hence diversify sales to other faster-growing regions, such as Asia. The rapid rise in U.S. oil production in the past decade made this clause from the original FTA all but redundant from a U.S. perspective.

IMPLICATIONS FOR MARKETS AND THE ECONOMY

- **The economy:** This deal was mostly about minimizing the negative impact on Canada from the harshest U.S. demands. While Canada made some concessions, the biggest positive from this deal is that it will remove a massive cloud of uncertainty for policymakers and businesses. We had been assuming that an agreement would *eventually* be reached, but the deal heavily reduces uncertainty surrounding our 2019 outlook. There is now upside risk to our call of 2.1 per cent GDP growth next year.
- **The Bank of Canada:** NAFTA and broader trade uncertainties have been a key issue for the BoC over the past year. Looking beyond the October 24 rate decision, a major downside risk has been cleared. Governor Stephen Poloz has stressed the *"gradual"* rise in rates, but that narrative may well change with a deal in hand. We are now anticipating three rate hikes in 2019 (January, April, and July). This would bring the overnight lending rate to 2.5 per cent, the low end of what the Bank considers to be neutral.
- **The Canadian dollar:** The currency initially appreciated moderately on news of the deal. This was more or less the market scrubbing out risk of a negative outcome, but Canada continues to struggle from a competitiveness perspective and the USMCA doesn't change that. Prior to the deal, we were looking for 78.5 cents ($1.275) for the end of this year and 80 cents (or $1.25) for the end of 2019. We remain generally comfortable with that call, although persistent weakness in Canadian oil prices has been a drag on the loonie.
- **Stocks:** A limited TSX reaction to the deal likely reflects the fact that much of the index was never all that exposed to a negative NAFTA outcome to begin with (we often argue that the index is not an ideal reflection of the underlying Canadian economy). And, the deal does little to address other weights, such as the record oil-price differential and slowing credit growth. The bigger picture is that Canadian equities are relatively cheap versus their U.S. peers, with the forward earnings yield gap recently trending around the widest level of the cycle—if the trade deal improves sentiment toward Canada more broadly, it could help eventually narrow that gap.
- **Government finances:** Ottawa made it immediately clear that it will offer some support to dairy, poultry and egg producers as an offset to the concessions made in the deal. Look for an announcement in the Fall Economic Statement or Budget 2019. The good news is that Ottawa's finances are tracking somewhat better than expected in the current fiscal year (running $4.5 billion ahead of last year in the first four months of FY 18/19). P

Douglas Porter is Chief Economist of BMO Financial Group.

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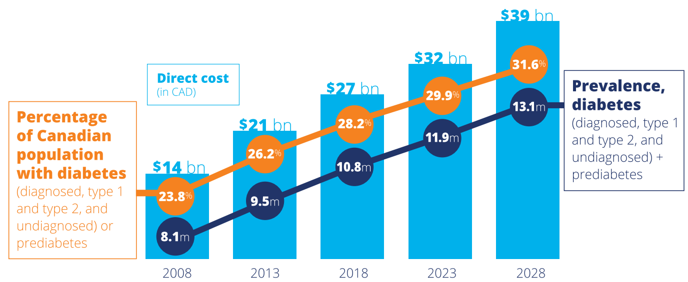
Canada’s Diabetes Epidemic

Kimberley Hanson

Director of federal affairs at Diabetes Canada

Economic Impact of Diabetes in Canada



Sources: Costs—International Diabetes Federation Diabetes Atlases; Prevalence—Canadian Diabetes Cost Model

For years now, a huge crisis has been growing, seemingly unnoticed by many of us—the diabetes epidemic. One in five Canadians has been diagnosed with diabetes, and one in three have either prediabetes or diabetes now. Costs to Canada’s health-care system are rising at a rate of about 40 per cent per decade, topping $27 billion in 2018 and showing no signs of slowing.

And at the same time as the rates of this chronic disease are skyrocketing, extensions to the ‘data protection’ period for some medicines under the USMCA may influence their pricing. The architects of a national pharmacare approach certainly have their work cut out for them as they tackle the many issues facing Canadians requiring access to effective and innovative therapies.

To be clear, about six million Canadians have diabetes, and when Canadians with pre-diabetes diagnoses are included, the number of Canadians living or threatened with diabetes rises to 11 million. To put those numbers in the context of our government, that equates to 113 of our 338 Members of Parliament having prediabetes or diabetes. That’s as many as every sitting member of Parliament who is *not* Liberal or NDP. Or two-thirds of the Liberal caucus.

Diabetes claims thousands of Canadian lives and disables tens of thousands more each year. It affects Indigenous Canadians far more adversely. What we are doing now to address this epidemic is, quite simply, not working.

But, just as government has played a critical role in addressing other health and natural crises, so can it play one in combating diabetes—by embracing a nation-wide strategy called Diabetes 360˚.

> *“At the same time as the rates of this chronic disease are skyrocketing, extensions to the ‘data protection’ period for some medicines under the USMCA may influence their pricing. The architects of a national pharmacare approach certainly have their work cut out for them as they tackle the many issues facing Canadians requiring access to effective and innovative therapies.”*

Developed in collaboration among 120 stakeholders, including nine provincial governments, Diabetes 360˚ contains evidence-based recommendations aimed at improving patient outcomes. It will enhance the prevention, screening and management of diabetes to achieve better health for Canadians. It will reduce unnecessary health care spending by billions of dollars, improve the lives of millions of Canadians and protect Canada’s productivity and competitiveness.

Diabetes Canada recommends that in Budget 2019 the federal government should establish a national partnership and invest $150 million in funding over seven years to support the development and implementation of the Diabetes 360° framework. Concurrently, the federal government should facilitate the creation of Indigenous-specific strategic approaches led and owned by Indigenous groups.

Diabetes 360˚ can save our health-care system billions of dollars in the short- and long-terms. For example, if every Canadian who has prediabetes had access to the proven Diabetes Prevention Program, we could prevent more than 100,000 Canadians from receiving a diagnosis of diabetes *every year*. If we improve the care that those already living with diabetes receive, research shows we could prevent a minimum of 5,000 amputations and 35,000 hospitalizations each year. That would save our health-care system $18 billion in the next decade alone.

There are also significant savings to be realized by Canadian businesses. According to Benefits Canada, employees living with diabetes cost their employers an average of $1,500 per year in lost productivity. And another $1,500 per year in extra benefit plan costs. Preventing those 100,000 Canadians per year from developing diabetes will save Canadian businesses a further $18 billion in the next decade.

Canada’s economic prosperity depends on a healthy workforce. Yet we know that the effects of living with this challenging disease impede the ability of those with diabetes to fully participate in the workforce. For employees who must take disability leave because of their diabetes, the leaves are on average 15 per cent longer in duration, and many remain on disability until death. Implementing the Diabetes 360˚ recommendations can help ensure Canada’s economic health at the same time it ensures our physical health.

Canada has a proud history as an innovator in diabetes including, Dr. Frederick Banting’s discovery of insulin in 1921. The 100th anniversary of this discovery is fast approaching, and by supporting Diabetes 360˚, Canada can retake a leadership role in the fight against diabetes.

For a strategic investment of $150 million over seven years, the federal government can achieve at least $36 billion in cost reduction, ensure the future health and prosperity of Canadians and truly make a difference for all Canadians affected by diabetes.

That’s just good public policy.

It Ain't Over if Trump's Not Winning: The USMCA Scoreboard

Part of trade negotiations, at least between and among democracies, is post-agreement positioning. Usually, a balance is sought between assuring constituencies that you weren't fleeced and that you didn't fleece in return; the optimal takeaway being that all sides can claim a win. When negotiating with an American president who likes winning even when there's no contest, the concept of win-win-win takes on new proportions.

Sarah Goldfeder

Donald Trump likes winning. More precisely, he hates to lose. So much in fact, that if he hasn't won, the game isn't over. Since he became the president of the United States, the ruling class has rushed to read and re-read the *Art of the Deal*, hoping to use it as an owner's manual of sorts—how to manage this disruptive force that is the leader of the free world. While it is simplistic to wholly subscribe to the narrative and strategies outlined in that book, they are at the very least illustrative. President Trump will not call the game until he has the most points on the board. September 30, the United States took the board in the renegotiation of NAFTA and the president both declared victory and the birth of the United States-Mexico-Canada-Agreement (the USMCA).

Does the final agreement reached by all three countries truly constitute a win-win-win?

In some cases, a win is avoiding a catastrophic loss—which is, at least in part, what the Mexicans and Canadians are pitching to their respective constituencies. Having the agreement in place is worth more than what was given up in the process. But that immediate high of having come to an agreement is quickly becoming a challenge to maintain. While both Mexico and Canada can count places where they gave up significant ground, it's hard to find an area where the United States walked away worse off than when they arrived.

> ***While both Mexico and Canada can count places where they gave up significant ground, it's hard to find an area where the United States walked away worse off than when they arrived.***

Each country had to bring an agreement back to their respective electorates that would symbolize victory for their domestic political equities. Mexico scored with the positioning that it was the partner that essentially made the deal possible, first by agreeing to an Auto Rules of Origin chapter that significantly reduces Mexico's advantages for manufacturing investment and then by bringing Canada back to the table.

Canada scored by securing an agreement in the wake of what was largely assumed to be a bilateral end-game with Mexico and maintaining the dispute resolution mechanism previously known as Chapter 19. The United States scored by securing above all a more restrictive rules of origin regime for textiles and autos, increased market access for agricultural products, and greater protection for intellectual property.

What did each country give up? The Mexicans agreed to auto rules of origin that will likely drive investment north, and to more robust labour standards, including legislating the ability to bargain collectively. The Canadians gave the Americans access to 3. 6 per cent of their dairy market and more significantly, agreed to the dissolution of class 7, a relatively recent creation that was a significant irritant in the bilateral relationship. In addition, Canada agreed to higher standards on intellectual property protections, and broader restrictions on data localization.

It is less clear what the United States gave up. They backed off on aggressive proposals for U.S. content in the automobile rules of origin, the sunset clause, and government procurement. Peanut, peanut butter and sugar tariff rate quotas (TRQs) were increased, allowing Canada greater access into the U.S. market. The United States also accepted more moderate increases in *de minimis* levels, rather than pushing for the other two partners to match the $800 U.S. rate on online import orders. And, notably, the United States allowed for the

President Donald J. Trump, joined by Cabinet members, legislators and senior White House advisers, announces completion of the United States-Mexico-Canada Agreement October 1, 2018, during a press conference in the Rose Garden of the White House. *White House Photo*

continuation of a dispute resolution mechanism that many within the Trump Administration consider to be an attack on U.S. sovereignty.

But then there are the side letters on the process for future American use of section 232 of the Trade Act of 1974. These are significant and a win for the United States at the expense of the Canadians in particular. Section 232 allows for the U.S. President to unilaterally assign tariffs on goods should the Department of Commerce determine that imports of that good are creating a national security threat. This is the same section of U.S. law that provided President Trump with the authorization to implement 25 per cent tariffs on steel and 10 per cent tariffs on aluminum. Canada has, from the beginning, argued that because of the unique bi-national nature of the North American Aerospace Defense Command, it is part of the American national security establishment, not a threat to it. The side letters on the process and TRQ for autos in the event of a 232 decision on auto imports only enshrine the U.S. argument that Canada (and Mexico) and their exports have the potential to be a security threat.

It is also worth noting that the steel and aluminum tariffs remain. While Minister Freeland and the USTR continue to discuss a path forward, even the political pressure of the retaliatory measures imposed by Canada has not appeared to be sufficient to hasten a conclusion. Kentucky Governor Matt Bevin, while calling the Canadian retaliatory measures a "cash grab" in an interview with CBC, also acknowledged that all tariffs are revenue producers.

The United States is having a rough time with its books in the Trump era. Tax cuts accompanied by increased spending on bloated military and homeland security budgets have combined to run up the national debt by 9 per cent (to $1.4 trillion despite economic growth rates that almost doubled (from 2.2 per cent in 2017 to 4.2 per cent in 2018). The federal coffers need funds and the tariffs are providing those funds readily—more so with every tranche of tariffs announced. In other words, those 232 tariffs and the diplomatic headaches they may have caused may be worth every penny for the U.S.

"This is the reality of the Trump era: free trade is no longer an aspiration. Managed trade is the future. Not only did the USMCA define a framework for how the three partners will trade with each other, it also dictates, at least in part, how the partners engage in trade with the world."

This is the reality of the Trump era: free trade is no longer an aspiration. Managed trade is the future. Not only did the USMCA define a framework for how the three partners will trade with each other, it also dictates, at least in part, how the partners engage in trade with the world. The North American integrated supply chain may appear to have been saved, but it will have to adjust to absorb the impact of the changes in this agreement. In the end, there should be no doubt that Donald Trump won, but on the question of whether or not this was a win-win, the only answer may be the argument that no one can prove. Are we better off with it than we would have been without? P

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Walking on the Razor's Edge

Trade negotiations tend to be a proxy process for the bilateral relationship status of the parties at the table. In the case of trade negotiations during the tenure of Donald Trump as president of the United States, that dynamic assumes a whole new level of delicacy. As the Munk School's Drew Fagan writes, the completion of the USMCA negotiations offers some insight into the state of our most important bilateral relationship in a time of tension.

Drew Fagan

On the shores of Lake Ontario, at the still-operating Cameco Corp. plant in Port Hope, uranium was processed for the United States Army and used in the world's first atomic bombs that destroyed Hiroshima and Nagasaki in 1945 and brought an end to the Second World War.

It seems strangely appropriate, then—if wildly disconcerting—that the Trump administration recently initiated a trade investigation of uranium imports on the grounds of national security under Section 232 of U.S. trade law. President Donald Trump seems determined to undermine the post-war Western architecture of open trade and multilateral security with his America First approach. So why not take issue with the very imports that helped end the war and launch almost 75 years of peace and prosperity; material that now fuels nuclear reactors?

In a recent conversation, Allan Gotlieb—Canada's ambassador to the U.S. during the free trade negotiations of the 1980s—expressed shock at the recent NAFTA talks, especially the vilification of Canada: "It's almost impossible to imagine. Since we emerged from the British Empire, our assumption always was that we were the United States' best friend. I'm astonished."

The impact of the new United States-Mexico-Canada Agreement deserves to be measured from two perspectives: by looking at the deal itself on the narrow grounds of trade and investment and by looking at the impact on Canada-U.S. relations more broadly.

> ***"The impact of the new United States-Mexico-Canada Agreement deserves to be measured from two perspectives: by looking at the deal itself on the narrow grounds of trade and investment and by looking at the impact on Canada-U.S. relations more broadly."***

On the first measure, all the *sturm und drang* of the negotiations appears to amount to relatively little. The deal is not ideal, certainly. The USMCA represents a limited turn toward mercantilism with an export ceiling on autos (second only to energy by value of Canadian exports to the U.S.) and the maintenance of "Buy America" programs. But NAFTA needed to be updated for the digital age and the new pact does so to some extent. Canadian consumers will benefit from a small opening of the domestic dairy industry to U.S. competition and a small increase in the import limits on duty-free goods. Canada's cultural protections were maintained, although those terms have never really been inviolate. And the dispute settlement mechanism—which was a Canadian "red line" during the talks 30 years ago and remained so this year—was maintained, representing for Ottawa the preservation of rules over power in an asymmetrical bilateral relationship.

On the deal itself, the doctor's creed seems to apply: First, do no harm.

But on the second measure, the broader state of Canada-U.S. relations, much appears different and not for the better.

During a recent TV interview with President Trump, attentive viewers noted in the White House background a kitschy painting of an idealized scene of Republican presidents from Lincoln to Trump relaxing together as if at a public gathering. The two presidents sitting closest to President Trump were presidents Eisenhower and Reagan. Eisenhower's own view of relations with Canada was remarkable given President Trump's perspective: The two countries were so close, Eisenhower once said, that U.S. officials should see the issues as much from the Canadian viewpoint as the American. Reagan wasn't quite so magnanimous but he found it hard to say no to Canada, especially when Prime Minister Brian Mulroney called.

With President Trump, Canadians are faced with an unprecedented challenge: someone who actually portrays the U.S. as having been victimized by what he characterizes as Canada's guile (sharp trading practices) and sloth (security free-riding). Blame Canada—the two-decades old Oscar-nominated song—was meant to be satire. "We must blame them and cause a fuss before someone thinks of blaming us," was the final line.

Perhaps we should have seen this coming. The salad days of free trade occurred in the early years. Trade with the U.S.—in both directions—grew at double-digit rates through the 1990s. Canada's so-called trade "dependence" on the U.S. grew substantially so that by the turn of the century about 85 per cent of everything Canada shipped beyond its borders went directly south.

Then, the terrorist attacks of September 11, 2001 occurred and nothing has been the same since. Bilateral trade growth slowed markedly as the border thickened and the North American economy went into recession. Meanwhile, China joined the World Trade Organization and the benefits of trade in the American mind—even with Canada—got lost to the controversies over outsourcing and deindustrialization.

Like the border impact post-9/11, the promiscuous use or threatened use of Section 232 trade remedies wasn't considered a serious prospect by Canadian officials as far back as the free trade negotiations of the mid-eighties. Now, Section 232 must be considered a fundamental threat to Canada's economic security and to its ties with the U.S. Canada did win terms in the USMCA for a 60-day cooling off period when the U.S. threatens to impose new section 232 measures but it remains to be seen whether this will be effective.

More broadly, the years ahead may seem like walking on the razor's edge. We must maintain trade with Washington as best we can, for that is where the motherlode remains. (Canadian exports to the U.S. approach the total value of all interprovincial trade and are almost 20 times greater than exports to China.) But we must also build our trade and foreign relations elsewhere in the face of a powerful neighbour with an indifferent or even unfriendly mindset. This will be made more complicated still because the neighbour also is jealous—witness the terms of the USMCA requiring close consultation among the three members if any chooses to push ahead with a trade pact with a non-market economy such as China. The Trudeau government will soon test those terms, given China's interest in re-engaging on trade negotiations.

Prime Minister Mulroney and President Reagan in the Rose Garden of the White House in 1984. "Reagan found it hard to say no to Canada," writes Drew Fagan, especially when Mulroney called. *White House Photo*

"Developing our own distinctive international outlook while managing our all-pervasive bilateral relationship with the United States are but two dimensions of a single preoccupation that has dominated our existence for half a century," Allan Gotlieb said in a speech to Ottawa diplomats in 1991 that deserves to be dusted off today. "Our overriding national preoccupation has been about how to limit U.S. power over our national destiny while deriving maximum advantage from our propinquity."

In that speech and more recent essays, Gotlieb made a distinction between Canada's multilateral vocation during the post-war years versus more recent times, which applies today as the Trump administration oscillates between retreat from the world and sabre rattling with friend and foe alike. Canada's multilateral activism in the late 40s and 50s—the golden years of Canadian diplomacy—wasn't aimed at drawing distinctions with the United States, as occurred more commonly towards the end of the Cold War and in its aftermath. Quite the opposite, it was aimed at helping give birth to and make effective the global organizations—the United Nations, the Bretton Woods institutions, NATO—that kept the United States engaged globally and prevented an American return to the isolationism of the pre-war years.

And so it should be today. No grandstanding or public piety, for this needlessly riles Washington. Just the dogged work that Canada excelled at two generations ago when the modern world was created. One timely example is Canada's leadership working with like-minded countries—absent the United States—on WTO reforms to make it more efficient, effective and fair. What could be more worthy? P

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The Arc of a Friendship

Canada's relationship with the United States has been modulated for the past century by an asymmetry not just of power but of attention. The smaller partner felt free to chafe occasionally at the superpower next door and the larger one politely ignored it. The current American president, however, comes with a set of political, tactical and temperamental profile points for which Canada happens to be a very convenient foil.

Scotty Greenwood

For as long as I can remember, the Canada-US dynamic has been characterized as follows: Canadians love to hate the U.S. but the U.S. is only allowed to love Canada. Some level of anti-American sentiment has always been par for the course north of the 49th parallel. But anti-Canadianism? In recent history, it hasn't been a factor, at least not until the election of the 45th president of the United States.

Canadians were taken aback during the 2016 campaign when both the Democratic and Republican nominees called for a new look at the North American Free Trade Agreement. Conventional wisdom coalesced around the idea that it was time to modernize the NAFTA to reflect the modern economy. Conventional wisdom also assumed that Hillary Clinton, generally considered a fan of Canada, would be elected, and the trade negotiation, whenever it occurred, would reflect the mutual admiration and long-standing ties that Canada, the U.S. and Mexico enjoy. Then, in a surprise even to himself, Donald J. Trump won.

The world had been expecting Clinton, a known commodity. She is a former First Lady, senator and secretary of state, and an unabashed globalist with a deep appreciation for the role of the U.S. within the world community. Instead, the world got an isolationist, an antagonist, a disruptor-in-chief who would take particular glee at making outrageous claims about other countries and their leaders. That included confronting Canada as well as Prime Minister Justin Trudeau repeatedly, publicly, and relentlessly during Trump's first year and a half in office.

On the day that the 45th president was sworn in, the Canadian Embassy in Washington D.C. had a reception and watch party, as they always do. Situated at 501 Pennsylvania Avenue with a perfect view of the U.S. Capitol and inauguration parade route, the embassy hosts what has become the most coveted ticket in town every four years for the inauguration.

The mood in town was different that January 20th than on previous inaugurations. There were jubilant Trump supporters who had traveled from far and wide to experience the election of the one who would "Make America Great Again."

Once inside the embassy, a *Who's Who* of U.S. and Canadian officials mingled, wondering if the president-elect who was so bombastic on the campaign trail, would become more "presidential" in his inaugural address. The campaign, after all, was over. The weighty business of governing was upon him.

So, when the oath was administered and the 45th president took the podium, the room fell silent.

When the new president turned his attention from Washington to foreign capitals, you could have heard a pin drop in the Canadian Embassy. He made the following declaration:

> "We assembled here today are issuing a new decree to be heard in every city, in every foreign capital, and in every hall of power. From this day forward, a new vision will govern our land. From this moment on, it's going to be America First. Every decision on trade, on taxes, on immigration, on foreign affairs, will be made to benefit American workers and American families."

Message received. The foreign governments around the world began to recalibrate their approaches to the U.S. accordingly. Less than a month after the inauguration, Prime Minister Justin Trudeau came to Washington for his first official meeting with his counterpart. The conversation could not have gone better. The president said:

> "America is deeply fortunate to have a neighbor like Canada. We have before us the opportunity to build even more bridges, and bridges of cooperation and bridges of commerce. Both of us are committed to bringing great prosperity and opportunity to our people."

Trudeau returned the goodwill, and in their joint press conference, diplomatically declined several opportunities to criticize the president.

The negotiations to update NAFTA then began in earnest. Each of the three countries played host to a series of talks. Throughout the ensuing year and a half, the president would tweet about tearing up NAFTA, disparage Canada and Mexico, and increase pressure in the negotiations.

As part of that pressure, the U.S. invoked "national security" under Section 232 of the 1962 Trade Expansion Act in order to levy tariffs on steel and aluminum. Never mind what the president said earlier about Canada shedding blood alongside Americans in wars fought together. These tariffs triggered anger, confusion and immediate retaliation from Canada and Mexico, as well as other countries.

> ***"At the G7 meeting in Charlevoix last June, Trump and Trudeau again met face to face. They joked about having solved the tariffs and fixing NAFTA. They were pretty close to a deal, it seemed. A press conference and several tweets later, the relationship was on the rocks."***

At the G7 meeting in Charlevoix last June, Trump and Trudeau again met face to face. They joked about having solved the tariffs and fixing NAFTA. They were pretty close to a deal, it seemed. A press conference and several tweets later, the relationship was on the rocks.

Trump didn't appreciate the way the Trudeau had characterized their bilateral talks, or his saying that Canada would not be pushed around on tariffs. Advisers from the White House doubled down on the president's very personal criticism of Trudeau.

This is the point in the story when Canadians began to ask if we have reached an all-time low in Canada-U.S. relations. The truth is, there have been times when Canadian leaders have criticized the U.S., but there are not a lot of examples of the U.S. returning the ire.

After Lester Pearson criticized Lyndon Johnson for his conduct of the Vietnam War, the president told him: "You pissed on my rug." *Photo Library and Archives Canada*

In the 19th century, Sir John Thompson said of the U.S., "These Yankee politicians are the lowest race of thieves in existence." Later, John Diefenbaker and John F. Kennedy famously disliked each other—the populist prairie Protestant versus the urbane Boston Catholic. During the Vietnam era, Prime Minister Lester Pearson publicly questioned Lyndon Johnson's handling of the war in a speech at Temple University in Philadelphia. "You pissed on my rug," LBJ famously told Pearson. While Pierre Trudeau and Richard Nixon were not personally close, they worked well together to restore the relationship to working order.

In more recent times, the Canada-U.S. relationship has progressed irrespective of the dynamic between the elected leaders. There has often been a popular undercurrent of Canadian resentment towards the U.S., though during Barack Obama's eight years in office, he sustained an approval rating among Canadians higher than both his numbers at home and that of his domestic counterpart for most of that time, Stephen Harper. It wasn't until the election of Trump that an American president targeted Canada for resentment of his own. What's good for the goose was *not* good for the gander in Canada-U.S. relations—until now. That's a disorienting feeling for Canadians.

It is in this context that NAFTA was renegotiated. Surprisingly, the U.S. was willing to concede on several red-line issues. The U.S. wanted to eliminate the trilateral dispute settlement mechanism. Canada insisted on keeping it. Canada won. The U.S. wanted Canada to transition to free market in dairy products. Canada wanted to maintain supply management. Neither side won, both compromised with a modest move towards managed trade. Both the U.S. and Canada advocated for enhanced wages in Mexico, especially in the auto sector, and the new agreement reflects that.

That said, before we congratulate ourselves on the USMCA, let's remember that it's not done. The new agreement will need legislative approval in all three countries. Moreover, the steel and aluminum tariffs remain. In the case of the members of the 116th Congress, they will arrive in Washington in January with other priorities on their minds. Handing Trump a major victory on trade will surely not top the Democrats' list. It will be incumbent on all of those who support the new agreement to engage in earnest to see that it is passed.

And while Canadians now know what it feels like to be subjected to anti-Canadian sentiment coming from south of the border, there are two elements of silver lining. One is that Canada and Mexico declined to take the bait as the U.S. ratcheted up the pressure in an effort to lever a "better deal" for Americans. The second is, the overall debate about a new trade agreement has caused citizens in all three countries to pause to make sure they don't take the trilateral relationship for granted. Our interconnectedness in the North American neighborhood continues to triumph even in the face of tough talk from the disruptor-in-chief. P

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President Trump with Prime Minister Trudeau at a Canada-U.S. bilateral on the margins of the G7 Summit in Charlevoix, June 8, 2018. Also, from left, USTR Bob Lighthizer, U.S. Ambassador to Canada Kelly Craft, and Foreign Affairs Minister Chrystia Freeland. They talked trade. *Adam Scotti photo*

The USMCA and the New Rules of the Road

At a time of geopolitical disruption, much of it rationalized by the unpredictable presidency of Donald Trump, no trade deals are local. As evidenced in the so-called China clause of the United States-Mexico-Canada Agreement, a newly competitive relationship between Washington and Beijing is playing out in places beyond the bilateral.

Meredith Lilly

The successful negotiation of the United States-Mexico-Canada Agreement (USMCA) in principle has been welcomed with a sense of relief across Canada. But rather than embraced as a "good" deal for Canada, the USMCA is regarded by most experts as a "good enough" deal, the best that Canadian negotiators could have achieved given the unpredictable and protectionist posture south of the border.

Reaching an agreement with the Americans had become increasingly necessary in order to restore stability and certainty to Canada's lagging investment climate, and to prevent a far worse future from materializing. There is ample evidence that the Trump administration would have made good on its threat to impose punitive auto tariffs on Canada in the 25 per cent range had the Trudeau government failed to sign on to the U.S.-Mexico deal that was concluded in August. Auto tariffs on Canada would have spelled disaster for both the sector and the broader Ontario economy, jeopardizing well over 100,000 jobs.

Many accounts have already been written about what Canada gained and lost in the new deal. But one overlooked reality is that the end zones for a NAFTA 2.0 were predictable from the outset, suggesting the three countries could have arrived at a trilateral agreement much faster and with less acrimony.

For example, before negotiations began in 2017, virtually no close observers expected Canada or Mexico to come out further ahead under the Trump administration. Instead, various modernization chapters such as digital, small business, services, labour and environment were expected to be transplanted from the Trans-Pacific Partnership (TPP) that the U.S. left in 2017. These modernization objectives would be accompanied by a U.S. "rebalancing" agenda that required both Canada and Mexico to make concessions in politically important areas for Trump in exchange for ongoing access to the American market. Mexico would be forced to make concessions on auto rules of origin and Canada would be pressured to provide comparable levels of access to its dairy market that were previously negotiated via the TPP. Any other Canadian or Mexican priorities that were not shared by the Americans were virtually guaranteed to stall, including government procurement, temporary entry, and Canada's so-called progressive trade agenda.

"One overlooked reality is that the end zones for a NAFTA 2.0 were predictable from the outset, suggesting the three countries could have arrived at a trilateral agreement much faster and with less acrimony."

The best that the two smaller NAFTA partners could be expected to achieve in those areas would be the status quo.

Indeed, after more than a year, the three countries landed on an agreement that was largely spelled out from Day One. For all the political drama that unfolded in the final weeks of negotiations, the same deal could have been reached last spring, with less damage to Canada's economic interests. For it was over the summer months that Canada was slapped with billions in steel and aluminum tariffs and President Trump ramped up his rhetoric against Prime Minister Trudeau, further entrenching the impression that Canada remains an unstable investment environment.

"After more than a year, the three countries landed on an agreement that was largely spelled out from Day One. For all the political drama that unfolded in the final weeks of negotiations, the same deal could have been reached last spring, with less damage to Canada's economic interests."

But the most important reason to reach a quick deal was to ensure the USMCA negotiations did not get caught in the crossfire of Trump's developing trade war with China that started rolling out last spring. The U.S. 232 national security tariffs on steel and aluminum hit Canada hard, but the U.S.'s real target was China. It also took this very aggressive action by the Americans before Canada's Department of Finance took serious measures to address the dumping and trans-shipment of Chinese steel that the U.S. had long requested.

Following the imposition of steel and aluminum tariffs, the Americans then proceeded to circle the wagons on an auto tariff strategy over the summer months. With the completion of renegotiations with South Korea and NAFTA partners, the U.S. reached trade agreements with three of its major vehicle exporting trading partners. The subsequent launch of bilateral negotiations with each of Japan, the European Union and the United Kingdom means the U.S. has also now made commitments to all of its trade allies who export vehicles that can keep them protected inside any future U.S. tariff wall.

In short, this sequencing has set the table for the Americans to now move forward aggressively with auto tariffs targeting China. When added to the $250 billion in tariffs that the U.S. has focused exclusively on China, the groundwork has been laid for a new Cold War between the two superpowers.

It is through this lens that the USMCA clause on non-market economies must be viewed: not as a deliberate challenge to Canadian sovereignty but instead as an American chess piece in a much more complicated game. Rather than an American veto on Canadian trade policy, Article 32.10 offers a plain message of deterrence to all countries seeking to trade with the U.S.: you're either with the United States or you're with China—pick sides.

Trump's preference for the "stick" over the "carrot" may be brazen and aggressive but this orientation to China is not new for the Americans. For example, other provisions in USMCA that target China date back to the Obama-era TPP text, such as currency manipulation, data localization and state-owned enterprise requirements. Now that these provisions are entrenched in the USMCA, the Americans can use the text as a template for negotiations with future trade partners.

Furthermore, the Americans have already been actively working with the EU and Japan to develop a trilateral approach to address and enforce rules around China's distortionary practices such as industrial subsidies, state-owned enterprises and forced technology transfer. Once the three countries have a united strategy, others including Canada will be invited to join this "consensus".

"We needn't fixate on Article 32.10 as a deliberate provocation to Canadian sovereignty that requires us to reflexively run toward China just to show the Americans how unconstrained we are by the provision. Nor should we halt Canadian progress with China on areas of mutual benefit."

Outgoing Mexican President Enrique Peña Nieto with Foreign Affairs Minister Chrystia Freeland in Mexico City on February 2, 2018. *Wikipedia photo*

When the newly concluded USMCA is viewed in this broader context, Canada's role is clearly a marginal one. We needn't fixate on Article 32.10 as a deliberate provocation to Canadian sovereignty that requires us to reflexively run toward China just to show the Americans how unconstrained we are by the provision. Nor should we halt Canadian progress with China on areas of mutual benefit. Instead, we should follow our normal path of Canadian pragmatism to support the Americans where it makes sense, while falling back in areas where it doesn't. In fact, many of the trilateral efforts led by the Americans to constrain China would be positive for Canada, particularly in sectors such as the digital economy where Canadian interests are threatened by unfair practices that undermine innovations in such areas as artificial intelligence.

In the months ahead, Canada must remain focused first and foremost on shoring up our trade agreements with established partners, including the U.S. and Mexico. And as we take stock of our international trading position now that USMCA is complete, we must recognize that protectionism has become the norm in many parts of the world.

For example, the ratification of CETA is proving to be difficult in several key European countries, potentially jeopardizing its future. Canada is not innocent either. We have recently jumped on the protectionist bandwagon, rolling out our own safeguard measures on steel in order to protect domestic interests.

Finally, Canada's diversification goals are laudable but must be kept in perspective. While there are many new opportunities for exporters in the fast-growing markets of the Asia Pacific via our new TPP partners and South Korea, none will replace the US market next door. Canada's interests are always better served when we cooperate with our friends and allies: we needn't throw out the rule book as we consider what to do next with China. P

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Mexican President Carlos Salinas, U.S. President George Bush and Prime Minister Brian Mulroney watch as trade ministers Jaime Serra Puche, Carla Hills, and Michael Wilson sign the NAFTA for their three countries in San Antonio, Texas in October 1992. *George Bush Presidential Library photo*

How NAFTA Became the USMCA

While it has seemed since his inauguration that Donald Trump's presidency was designed to redefine-down every norm in American policy and politics, nowhere was his disruptive potential felt more keenly by Canada than in the negotiation of an updated North American Free Trade Agreement. As a chief negotiator of NAFTA, John Weekes was particularly well-placed to observe the difference that a quarter century and one revolutionary president made to the trilateral talks.

John Weekes

The contrast between the circumstances of the original NAFTA negotiations in 1991-92 and the renegotiation over the past year could hardly be starker. Twenty-seven years ago, Prime Minister Brian Mulroney, President George H. W. Bush and President Carlos Salinas announced their commitment to enter trilateral negotiations with the objective of concluding an ambitious agreement that would eliminate or reduce to the maximum extent possible barriers to the free flow of goods, services and investment across the North American continent.

In 2017, President Donald Trump entered the White House intent on tearing up or rebalancing America's international trade commitments. Trump and Trade Representative Robert Lighthizer did not want agreements with strong enforceable rules that fettered the capacity of the United States to use its power to bully its partners into agreeing to rebalancing the trade rules in America's favour.

Trump had repeatedly called NAFTA the worst trade agreement ever negotiated and promised to renegotiate it or withdraw from it. Demonstrating his antipathy to trade agreements, he withdrew America from the TransPacific Partnership Agreement on his second day in office.

When the negotiations to "modernize and rebalance" the NAFTA got underway in August of last year it was unclear whether Trump's real objective was to reach a new agreement or to press outrageous demands to ensure failure and then to withdraw from NAFTA.

"Trump had repeatedly called NAFTA the worst trade agreement ever negotiated and promised to renegotiate it or withdraw from it. Demonstrating his antipathy to trade agreements, he withdrew America from the TransPacific Partnership Agreement on his second day in office."

"In 1991, the three leaders all strongly believed that closer cooperation through trade as a win, win, win proposition. For Trump, it is a zero-sum game. If Canada or Mexico is doing well, then it must be at the expense of the U.S."

Powerful and efficient North American supply chains built under 25 years of a predictable and secure NAFTA trade environment were at risk. A cloud of uncertainty stalled investment in Canada and Mexico and also, but to a lesser extent, in the U.S. Mexico was demonized by constant vitriolic rhetoric from the White House and even Canada was increasingly vilified as an alleged unfair trader.

In the first NAFTA negotiation, the leaders of the U.S. and Mexico embraced the opportunity to build a new partnership between the two countries that would put a century and a half of animosity and war behind them. Together with Canada, they saw the negotiations as an opportunity to make a stronger North America in an increasingly competitive global environment. Their vision was that the synergies of the NAFTA partnership would make each country more prosperous and better able to compete globally.

Unfortunately, these ideas were not shared by the Trump administration. For Trump it was "America First" combined with the apparent view that America was better off operating alone as it confronted new global challenges. With Trump, there was no sense that the North American partnership would help the U.S. meet the challenges posed by a rising China. In 1991, the three leaders all strongly believed that closer cooperation through trade as a win, win, win proposition. For Trump, it is a zero-sum game. If Canada or Mexico is doing well, then it must be at the expense of the U.S.

In the fall of 2017, Lighthizer put a series of poison pill proposals on the negotiating table which made it look unlikely that any reasonable accommodation could be found. In particular, the Americans came forward with proposals to:

- Sunset the NAFTA after five years unless all three countries specifically said they wanted it to continue;
- Eliminate or weaken all the dispute settlement provisions of the NAFTA to strengthen the capacity of the U.S. use its power to get what it wanted;
- Alter the rules of origin in the automobile sector to require that any automobile entering the US market would need 50 per cent US content to benefit from the NAFTA zero duty;
- Distort the government procurement aspects of the NAFTA so that the opportunities for Canada and Mexico to compete in the US procurement market would be severely reduced.

This was not a negotiation in which Trump and Lighthizer were prepared to engage in give-and-take. For them, the objective was to rebalance the NAFTA in their favour by reducing the benefits in the deal for Canada and Mexico.

Fortunately, many in the U.S. did not share Trump's views on trade and NAFTA, including many in his own party and even in the White House. In fact, many were vehemently opposed to Lighthizer's proposals. Canada and Mexico both conducted vigorous advocacy campaigns across the U.S. to reinforce this vein of support for NAFTA. The Canadian effort was unprecedented in its intensity and scope. This was not just a federal government effort but one that had the enthusiastic involvement of all the political parties, the provinces, cities, the business, and important elements of civil society. This was a true Team Canada approach. Canadian advocates met with their counterparts virtually everywhere in the U.S. The message spoke to the value of trade between Canada and the US. and emphasized just how beneficial trade with Canada is for American communities and workers, and how the North American supply chains make North America stronger in a global marketplace. Importantly, this message also found a receptive audience in Congress and in state capitals.

Foreign Minister Chrystia Freeland, U.S. Trade Representative Robert Lighthizer and Mexican Minister of Economy Ildefonso Guajardo (L to R) participate in the fourth round of North American Free Trade Agreement (NAFTA) negotiations at the General Services Administration Headquarters in Washington, D.C. on October 17, 2017. *U.S. State Department Photo*

> ***"This awakening and mobilization of a pro-NAFTA constituency may be the most important outcome of the last two years. This constituency will remain valuable to Canadians long after Trump has left the White House."***

At the same time, with Trump threatening to blow up NAFTA, many Americans were conducting their own analysis about the value of NAFTA and the jobs it supports across the U.S. For years, NAFTA had become a political whipping boy but most Americans tuned out the noise and did not expect any president would seriously consider terminating the agreement. This work and analysis led a very large number of Americans to conclude that NAFTA was in fact valuable to the U.S., although they recognized that it would benefit from a dose of modernization. This awakening and mobilization of a pro-NAFTA constituency may be the most important outcome of the last two years. This constituency will remain valuable to Canadians long after Trump has left the White House.

As if to prove how valuable NAFTA was to Americans, Trump decided under Section 232 of U.S. law to apply global tariffs for phoney national security reasons on steel and aluminum imports, including from Canada and Mexico. This inevitably led to retaliation by both countries, which adversely affected many Americans, calling into question whether the president knew how to defend their interests and livelihoods. His threats to put a similar tariff on automobile imports worried Canada and Mexico but also created further unease in the U.S. Twenty-five years ago, the negotiations faced difficult moments but such bullying tactics were never deployed.

Throughout the negotiations, the Canadian team led by Prime Minister Justin Trudeau, Foreign Minister Chrystia Freeland and Chief Negotiator Steve Verheul was resolute and effective at the negotiating table, in advocacy efforts and in the public war of words.

In the original negotiations, the partnership between Canada and Mexico was an important part of the negotiating dynamic but in the recent negotiation it assumed greater importance. Of course, both countries were negotiating on behalf of their own constituencies and interests but there was sufficient commonality of interest that the outcome is better than it would have been had they negotiated alone. And in the final phase, Mexico actually enhanced Canada's negotiating leverage by striking a separate deal with the U.S. For the first time in the negotiations, Lighthizer wanted to conclude a deal with Canada because that was the only way he could secure Congressional support for what he had achieved with Mexico. One result was that Canada was able to retain the binational panels on dispute settlement under NAFTA Chapter 19—a key objective.

Going forward into the critical period of Congressional ratification of the new U.S. Mexico Canada Agreement, and beyond, Canada and Mexico will need to continue to work closely together. Both will also need to work closely with the American pro-trade, pro-NAFTA constituency. **P**

John Weekes, a senior business adviser at Bennett Jones LLP, was Canada's chief negotiator for the NAFTA from 1991 to 1994.

Column / Don Newman

Trade Deal puts Canada with U.S. on China

In the chaos that often envelopes Washington as the Trump administration tweets and stumbles its way through one crisis after another, both a goal and something of a strategy were revealed at the beginning of October with the publication of the preliminary text of the son of NAFTA: The U.S.-Mexico-Canada Agreement.

The goal is nothing short of containing the ongoing and rapid military and economic rise of China. The strategy is to make America's economic partners choose between relatively unimpeded access to the United States market and making a trade deal with the Chinese.

The goal and strategy are contained in Article 32.10 of the new trade agreement. The article says that if any party, that is Canada, Mexico or the United States, enters into a free trade agreement with a "non-market economy," the other two countries would have the option of terminating the USMCA and replacing it with a bilateral agreement between themselves.

The words "non-market economy" are code for China. Both the U.S. and the European Union are in disputes with China at the World Trade Organization. They are arguing that the Chinese government favours its domestic companies over foreign ones through a variety of dubious practices which China barely bothers to disguise, and tilts the economic playing field in favour of the home team. Therefore, China is a "non-market economy," a WTO designation Beijing protests.

Here in Canada there were immediate complaints that by agreeing to sign a deal with a clause that could limit future trade deals with other countries, the government was compromising Canadian independence and sovereignty. Prime Minister Justin Trudeau, Foreign Affairs Minister Chrystia Freeland and International Trade Diversification Minister Jim Carr all disagreed with that interpretation.

But the Chinese know better. After turning Trudeau away empty handed when he went to Beijing in 2017, after the publication of the USMCA text, the Chinese foreign minister was on the phone to Ottawa to denounce article 32.10 and urge an immediate start to negotiations now.

But with Canada's economic health tied to the American economy, no China negotiations are going to start anytime soon. Canadian exports to the United States make up 75 per cent of our exports, and are 15 times more than we export to China.

Instead, the new USMCA puts us firmly where we were anyway, on the American side in the confrontation with China over trade, geopolitical influence and who is going to set the rules in the 21st century.

Despite the understandable dislike of the current American president, Donald Trump is not going to be in that job forever. And people in his own country as well as abroad may come to thank him for taking on China now, before it gets to big and wealthy to be contained.

The U.S. and China have no trade deal but they are each other's largest trading partners. In what has become a very unhealthy economic relationship, China has a huge trade surplus with the U.S. and also holds a massive amount of American debt. The amount of the debt is so large that an American default or a downward re-evaluation of the dollar would be as catastrophic for China as the U.S.

So far, the Trump administration has ignored those facts. Instead it is steaming ahead with the same kind of tactics against China that it used successfully against Canada and Mexico in the NAFTA negotiations: The imposition of tariffs against Chinese goods exported to the United States.

What is at the centre of the clash is a more realistic appraisal of China as it really is, and what it wants to become.

China can do this because of its rapid economic growth. But that growth has been financed mainly by its massive pool of low-cost labour and the willingness of American, European and Canadian businesses to ship the jobs of their higher-paid lower-skilled workers to China.

Beyond that, economic arrangements with China come with demands for the transfer of intellectual property, the stifling of complaints about human rights and other *quid pro quos* that have nothing to do with actual trade.

Some Canadian businesses have complained that our country has been too slow to get into the Chinese market in a big way. They have held up Australia as an example of a country that has aggressively pursued opportunities in China.

But in the past few years Australia has been having second thoughts as Chinese attempts to meddle in and influence that country's chaotic political outcomes have become clear.

The Australians have learned that Chinese business is not just about business. With the new USMCA, the United States may have helped Canada not make the same mistake. P

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Prime Minister Trudeau meets with President Xi at the Great Hall of the People in Beijing, China. December 5, 2017. *Adam Scotti photo*

The Canada-China Trade Puzzle: A Sectoral Approach

As the Trump administration transforms America's role as the democratic anchor of the rules-based international order, the global trading system is also in flux. While the United States Mexico Canada Agreement has been completed, the negotiations confirmed that Canada's trade future lies in diversification. China will be part of that strategy.

Edward Greenspon and Kevin Lynch

Geopolitics has been turned on its head in the three short years since the Liberal government of Justin Trudeau came to power. China, the 21st century's new Great Power, has continued its impressive economic growth while further centralizing political control in the hands of the Communist Party and its leader, Xi Jinping, and expanding its global presence through infrastructure, trade, institution building and military and intelligence efforts.

It is busily shifting its economy from an export to consumer base and has opened more sectors to imports and investment as it becomes increasingly responsive to the demands of its growing middle class for a clean environment and safe products. Economically, it is investing heavily in education and advanced industries such as robotics, artificial intelligence and data analytics, aerospace and electric vehicles. "China is at an historic juncture. After decades of high-speed growth, the government is now focusing on high-quality growth," the International Monetary Fund (IMF) recently stated.

As this plays out across the Pacific, a relatively new administration in the United States is also redefining its relationship with the global, rules-based trading system it conceived. It has withdrawn from the Paris Climate Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and is sowing uncertainty with attacks on stalwart institutions such as the World Trade Organization (WTO), the IMF and the North Atlantic Treaty Organization (NATO). It is pushing hard to control trade arrangements—more managed trade than free trade—through a hub-and-spoke system with America at the centre. To those who resist, including long-time allies, it is ready and able to impose arbitrary penalties.

Yet even amidst its isolationism, the U.S. has made it clear it does not countenance China's rise, viewing the Asian power as a strategic rival rather than a mere competitor or potential partner. Upset by a trade imbalance heavily in China's favour, President Donald Trump has initiated a tariff war. In the recently negotiated United States-Canada-Mexico Agreement, the administration used its economic weight to impose a condition making it virtually impossible for the two sovereign nations on its doorstep to negotiate free trade agreements with China. By dint of geography, history, security, culture and economics, Canada's relationship with the U.S. will remain its most important. But it is a relationship in flux—and where it is headed over time is uncertain at best.

> *"In 2000, China was responsible for a mere four per cent of the global economy and the U.S. a dominant 31 per cent. Today, China accounts for 15 per cent and the U.S. 24 per cent. Those numbers are forecast to converge in a decade or so, after which China will surpass the U.S. as the world's largest economy."*

It is within this environment that the Public Policy Forum convened a group of business executives, academics, former public servants and elected politicians and NGOs over the past 18 months to wrestle with what an economically beneficial and politically acceptable Canada-China strategy should look like. Mindful of the need to mitigate the risks to Canada of "Make America Great Again," PPF's Consultative Forum on China decided—well before the USMCA—that the best way forward was not a comprehensive free trade agreement, but rather a more focused sectoral approach coupled with fresh policies in such areas as international cooperation, investment reviews and Canadian sovereignty. We noted that one of the most successful trade arrangements in the country's history was the 1965 sectoral arrangement known as the Canada-U.S. Auto Pact.

We felt that by growing trade in key sectors, through the removal of non-tariff barriers and the promotion of mechanisms to facilitate the movement of goods and people and ward off or mediate disputes, Canada could record early wins and advance the cause of a rules-based trading system. This stood in contrast to a likely five-to-10-year free trade negotiation that would stretch over several governments and economic cycles, and seemed tilted more toward failure than success. (The CETA agreement with the EU took eight years.) Moreover, by thoughtfully choosing which sectors to pursue first, the approach could forestall the highly sensitive issues of technology transfer and national security while Canada consults with allies and rethinks its regime. Selling lobsters, filling hotel rooms, shipping timber or oil and gas and reaching consumers via internet platforms don't pose direct security threats to Canada or our allies.

It weighed on us that without China, the second largest economy in the world and the largest global purchaser of much of what this country produces, Canada would be left again without a credible diversification strategy. The comportment of the United States, including the USMCA, has rendered such a strategy all the more imperative. Yet the behaviour of China, particularly the centralizing of power flowing from the 19th Party Congress in October 2017 and the treatment of its Uyghur minority, often makes it more difficult.

Despite differences of detail, the Consultative Forum nonetheless quickly agreed that the question before Canada was not whether we should rethink Canadian policy toward China. It is what should that policy should be? How could we make it coherent and strategic? How would we represent our interests while staying true to our values? As the report notes:

> Canada can only provide the rising incomes, rewarding jobs and expanding market opportunities familiar to past generations by trading more with economies that are growing faster than our own, and are sufficiently big to make a material economic impact. Trading with slow-growth

economies will not do the trick. For the most part, the economies that blend high growth with scale can be found in Asia, with China its main engine.

In 2000, China was responsible for a mere four per cent of the global economy and the U.S. a dominant 31 per cent. Today, China accounts for 15 per cent and the U.S. 24 per cent. Those numbers are forecast to converge in a decade or so, after which China will surpass the U.S. as the world's largest economy. According to the IMF, China alone accounted for an astonishing 33 per cent of global growth in 2017, outstripping all the rest of Asia (28.8 per cent), as well as Europe (15.2 per cent) and the Western Hemisphere countries (12.8 per cent), including the U.S., combined. Even with stronger U.S. economic performance this year, China's one-third share of world growth is holding steady.

In the year the Trudeau government added the word diversification to the previous title of the Minister of International Trade, a diversification strategy that doesn't include China is bound for the trash heap alongside failed dalliances by earlier governments. As things stand, the ratio of our exports to the U.S. versus our second largest destination, China, is 17:1, and just a small fraction of Canadian companies actually sell beyond our borders. If we are going to reduce the risks of dependency and continue to prosper, we simply need to have more businesses sell more goods and services to more places. Better balance in our portfolio of trade markets will allow us to tap into buyers willing to pay world price for our goods in contrast to our current situation as a captive supplier unable to secure world price for our oil and gas. To succeed requires all hands on deck, including SMEs; we need to become not just a great trading nation, but a nation of traders.

We call our report, *Diversification not Dependence: A Made-in Canada China Strategy*, partly in acknowledgement that we are one of the most trade dependent major economies in the world. A point of comparison: whereas 75 per cent of Canadian merchandise goods go to the U.S., the corresponding figure for the United Kingdom, after more than four decades in the European Union, is under 50 per cent.

Sources: U.S. government and Global Affairs Canada

Canada's excessive reliance on a single market was something it could get away with when that market represented the great global engine of growth. For many decades, the U.S. soaked up what we produced—from crude to cars—and accorded us kid-glove treatment. But our special status began fading even before Donald Trump came to office. President Barack Obama rejected the Keystone pipeline and insisted Canada bear all the costs of a new border crossing at Windsor. Precisely where American foreign and trade policy is headed in the long-term remains an unknown, but the trend lines do not invite complacency.

Despite strong growth in absolute trade numbers with China since 2000, Canada is a slacker within the G7 in establishing a presence. Canada's market share has fallen by about 25 per cent since 1995. The most intriguing comparator actually is the U.S. Herein lies an important argument for how Canada, while cut off by USMCA from comprehensive free trade negotiations (essentially interpreted by the WTO as covering "substantially all trade"), has room to grow through the sectoral approach we recommend. In 2017, Canada's shipments to China accounted for just 4.3 per cent of our total exports. Meanwhile, 8.4 per cent of the U.S. export basket, nearly double the Canadian footprint, went to China. If Canada were simply to match the U.S. standard, it would translate into almost $25 billion in new exports—more than our current sales to Japan, India and South Korea combined. This would mark a good, yet hardly politically provocative, start down the diversification road.

The Consultative Forum has put forward an interrelated set of recommendations, starting with our sectoral approach, for achieving economic and geo-political gains for Canadians without sacrificing principle. These are not intended as a buffet table. To pick here and there would be to deny the necessary integration of measures that make for a strategy rather than merely a series of one-off actions. We would start sectoral discussions with agri-food (including fisheries) and natural resources, where mutual interests are already well established and where benefits will fall disproportionately to rural and remote areas hard-pressed for economic development. We would then look to move quickly to such areas as education and research, tourism, forestry, insurance and wealth management, clean tech, life sciences and engineering services. We would also seek agreements around 'enabling' sectors, such as aviation and e-commerce, the latter of which holds out great promise to reduce the costs and practical obstacles to SME's reaching foreign markets.

At the same time, we recommend negotiating an international cooperation arrangement between Canada and China in areas of mutual global interest, such as environmental protection, climate change and the governance of international institutions. Polls show that Canadians strongly favour the two countries working more closely together on common challenges, particularly concerning the environment.

On the contentious subject of foreign investment, we would move to restore clarity and consistency for all foreign investors while enacting more rigourous enforcement mechanisms to ensure compliance with undertakings given as part of the investment approval process. Special attention must be paid to the relatively new category of national security reviews. We recommend working with like-minded nations on identifying risks and how best to handle them. These assessments should emerge from a more transparent process than at present, led by a formal committee of economic departments, intelligence officials and independent security experts. Our model is the Committee on Foreign Investment in the United States (CIFIUS), which endeavours to actively manage these situations rather than being buffeted by them.

Ultimately, final determinations on national security issues must rest with the elected government. But its decisions should emerge out of a coherent and explicable evidence-based process, with as little mystery as possible.

The other deeply vexing issue, of course, is human rights. We were told by NGOs of the importance of holding China's feet to the fire on the international undertakings it has already made, while trying to get it to go further. They saw no magic solution and said they are "not against" closer trade ties. We recommend working more closely with our allies to build a greater rule of law consciousness in China. According to public opinion polls, Canadians don't see economic partnership and human rights as binary choices, believing the former will help the latter. In this, they are in sync with Harvard political science professor Graham Allison, author of *Destined for War: Can America and China Escape the Thucydides's Trap*, about how shifts in power have more often than not led to war. He cites the Soviet-American rivalry as an important exception, arguing engagement with rivals beats isolation in that it allows them to negotiate around their disagreements and to communicate, compromise and coordinate their way out of crises.

> ***"We reject entirely the notion that Canada has nothing to offer China. As a successful society, and a G7 nation with a natural resources endowment and advanced economy, we bring a great deal to the table."***

Canadians understandably want to be confident their sovereignty is always being safeguarded. Canada has a head start over countries like Australia in countering foreign interference by virtue of our stricter election financing rules. We call on Parliament to draft and debate an unambiguous declaration of our intent to protect our sovereignty from whomever might treat it lightly. We hope such a debate will begin to forge common foreign policy understandings among parties, so Canada's interaction with the world is built on a solid national-interests foundation rather than the shifting winds of electoral outcomes.

Among other recommendations, our formula includes adjustment policies to assist the transition of Canadians firms and workers that may be adversely affected by new trade and investment rules, as was the case with the Canada-U.S. Free Trade Agreement and most famously the wine industry. We also propose measures to ensure that SMEs and female and Indigenous-led business can reap the benefits of new trade opportunities. Trade agreements that are not inclusive and do not speak to our values are unlikely to generate the requisite public support to succeed. We were made acutely aware through our process of the need for our foreign interlocutors to understand the historical rights of the country's Indigenous peoples and to engage them directly in discussion.

Finally, we note that at this particular juncture in China's development as a middle-class society, Canada has the opportunity to offer up its experience in such areas as public pensions, eldercare, workplace safety, livable cities, national parks, financial market regulation, consumer protection and the like. We reject entirely the notion that Canada has nothing to offer China. As a successful society, and a G7 nation with a natural resources endowment and advanced economy, we bring a great deal to the table.

As Canada approaches the 50th anniversary of recognition of China, we think the time is ripe for a blueprint with a 50-year horizon to finally make Canada as engaged with its Pacific flank as it is with its Atlantic and American ones. The choice is simple: negotiate a serious diversification course or perpetuate the dependency that has recently illustrated the weakness of our bargaining position. **P**

Edward Greenspon, President and CEO of the Public Policy Forum, is a former editor-in-chief of The Globe and Mail.

Kevin Lynch, Vice Chair of BMO Financial Group, is a former Clerk of the Privy Council and Head of the Public Service.

The Boring Campaign that Wasn't

By the end of its third week, it was being billed as the most boring Quebec election campaign in generations. No René Lévesque, no constitutional crisis, no sovereignty on the ballot. But by the end of election night, the narrative had clearly become more complicated than a walk in the park, and in ways that put the polling industry, again, on the defensive. Veteran Quebec observer and former official languages commissioner Graham Fraser recounts a campaign in which language and immigration became key plot points.

Graham Fraser

When François Legault, the leader and founder of the Coalition Avenir Québec (CAQ), made his way through the election night crowd on October 1, he seemed almost overwhelmed, admitting to reporters that he was surprised.

The public opinion pollsters had indicated that, after leading for a year, Legault's CAQ had slipped during the campaign, and that the race was very tight. On September 20, CROP even predicted a Liberal victory.

But within minutes of the polls closing, it was clear that the CAQ was cruising to a majority government, ending up with 74 of 125 seats in the National Assembly and 37.4 per cent of the vote.

The election transformed the political map of Quebec. The Liberals, whose previous low water-mark still produced a river of red along the Ottawa river to Montreal's West Island and out Autoroute 10 to the Eastern Townships, lost 3 of 5 seats in the Outaouais and were wiped out in the Townships. The oldest party in Quebec had its worst result in its 151-year history: 32 seats, and 24.8 per cent.

But the night was equally disastrous for the Parti Québécois (PQ), which finished fourth, behind the CAQ, the Liberals and the left-wing Québec solidaire, with only nine seats and 17 per cent, its lowest share of the vote ever. The party was eliminated in working-class ridings in the east-end of Montreal—losing seats it had held since 1970—in Quebec's Lower Town, Sherbrooke and Rouyn-Noranda.

And Québec solidaire surged, winning 10 seats and 16 per cent of the vote.

PQ Leader Jean-François Lisée stepped down immediately; Liberal Premier Philippe Couillard, who won his seat, resigned as leader and as an MNA three days later.

The worst was not over for the Liberals. While Couillard resigned his seat, the Liberals also kicked a member out of caucus for having leaked information to the CAQ and the following week the PQ won a riding recount, taking another seat from the Liberals. Final score: CAQ 74, Liberals 29, PQ 10, QS 10.

It is a political truism that the Liberal Party of Quebec is the oldest party with the deepest roots and that the only way it is defeated is when a rival pulls together a coalition of all the political streams that oppose the Liberals: nationalists, conservatives, and disenchanted Liberals. Maurice Duplessis did it in 1936, René Lévesque did it in 1976, and now François Legault has done it.

> ***"The election transformed the political map of Quebec. The Liberals, whose previous low water-mark still produced a river of red along the Ottawa river to Montreal's West Island and out Autoroute 10 to the Eastern Townships, lost 3 of 5 seats in the Outaouais and were wiped out in the Townships."***

On election night, Legault's remarks were conciliatory, and the next day, at his first news conference, he stressed that the new government would have three priorities, each one in an area he was personally comfortable with: the economy (he was a former businessman); education (he had been a minister of education); and health (he had been a minister of health). It was only the following day that two of his members, and probable cabinet ministers, said that the new government would be pushing ahead with its most controversial policy: forcing government employees to forgo religious attire (crosses, kippas or hijab) as a condition of employment, with the threat to use the notwithstanding clause of the Charter of Rights and Freedoms—an echo of Ontario Premier Doug Ford's

CAQ Leader François Legault and his wife Isabelle Brais at a campaign event. Legault swept to a majority with 74 seats and 37 per cent of the vote. *Wikimedia photo*

approach to governing—if this were challenged.

It was a blunt reminder of the most difficult part of the CAQ campaign.

> ***“Legault expressed the concern that because of immigration, Quebec’s grandchildren might not speak French. With this, he touched on one of the historically primal fears in Quebec society: Immigration could mean the disappearance of the French language.”***

On September 6, Legault spoke to reporters in Saint Colomban, a small town abut 70 km northwest of Montreal on the edge of the Laurentians. Until then, the campaign had been a combination of gaffes (usually about tweets and other embarrassments that candidates had not shared with their parties) and grocery lists of ideologically indistinguishable promises: subsidized school lunches, reduced transit fares and child care fees, and improved old age homes.

But in St. Colomban—hardly a centre for immigration in Quebec—Legault expressed the concern that because of immigration, Quebec’s grandchildren might not speak French.

With this, he touched on one of the historically primal fears in Quebec society: Immigration could mean the disappearance of the French language.

Suddenly, it seemed he had seized the agenda in the most dramatic way, evoking French-speaking Quebec’s existential-nightmare fear. It evoked the song “Mommy” that Pauline Julien had recorded in 1974, which was sung in the voice of a small child who wondered why she no longer spoke French. (“Mommy, mommy, how come we lost the game? / Oh Mommy, mommy are you the one to blame? / Oh Mommy, mommy, tell me why it’s too late, too late / Much too late.”)

That same year, Liberal Premier Robert Bourassa’s Bill 22, making French the official language of Quebec, became law. In 1977, the first PQ government passed Bill 101, the Charter of the French Language, doubling down on the language protections that were inherent to its independence platform.

And 30 years ago, the late Lise Payette produced a documentary called “Disparaître” which similarly raised the spectre of the disappearance of Quebec as a French-speaking society.

Legault’s intervention produced headlines. “Immigration: Legault joue la carte de l’identité” said the front page of *Le Devoir*. (“Legault plays the identity card”)

There was a pundit consensus: Legault had seized the initiative and defined the ballot question, and focused attention on his determination to reduce the flow of immigration to Quebec from 52,000 to 40,000 a year.

But 10 days later, in Cap Santé—a picturesque town on the St. Lawrence between Trois-Rivières and Quebec City—he was asked by a reporter how long it took an immigrant to become a Canadian citizen.

“A few months,” Legault replied.

Actually, it is three years, the reporter corrected. It got worse. The next day, after saying he had stayed up almost all night studying the issue, he fumbled another basic question, was unable to name a bilingual province in Canada (New Brunswick is the only one) and joked that, clearly, he would not be a candidate for a high school quiz show.

But for his opponents, it was no joke. For Couillard and Lisée, it was a golden opportunity. The issue was no longer about identity—or the Liberal response—that there is a crying need for immigrants to deal with the shortage of workers—but about competence.

Lisée was merciless. “It’s not a question of being a quiz show contestant. We didn’t expect that from him. But we did expect that, on his major file, that he would know the steps to access citizenship, since he wants to play around with them. That he thinks it takes a few months to become a citizen means he is guilty of ignorance for someone who claims to be the great immigration reformer.”

Couillard joined in, arguing that by suggesting Quebec should have total control over immigration, Legault was putting existing agreements at risk. "Through his incomprehension, he would weaken Quebec's powers."

And that set the stage for a historic event: the first televised English-language debate between Quebec's political leaders ever, where Couillard and Lisée continued to pound away at Legault's promise that immigrants would have to take a French test and a test on Quebec values after three years and be forced to leave if they failed.

Suddenly, after a year with a comfortable lead in the polls, the CAQ began to slip, and it looked like a possible photo finish.

Immigration was the centrepiece of Legault's campaign, the wedge issue that distinguished him from the Liberals, and he did not know the basics. But by bungling the details of citizenship, he opened himself up simultaneously to both Couillard and Lisée, and support seemed to drain on both sides. Since the CAQ coalition consists of both discontented Liberals and disillusioned Péquistes, this was a serious wound.

Similarly, the English debate played to both Couillard and Lisée's strengths and Legault's weakness. An optimistic interpretation would be that the English debate was a recognition of the linguistic security of the French-speaking majority and its ability to be generous to the English minority. A more cynical interpretation would suggest it was an effective Lisée ploy to pull Legault onto thin ice; Legault is much less articulate in English than either Lisée or Couillard, and Manon Massé's English is weaker still.

The third debate was remarkable in that Lisée turned on Québec solidaire rival Massé and pointed out that she was not, in fact, the leader of the party but co-spokesperson. While he was criticized for his aggressiveness toward a woman who has seemed the personification of left-wing compassion, his outburst did have the effect of focusing media attention on Québec solidaire.

Two years ago, QS had overwhelmingly rejected a merger with the PQ.

Prime Minister Trudeau meets with incoming Premier François Legault in Yerevan, Armenia, ahead of the Francophonie Summit. October 11, 2018. *Adam Scotti photo*

Lisée's attack may have backfired. For in the final results, he was defeated in his own constituency of Rosemont in east-end Montreal, by former *La Presse* columnist Vincent Marissal, and the PQ fell behind QS.

But ultimately none of it mattered. What appeared to be a close race turned out to be a sweep. The CAQ won decisively in every region of Quebec—except Montreal, where the English-speaking voters remained loyal to the Liberals, Québec Solidaire increased its presence in the poor and working class French-speaking ridings in the east end, and the CAQ had a breakthrough with two ridings in the far east end of the island.

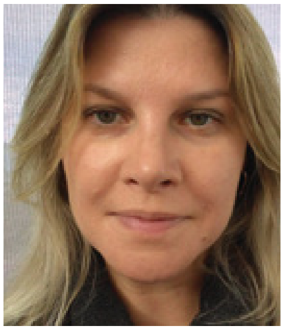
CROP president Alain Giguère was reduced to saying plaintively that people said one thing to pollsters and then did something else in the privacy of the ballot box. If it was a bad night for the Liberals and the PQ, it was a very bad night for the polling industry.

What remains to be seen is whether Legault will be as disciplined as his first post-victory prepared statement suggested. There were two veterans of the Harper PMO, Carl Vallée and Catherine Loubier, advising on the transition, and they know something about message discipline. Whether, as premier, he will articulate the darker anti-immigrant and more particularly anti-Muslim sentiments he sometimes expressed is another matter.

The *Washington Post* and *Libération* in Paris have both noticed his anti-immigrant position, *Libération* lumping him in with Donald Trump and Brazil's right-wing authoritarian Jair Bolsonaro. Already, Legault has had to disavow the enthusiasm expressed by France's right-wing xenophobe, Front National Leader Marine Le Pen, who hailed him as an anti-immigrant kindred spirit. Legault responded by saying that even with reduced immigration numbers, Quebec would be receiving more immigrants per capita than the United States or France. "On va en prendre moins, mais on va en prendre soin," (We will take in fewer, but we will take care of them) was his catchy campaign phrase, repeated in his tweet rejecting the Le Pen support.

Now, this remains his biggest challenge, for the world is watching. P

Graham Fraser is a visiting professor at the McGill Institute for the Study of Canada, and author of the bestselling René Lévesque and the Parti Québécois in Power.



Column / Lori Turnbull

New Brunswick: Trick or Treat

Whoever said provincial politics is boring has had to eat those words over the past year and a half, as elections in British Columbia, Ontario and, most recently New Brunswick, have produced very interesting, if sometimes ambiguous, results.

When the votes were counted in New Brunswick on September 24, it was not clear who would form the government. The magic number for a majority is 25. The incumbent Liberals elected only 21 MLAs and the Progressive Conservatives elected 22; the Greens and the People's Alliance elected three MLAs each.

Pre-election polls had favoured Brian Gallant's Liberals to win the night. But as election day drew nearer, the Liberal spread in the popular vote contracted. Though they ultimately still led the popular vote, it was not enough for them to maintain a plurality of seats.

Whoever ends up occupying the premier's office will need a partner to get things done in the legislature. When a similar outcome occurred in BC in 2017, the NDP and the Greens decided against forming a formal coalition and instead opted for a co-signed agreement of confidence and supply designed to provide stable governance for four years.

Among the NB parties' elected members, it is fair to say that there is no natural or easy alliance. Though all of the parties have roughly the same problems and challenges in their lines of sight, their approaches to defining and resolving these challenges is different and, in some cases, irreconcilable. The hostility of the People's Alliance toward bilingualism makes it a significant political liability for the mainstream parties that have worked to protect and entrench bilingualism in the province.

The day after the election, Gallant met with Lieutenant Governor Jocelyne Roy-Vienneau to obtain permission to remain premier for the time being. The primary role of the lieutenant governor is to ensure that there is always a premier (the individual who holds the confidence of the legislature, regardless of party standings or popular vote). As the incumbent, Gallant remains in office throughout the election period but in a caretaker capacity until either another premier is sworn in or he himself has demonstrated that he can hold the confidence of the Legislative Assembly. Therefore, he could not drag his feet.

On October 23, the legislature met and selected Liberal MLA Daniel Guitard as the speaker. The Speech from the Throne was read the same day. Though the text of the speech borrowed heavily from opposition party playbooks, it is not likely to survive a vote; Gallant doesn't have the numbers. The premier would then go to the lieutenant governor to request that the legislature be dissolved, as Christy Clark did in 2017 after losing the vote on the throne speech. Like her, Gallant would say that the current legislature is unworkable with another election the only way to sort out this mess. In BC, however, the partnership between the Greens and the NDP, backed up by the agreement of confidence and supply, made it difficult for the lieutenant governor to deny the NDP the chance at forming a government. In New Brunswick, in the absence of such a partnership, the lieutenant governor would have to decide whether to give Progressive Conservative Leader Blaine Higgs a chance to govern or heed Gallant's advice.

If the lieutenant governor denies Gallant's request for dissolution, Higgs' numbers are only marginally better than Gallant's. A partnership with one of the smaller parties would bring his total to 25 for a majority. He could govern as long as the partnership lasts, presuming that Guitard chooses to remain the speaker following a loss of confidence for the Liberals. If Guitard resigns, forcing the Higgs government to put up its own speaker, this outcome would force the new speaker to break every tied vote in the deadlocked legislature going forward, an undesirous outcome that is inconsistent with the spirit of responsible government and the independence of the speaker's chair.

If Gallant gets his dissolution, the new election would kick off in November. None of the parties has the money for this. Voter turnout would likely be low. The smaller parties would have the most to lose, given their historic showings in the September election. Out of fear of another divided legislature, voters might choose to park their votes with either of the two traditional parties, each of which would offer a mixed-bag of promises in a power-hungry attempt to appeal as widely as possible. P

Lori Turnbull is the Director of the School of Public Administration at Dalhousie University, fellow at the Public Policy Forum, and deputy editor of Canadian Government Executive *magazine. She is co-author of* Democratizing the Constitution: Reforming Responsible Government, *winner of the Donner Prize.*

Judging New Judges: The Confirmation Process

Anyone who has ever worked in a country transitioning to democracy knows that the system is about more than free and fair elections. An independent judiciary is a crucial component of any democracy, and as Robin Sears—who has served democracy in a variety of contexts around the world—writes, that principle is now at risk in America.

Robin V. Sears

Those who see democracy only through the lens of politics and elections fail to understand that the more important democratic pillar is the judiciary. Having devoted my life to campaigns and electoral politics, this was a late-blooming and difficult reality to accept. But years in Hong Kong both before and after the 1997 handover of the territory to China hammered that truth home. Whitehall did deliver a half-democracy before handing the territory to China. But, so far, neither has ever been so foolish as to attempt to politicize the judiciary.

For it is the security of contracts and their robust enforcement by a seasoned and independent judiciary that even now keeps Hong Kong the preferred destination for those who want to do business in Asia. One may only hope that Beijing does not overreach in its efforts to build better "loyalty to the Motherland" and try to create a more compliant judiciary. Beijing has weakened but not yet broken Hong Kong's administrative independence

Those of us who have grown up in democracies with deep traditions of judicial independence tend to take the sanctity of this, one of the four pillars of democracy, for granted. In places like Turkey, the Philippines, Cambodia and Pakistan elections are not clean, and neither is the judiciary. But ask any citizen who needs protection from a corrupt government what they hunger for most, and their first choice will almost always be clean judges before clean politicians.

So, it matters greatly how judges are chosen and by whom, how their fairness is monitored and by whom.

> ***"Sadly, the Trump administration is pushing the United States closer to a judicial model where judges play active and unashamed roles in partisan politics and away from the independent judiciary the framers deemed so valuable in the Constitution and the Federalist Papers."***

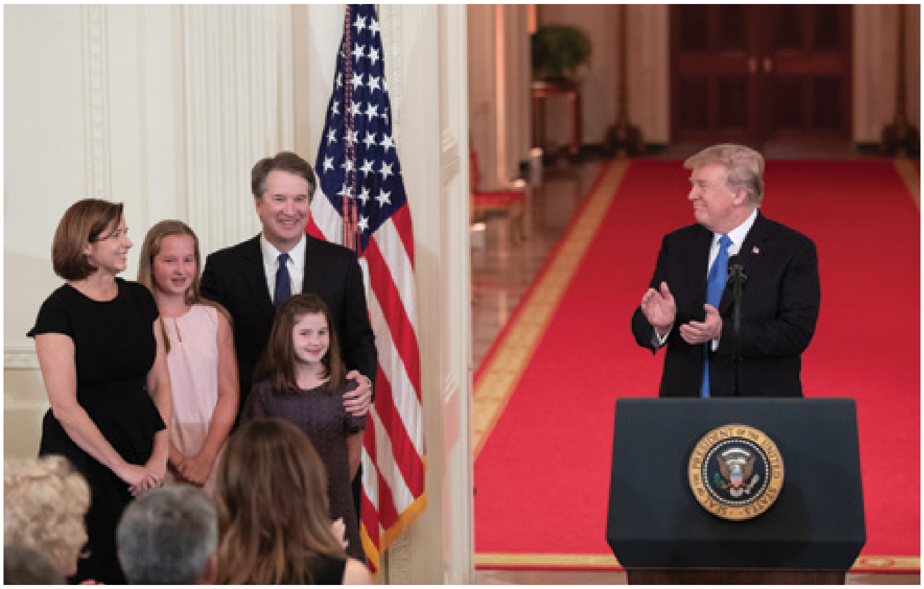
Sadly, the Trump administration is pushing the United States closer to a judicial model where judges play active and unashamed roles in partisan politics and away from the independent judiciary the framers deemed so valuable in the Constitution and the Federalist Papers.

The fiasco that was the confirmation process for Justice Brett Kavanaugh was but the latest indictment against the independence of the American judiciary. It was bad enough that until a decade ago, judges for higher courts in the U.S. had to endure public hazing by showboating politicians in their approval process, but there was an understanding that opposition members would not block an administration's choice for circuit, appeal and Supreme Court positions.

That has now been severely compromised and along with it the unconditional faith of American citizens in the independence of their most important courts. Behind the scenes, the rot is even deeper. Instead of the American Bar Association being granted "first among equals" status as the selector of the long list of candidates for judicial appointments, GOP administrations now get their candidate lists from the Federalist Society. This Koch brothers-funded organization was created decades ago to groom and promote the hardest of hard-line conservative judges. In the judicial arms race this has created, the Democrats have, arguably much too late, created their own progressive judicial appointments PAC and think tanks.

To be sure, the judicial appointments committees of the ABA still go through the motions, but insiders know where the real power to get a judge named now resides.

In Canada, we appear to have evolved a system that keeps the appointment process in the hands of elected governments, but is one seasoned by a formal review process by chosen committees of Canadians from each region. This Judicial Advisory Committee system, broadened last year by the federal government, was part of its effort to reduce the number of old white men on the bench and to better reflect regional and demographic diversity.



President Trump nominates Judge Brett Kavanaugh for the U.S. Supreme Court. July 9, 2018.
White House Photo

Former Prime Minister Jean Chrétien attacked the changes recently, decrying the selection of a committee of "nobodies" to appoint judges. As the committee's name implies, they advise on appointments only. He is right to demand that governments should still be held accountable for the wisdom of their judicial choices. As he put it, "If you have a bad judge in Canada, you know who is responsible. You know it is the minister of justice and the prime minister." But it is not clear that that line of accountability has been overturned by naming not just lawyers, but other citizens to make recommendations.

This system, balanced between the elected politicians' responsibility for the final appointment, supported by the advice of bar associations and advisory committees would seem to neatly fit a Canadian desire for compromise among institutions, insiders and ordinary citizens.

In the United States, the balance is shifting strongly in favour of partisan consideration in the choice of judges, in part because judges play an increasingly political role. Far more than in Canada or even the civil code system in Quebec, judges are asked to leap in to nasty partisan conflicts. From the egregious Dred Scott decision in 1854, which ramped up the certainty of civil war, the Court tried to forbid governments from restricting slavery. With Brown v. the Board of Education—the legal foundation of the modern civil rights struggle—the U.S. Supreme Court played a central role in race relations and politics. In recent years, Supreme Court decisions in the Citizens United case, in reversals of voting rights and other democracy-related rulings have arguably had an impact on electoral outcomes. It is not surprising therefore, that partisans work hard to promote judges from their own tribe.

While we have had a history of former politicians moving onto the bench, and partisan favorites sometimes winning appointment over those better qualified, we have had little overt partisanship from the higher court benches in Canada. Canadian conservative bleats about "activist judges" should really be seen as merely plagiarized American sloganeering to describe decisions they do not like. One may be sure that a Supreme Court decision that rolled back Charter rights would not be seen as "activist" by the Canadian right. When the Court does come down on the side of tradition as opposed to change—as they did on the "'duty to consult" decision in September—there is usually an eerie silence from critics.

Allan Blakeney was vigorously opposed to the Charter when he served as premier of Saskatchewan, on the very basic ground that unelected judges should not be making politicians' decisions for them. Despite threats from both premiers Doug Ford and François Legault to gratuitously use the notwithstanding clause—inserted partly at Blakeney's insistence—for nakedly partisan purposes, we seem to have mostly avoided one side poaching on the other's traditional domain for 36 years so far.

But in a federal state, and one with an enormous reservoir of unresolved legal issues with Canada's first peoples, it is surely true that a non-partisan, non-sectarian, and regionally balanced high court is the best final arbiter of issues that the parliaments and legislatures have been unable to resolve among themselves. It was, ironically, the Saskatchewan government that took the federal government to court to secure once and for all provincial primacy in the regulation and taxation of natural resources.

Canadians who are tempted by the spectacle of the American Star Chamber judicial confirmation process as an exercise of direct democracy should give their heads a shake. It is merely the basest backroom partisan knife job, only broadcast in all its bloody glory.

Those like Chrétien, apparently, who believe that seeking the counsel of a wider number of Canadians in the selection of a broad and diverse judiciary destroys political accountability, should be asked to offer some evidence of the damage after the amended system has been in place for a few years.

Then, perhaps, we should all reflect on how blessed are we as Canadians, to have a judiciary respected around the world; one that continues to evolve in a balanced and thoughtful manner to meet the needs of a very different Canada than the one for which it was first created. P

Robin V. Sears, a principal of Earnscliffe Strategy Group, was national director of the NDP during the Broadbent years.

Construction on Enbridge's Line 3 Replacement Program in Alberta and Saskatchewan in 2017. When completed between Alberta and Wisconsin in 2019, the project will come in at $5.3 billion, creating thousands of jobs. *Enbridge photo*

The Importance of a Well-Timed Pause in Getting Bill C-69 Right for All

Canada enjoys competitive advantage from democracy, the rule of law, well-trained workers, natural resources and geographic proximity to as well as trade agreements with the world's major markets. But Enbridge EVP Bob Rooney also notes that "according to the World Bank's Ease of Doing Business index, Canada ranks 34th out of 36 countries in average time to get regulatory approval for construction projects."

Bob Rooney

When working to a tight deadline, it's easy to forget the importance of a well-timed pause. Yet, it is the pause that allows us to step back and refocus on core objectives to ensure we are getting things right. There is a tight deadline looming as Canada's federal government seeks to implement a comprehensive policy package designed to advance core environmental, social and economic goals. As can be expected, there are many moving parts associated with attaining these admirable and important goals. Canadians would benefit if we all took a well-timed pause to refocus on what matters most—getting the policy framework right for Canadians.

The Pan Canadian Framework (PCF) sets out a comprehensive emission reduction plan, including carbon pricing (output based pricing system), clean fuel standard and methane regulations. Bill C-69—a bill to repeal and replace both the *Canadian Environmental Assessment Act, 2012* and the *National Energy Board Act*—is designed to enhance public confidence in the regulatory system. While C-69 also seeks to "enhance competitiveness by developing a system for timely and predictable decision-making, which provides certainty to investors", this objective has—until recently—taken a back seat to emission reduction and Indigenous engagement efforts. A recent joint government-industry collaboration (Canada's Economic Strategy Table on Resources of the Future) made strong recommendations in support of economic growth; these recommendations still need to be integrated into regulatory and climate policy.

The sum of all the parts could add up to a healthier investment climate and public confidence in Canadian institutions—which, in turn, will allow Canada to seize the opportunity to meet global energy demand while materially reducing global emissions and ensuring that Indigenous people and local communities benefit from energy development.

Governments and industry appear to be increasingly focused on the right mix of things. The long-term competitiveness of Canada's energy sector depends on getting environmental, diversity and Indigenous policy right—just as it depends on a globally competitive fiscal policy environment. The question that lingers amid Canada's highly polarized political debate is whether we are, in fact, getting the policy framework right. That is, when all these moving parts stop moving will we have achieved our goals?

"Capital is seeking safe havens and Canada should be high on the list. We have so many advantages—from strong democratic traditions and the rule of law to a generous natural resources endowment, well-trained people and relative proximity to the world's major consumer markets."

Let's take a moment to take stock. These are uncertain times. The post-Second World War global order is under serious stress from protectionist and nationalist forces, while public confidence in institutions is greatly diminished. Rising global debt—almost $250 trillion in personal, corporate and government debt in March 2018—a strengthening U.S. dollar and rising interest rates threaten the stability of our global financial system. Meanwhile, climate change, disruptive innovation and digital technologies are reshaping our world.

In a world awash in uncertainty, capital is seeking safe havens and Canada should be high on the list. We have so many advantages—from strong democratic traditions and the rule of law to a generous natural resources endowment, well-trained people and relative proximity to the world's major consumer markets, including the U.S. and Asia. It is also worth noting that Canada is ranked fourth out of OECD countries for environmental policy stringency. Yet, according to the World Bank's Ease of Doing Business index, Canada ranks 34th out of 36 OECD countries in average time to get regulatory approval for construction projects. We have certainly seen evidence of this in the context of pipeline approvals. This ranking goes part of the way to explaining why outbound foreign direct investment by Canadian companies increased from approximately $60 billion in 2013 to $100 billion in 2017, while inbound FDI fell by nearly half to $30 billion.

Nevertheless, recent developments point to green shoots of optimism in the Canadian energy sector. LNG Canada announced in October that it will proceed with a $40 billion export facility in Kitimat, B.C.; the energy provisions of the United States Mexico Canada Agreement (USMCA) signal that North America is likely to maintain its deeply integrated energy market and supply chains; Enbridge's Line 3 Replacement Project is on track for completion in Canada by the end of the year; and the TransMountain expansion project has a potential (albeit challenging) path to completion. Not only do projects have a path to approval under the existing regulatory framework, they've progressed while advancing core environmental and social goals.

"Even as policy debates continue to be waged, significant forces are driving the energy sector to take action to enhance its economic competitiveness, and to align with broader environmental and social policy goals."

Even as policy debates continue to be waged, significant forces are driving the energy sector to take action to enhance its economic competitiveness, and to align with broader environmental and social policy goals. Most notably, as global energy supply moves from scarcity to abundance, consumers are free to choose energy that, in addition to being safe and reliable, is also cheaper, cleaner and more convenient. Similarly, Indigenous people and local communities—backed by social norms and court decisions—are asserting greater influence on the future of energy production and infrastructure.

These forces—often but not always supported by government policy in Canada—have already had major impacts on energy systems here and abroad. Three examples are instructive:

1) Competitive renewables and integrated solutions

Renewable energy costs have fallen dramatically—to the point that they can now compete for capital with fossil fuel projects. For instance, solar photovoltaic (PV) costs dropped more than 70 per cent between 2010 and 2017. Over the same period, the cost of onshore wind dropped approximately 23 per cent while the average cost of offshore wind dropped 13 percent to $0.14/kWh.

While the competitiveness of renewables will continue to improve, relatively low average capacity factors (under 25 per cent for solar and less than 40 per cent for wind) mean that conventional fuels will play a significant role well into the future.

2) Cleaner oil and gas

We hear less about competitiveness gains made within the Canadian oil and gas sector. According to IHS Markit, operating costs in the oil sands have fallen—on average—by 40 per cent since 2014, while emissions intensity dropped 21 per cent between 2009 and 2017. Some new oil sands production is expected to have an emissions profile below that of the average barrel refined in North America. Suncor, for example, reports that the emissions profile of its Fort Hills facility will be four per cent lower than the average barrel refined on this continent.

Similarly, LNG Canada—which will receive a significant amount of power from hydro sources—is billed as the cleanest LNG export facility in the world. There will be globally significant emission reductions if Canadian LNG displaces coal use in China. As Canadians, we should be proud of these efforts. We should also be advocating for the use of Article 6 of the Paris Agreement, which would give Canada credit for helping to reduce global emissions.

3) Improved Indigenous engagement and economic opportunity

Just as Canada's energy sector is poised to compete globally on cost and carbon, the sector is focused on improving both diversity and Indigenous engagement. At Enbridge, we've come to understand—viscerally—that expectations of pipeline companies have changed dramatically. We've learned that although what we do to improve pipeline safety and environmental protection is essential, how we do it is equally important. In our business the how is all about relationships.

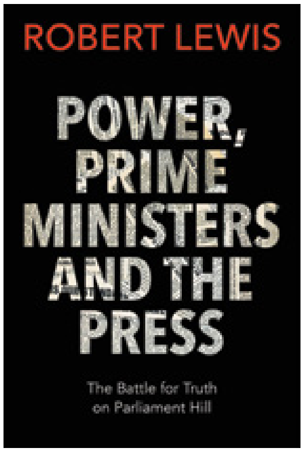
As a linear infrastructure company with assets across North America, maintaining strong relationships with Indigenous nations and groups is no easy task. We work regularly with more than 200 Indigenous nations and groups in Canada and 30 federally recognized tribes in the U.S. Our Line 3 Replacement Project—which replaces 1,031 miles of existing pipe with state of the art pipe—is committed to deliver approximately $350 million in economic opportunity for Indigenous nations and groups during the project phase, with more opportunity available over the lifecycle of the asset. This result illustrates just how important energy infrastructure companies are in contributing to Indigenous economic reconciliation efforts.

Much has changed recently to better align the interests of the Canadian energy sector with the government's key policy objectives. Despite what we tend to hear in the news, Canada's energy industry is increasingly aligned with the federal government's core policy objectives: ensuring competitiveness, diversity, emission reductions and Indigenous economic reconciliation. If, as it should, Canada is going to help meet global energy demand while materially reducing global emissions and ensuring that Indigenous people and local communities benefit materially from energy development, then we need to make sure we get the policy framework right.

A well-timed pause on Bill C-69 will provide the opportunity to ensure alignment among the bill, the Pan-Canadian Framework and the Resources of the Future report. If we take the time to do this right, then we'll end up with a consistent policy framework that effectively integrates government and industry's core objectives. It is worth the effort. P

Bob Rooney is Executive Vice President and Chief Legal Officer of Enbridge Inc. in Calgary.

Book Reviews



An Excellent Gallery Close-up

Robert Lewis

Power, Prime Ministers and the Press. **Toronto, Dundurn Press, 2018.**

Review by Anthony Wilson-Smith

If there were a hall of fame for Canadian political journalists, Bob Lewis would surely be in it. As a Parliament Hill reporter and bureau chief for three publications, starting in the mid-1960s to the end of the 1970s, he was as respected as he was liked by all sides. He went on to become managing editor and then editor of *Maclean's* magazine for another two decades, while his influence on the Hill remained undiminished.

The qualities that defined him as a person—his genial manner, intelligence, innate fairness, and keen eye for detail—also distinguished him as a journalist. When I arrived in Ottawa for my own tour as bureau chief and columnist for *Maclean's* in the 1990s, the first question prime ministers Brian Mulroney and then Jean Chrétien asked was the same one: "So, how is my old friend Bob?"

Few people have had a closer view of Canadian federal politics up front, and even fewer have Lewis's level of understanding of its sweep and sometimes subtle nuances. That is evident in *Power, Prime Ministers and the Press*, his new book on the historic love-loathe relationship between the Parliamentary Press Gallery and the government of the day. (It is also, surprisingly, Bob's first book ever.) Just like the politicians they cover, the journalists that Lewis writes about—starting in the early 1900s and extending to the present—run the gamut from biased to balanced; bland to blustering; sober to scotch-soaked. The one trait they almost all share is an obsession with the daily drama of politics.

That makes for no shortage of colourful characters to write about, and Lewis makes the most of their foibles. For much of the 20th century history of the Gallery, its members—almost exclusively male for most of that time—enjoyed cozy, first-hand relationships with the subjects they covered. That included the ability to drop in on various prime ministers for a drink, to informally probe and sometimes advocate for various positions on government policy. Some of those exchanges were reported; many were not. That access gave journalists greater insight into policies and the motivation behind them—while those conversations remained off-record as an unabashed trade-off. Blair Fraser of *Maclean's*, writing about Lester Pearson when he was external affairs minister, observed that "We all feel entitled to ring him up any hour of day or night…Quite often he puts his official life in reporters' hands with a clarifying, but grossly indiscreet, interpretation of the known facts."

No Canadian journalist today would have that first-hand exposure, or write like that. But those who think that acrimony between politicians and journalists is a new phenomenon haven't studied the toxic relations between, among others, John Diefenbaker and the Gallery. The notoriously prickly Diefenbaker started his term in power on a friendly fishing trip with several journalists—and ended it at war with much of the Gallery. He was particularly obsessed with Peter C. Newman, whose book *Renegade in Power* gave the first-ever real behind-the-scenes reporting on a Canadian government in power—and eviscerated Diefenbaker in the process. In a handwritten note still on file at the Diefenbaker Canada Centre at the University of Saskatchewan, The Chief referred to Newman as "the literary scavenger of the trash baskets on Parliament Hill" and as an "innately evil person". But Newman was no partisan. He became so adept during Pearson's time at getting scoops on cabinet secrets that Pearson threatened to fire any minister caught leaking to him. Newman dutifully reported that revelation two days later.

Lewis recounts how his interest in writing such a book, which was four years in the making, sprung from a discussion he chaired at the Canadian Journalism Foundation. Its title: "Does the Press Gallery Matter?" That question was prompted by factors including growing distrust of the media; the sharp decline in the number and readership of newspapers; the increasing ability of political parties to bypass traditional media by delivering their messages directly online; budget cuts for those media institutions still operating—and the decline in membership of the gallery itself. (Between 2012 and 2016, Lewis reports, the Gallery shrunk by almost 20 per cent, from 370 members to 320.) Those reporters are expected to file regularly updated stories more often throughout the day on various platforms in order to keep up with the insatiable appetite of a wired world for immediacy.

Lewis sympathizes with those challenges. His "lament", he writes, is "not for a press gallery that might have been, nor for some mystical golden age." But if the private scotch drinking exchanges between politicians and reporters in past years were too much to one extreme, then so, Lewis writes, is the present-day antipathy that ultimately diminishes both sides. By the time these elements came together in the 2015 election campaign, the need was clear, he observes, "for reporters to operate with civility, thoughtfulness and a modicum of humility—along with scepticism, and for politicians to give up the bullhorn and the lash."

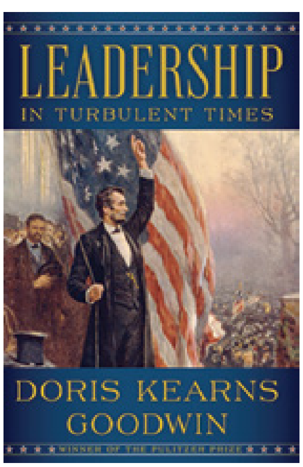
Candidate Joe Clark with Bob Lewis, Ottawa bureau chief of *Maclean's* waiting for a flight at Toronto Airport during the 1975-76 Conservative leadership campaign won by Clark on the fourth ballot. *Photo by Ted Grant, Maclean's*

Ambitious in scope as it is rich in up-close anecdotes, *Power, Prime Ministers and the Press* reminds us that the way news events are reported can depend as much on the people reporting them as it does on the events themselves. What has changed so dramatically is the willingness—or lack of same—of news consumers to accept what they are told at face value. A news event only happens once, but it can be told in an infinite number of different ways.

There has never been a time in which so much information can be made available so quickly to anyone equipped with a mobile device or laptop with modem. But as Lewis argues, someone has to provide context and balance—and know how and when to ask the right questions to produce meaningful answers. That's the job of the people in the Ottawa press gallery—and it's arguably never been more difficult to do.

But that, in turn, leads back to the question that prompted this book: "Does the press gallery still matter?" As Lewis rightly concludes: "Now, more than ever." And so, by extension, does this excellent book. P

Anthony Wilson-Smith, former Ottawa bureau chief and later editor of Maclean's, *is President and CEO of Historica Canada.*



When Presidents Fought Chaos

Doris Kearns Goodwin

Leadership in Turbulent Times.
New York, Simon & Schuster, 2018.

Review by Lisa Van Dusen

First, a disclaimer: If you're looking for a tale of *Survivor*-style, hair-on-fire office politics, reality-show melodrama and casual tyranny—a cross between Dante Alighieri and Ernst Lubitsch played out in the high-stakes hallways of the White House—this isn't the book for you. For that, you want Michael Wolff's shock-a-minute *Fire and Fury* or the more forensic but equally bloodcurdling *Fear* by Bob Woodward.

Having a limited appetite for the convergence of the war on democracy and theatre of the absurd currently playing out in Washington, I haven't read either book. I was going to make this review a crafty compare-and-contrast between Doris Kearns Goodwin's study of how four of America's greatest presidents governed in turbulent times and Woodward's *Fear*—published one week apart in September—but hit my preposterous-chaos threshold before page 100 of the Woodward book, so, here we are.

Luckily, you don't need to read an entire book about Donald Trump's implausible presidency for the ton-of-bricks contrast between the current occupant of the White House and the presidents whose leadership qualities are deconstructed in this book to hit you on every page. Abraham Lincoln, Theodore Roosevelt, Franklin Delano Roosevelt and Lyndon Johnson were neither perfect men nor perfect presidents. The contrast begins from the lowest common denominators that none of them ever suggested the U.S. government print money to lower the debt, claimed that trade wars are good and easy to win or toyed with appointing his own daughter to the second most important post in U.S. diplomacy. It may as well end with the fact if any of them was a compulsive, unsolicited grabber of women's pelvic parts, he never bragged about it into a hot mic.

Among the advantages to corrupting and hacking democracy, if you're into that sort of thing, is that it allows the otherwise unelectable to obtain power for the interests who've secured it for them, financially or otherwise. When power can be obtained through mass manipulation, disinformation, corruption and other covert tactics, the prerequisites of character are reversed, and success becomes the province of bad people willing to do anything it takes to fool voters instead of good people with a positive argument to make, take it or leave it. The predetermined outcomes of corrupted democracy preclude the need for instinct, talent, relatability, empathy, integrity, intellect and skill, which makes this book a sort of valentine to the uncorrupted kind.

The presidents in Goodwin's book are all basically good people; men of ambition, some more noble than others (in the ambition breakdown of desire to do good vs. lust for power, Johnson may tilt most toward the latter) but all of them individuals who loved their country, and whose unique combination of experience and personality seemed tailored for the particular moments of crisis in which they governed. In Lincoln's case, it's hard to imagine a leader who could have accomplished what was arguably the greatest feat of transformational leadership in U.S. history without his peculiar combination of temperament, generosity of spirit and ability to communicate.

All four shared the quality of having lived through dramatic reversals of fate from which they emerged better, more empathetic men, even if some coped with the psychological strain of setbacks and loss more effectively than others: Lincoln and Johnson's bouts of major depression humanize them; FDR's triumph of mind over matter and empathy over privilege in literally getting the better of polio by transcending it to embrace humility, help others and strengthen his resilience made him precisely the man and the president he was. The fact that Lincoln would alleviate the colossal stress of the Civil War with regular trips to the theatre is no less endearing for its fateful irony.

In the end, the true contrast isn't between these men and the one currently occupying the White House, it's between functioning democracy and compromised democracy. Functioning democracy produces leaders who end slavery, not start it; who elevate their country, not degrade it; who exhibit love, not contempt for their fellow human beings; and who strengthen civil rights and human rights, not weaken them. American democracy, in its uncompromised state, has produced some of the world's great leaders. This book reminds us of that.

Above all, at a time when so much of the content that crosses our screens reflects an agenda to normalize the patently abnormal and rationalize the utterly irrational, Goodwin's only agenda is to deploy her moral compass to measure these men and impart the lessons of their lives. In that way, she comes through on every page, like a fifth leader. **P**

Lisa Van Dusen is associate editor of Policy Magazine *and a columnist for* The Hill Times. *She was Washington bureau chief for Sun Media, a writer for Peter Jennings at* ABC News, *and an editor at AP in New York and UPI in Washington.*

SIXTH ESTATE Before the Bell
THE REVIEW
NOV-DEC 2018
VOL 1 ISSUE 5

Growing Canada's cleantech sector.

The polarization of the media.

Millennial voter intentions.

Getting universal pharmacare right.

USMCA

noun [u-**smak**-*ah*, u-**shmuhk-EH**]

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FROM THE EDITOR

Someone should have reminded President Donald Trump that Prime Minister Justin Trudeau is a boxer. After being dragged into the ring for an incredible weight class mismatch, the government should be complimented for escaping disaster by striking a new trade agreement (USMCA) in September. Following a draining ten-round bout of negotiations, brought about by the US-imposed forced destruction of an existing NAFTA agreement, the government stood tall and salvaged a long-standing mutually beneficial trading relationship. Prime Minister Trudeau and Canada may have been outmatched but not outclassed.

Now, the government must return its focus to the many other fights ahead on the Card. At the Sixth Estate and on Before the Bell we continue to explore those issues ringside.

In this issue we start with the prospect of a national pharmacare program. Dale Smith highlights the season premiere of Before the Bell in his piece Universal Pharmacare: Prescribing a Solution, recapping the jurisdictional challenges, costs, and now ramifications of extending intellectual property protections in the new USMCA - all elements Dr. Hoskins will have to consider when he completes his report next spring.

And Pamela Fralick, president of Innovative Medicines Canada, argues in Getting it Right on Pharmacare that any universal pharmacare program must have three pillars: be patient centric, responsive, and provide value and sustainability.

Next, in Accelerating Cleantech in Canada, a Sixth Estate Spotlight on growing the cleantech sector, Navdeep Bains, Minister of Innovation, Science and Economic Development, used the platform to make a major funding announcement. The session, in conjunction with the annual public meeting of Sustainable Development Technology Canada, looked at the broadening scope of cleantech companies in Canada.

Finally, in separate sessions in advance of the US midterms, Before the Bell looked at two areas that are expected to have a major impact on the outcome: millennial voter intentions and the role of the media. Special expert guests included John Della Volpe, director of polling at the Harvard Kennedy School's Institute of Politics, and Emmy award-winning journalist Betsy Fischer Martin, now executive director of the Women and Politics Institute at American University. Providing a Canadian perspective to discuss if what we are seeing in the US is a harbinger for our own upcoming election was David Coletto, CEO of Abacus Data, and Shawn McCarthy with the Globe and Mail. You can read their opinions in Millennial & US Midterms: Passionate but are they predictable and Media Today: Media or the message.

We hope you will continue to join Before the Bell for the many remaining rounds and watch what will be a marathon of fights for the government leading to the Title – next October's federal election.

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Universal Pharmacare: Prescribing a Solution

BY DALE SMITH
Sixth Estate

In its report to Parliament last April, the House of Commons Standing Committee on Health recommended a national, universal pharmacare program, a policy shift that would have the support — according to a 2015 Angus Reid poll — of an overwhelming 91 percent of Canadians. Before the Bell hosted a panel of experts to discuss the options currently under discussion, the costs involved, and the ongoing work of the Advisory Council on Implementation of National Pharmacare chaired by Dr. Eric Hoskins. Moderators David Akin and Shawn McCarthy welcomed their respective panels — on the politics and policy of the issue — to flesh things out.

On the politics, Peter Cleary, senior consultant with Santis Health and former senior aide to then-Health Minister Jane Philpott, said Canadians aren't yet in a position to rank pharmacare versus other healthcare priorities because a detailed plan has not yet been presented. Cleary added that provinces have the ability to go their own way, but there are added complications if the federal government decides to exert some authority, particularly through a national formulary.

"I think that politicians are really uncomfortable with deciding what gets coverage and what doesn't, and that's at the crux of a national formulary, and that was in the mandate letter when I was in the minister's office a couple of years ago and it continues to be," said Cleary. "We'll see if we get to the pharmacare piece because there's a lot of other pieces that they haven't touched yet."

Corinne Pohlmann, senior vice-president of national affairs and partnerships with the Canadian Federation of Independent Business (CFIB), said that her organization represents business owners who rarely have drug coverage of their own. She said it's an issue that the federal government can't realistically do on its own.

"Any pharmacare programs that currently exist are provincial in scope — the problem is that it varies from province to province," said Pohlmann. "You can't move this forward without direct provincial involvement, and they're probably going to have to deliver it regardless."

L. Ian MacDonald, publisher and editor of Policy magazine, said that national pharmacare has been a perennial promise from political parties, there has been very little momentum, and there will be added complications with the new terms around intellectual property in the USMCA.

"The NDP have been working very hard in question period to make this intellectual property issue an Issue," said MacDonald. "Whether they'll succeed is another question."

During the main panel on policy, Pamela Fralick, president of Innovative Medicines Canada, said that the whole-of-stakeholder approach needs to be front and centre as the pharmacare discussion evolves.

"That patient-centric view of the world is number one for us," said Fralick. "We don't exist if we don't have patients, and care for them, and provide products that are useful."

Fralick added the challenge for pharmacare tends to be implementation, which is what Dr.

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Universal Pharmacare: Prescribing a Solution

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Hoskins has been tasked to tackle by the federal government. Fralick pointed out that this is why Hoskins will report to both the health and finance ministers.

Janet Yale, president and CEO of the Arthritis Society (Canada), says the principle of pharmacare should be timely and equitable access to medically necessary treatments for all Canadians, irrespective of where they live.

"It turns out that with private plans, there is reasonable coverage across Canada, but public plans are another story," said Yale. "We don't see why you would take public money to replace private plans for the vast majority of Canadians that do have access to their medically necessary treatments. We want to avoid a race to the bottom."

In Yale's estimation, that means closing the gaps in the public system in order to best leverage scarce resources.

Joelle Walker, director of public affairs with the Canadian Pharmacists Association, says that pharmacists are already on the front line of managing drug plans, they can see where the gaps are in the system, and that the current system is not sustainable over the long term.

"There are a lot of areas that we haven't focused on, including the appropriateness and utilization of medications," said Walker. "A recent statistic around medication returns to pharmacies cited that in four provinces alone, it was about 400 tonnes of medications returned in 2017. People aren't using their medications as prescribed."

Walker says that this is where pharmacists can come in, to help better manage patients' drug regimens.

Bill Casey, Liberal MP for Cumberand-Colchester, Nova Scotia, and chair of the House of Commons Standing Committee on Health, said that the committee's two-year study on pharmacare in Canada was a fascinating exercise.

"The consensus in the report is that we will have better healthcare at a considerably lower cost with a national pharmacare program, and that was absolute with healthcare providers," said Casey.

Casey adds that the federal government current has six different drug programs, and provinces can have six to twelve programs each, meaning there is a considerable amount of overhead in administering them. Casey added that the Parliamentary Budget Officer conducted a study on behalf of the committee, which determined that the current Quebec program was probably the best model, though Yale countered that it still doesn't meet all of the needs of patients.

"What we have doesn't make sense to me," said Casey. "If we have a national pharmacare program, we will have consistency in delivery."

Pamela Fralick
PRESIDENT,
INNOVATIVE MEDICINES CANADA

Getting it right on Pharmacare

Pharmacare left to right: Guest host David Akin Global News, Bill Casey MP, Chair House of Commons Standing Committee on Health, Joelle Walker Canadian Pharmacists Association, Janet Yale Arthritis Society, Pamela Fralick Innovative Medicines Canada. Source: Twitter

It has often been cited that Canada is the only major western country with a national Medicare system that does not include some version of a national public drug plan. Last year, more than 620 million prescriptions were filled by Canadians. Pharmaceuticals are the most frequently used therapeutic intervention used by clinicians to treat people and yet somehow pharmaceuticals have not yet been fully integrated into the Canadian health system.

Innovative Medicines Canada has been advocating for the creation of a pan-Canadian framework to support comprehensive access to pharmaceuticals for all Canadians.To inform this dialogue, we put forwardthree principles that we believe should form the basis of any sustainable national pharmacare program.

Patient-centric

First and foremost, we believe that all Canadians should have timely access to the choice of medicines they need, regardless of income, age, or postal code.

While there is robust private and public drug coverage in Canada, we recognize that these systems are not perfect and that some Canadians are falling through the cracks, either because they have no coverage, or they have insufficient coverage. Fortunately, according to a recent analysis by the Conference Board of Canada, over 98% of Canadians are in fact eligible for some form of prescription drug coverage. However, nearly 10% of Canadians (3.6 million) Canadians are not taking advantage of public drug coverage for which they are eligible.

Reasons for this include a lack of awareness of their eligibility and out-of-pocket costs.

A made-in-Canada pharmacare program should focus on meeting the needs of those vulnerable Canadians who need medicines but are either not eligible for any coverage or have insufficient coverage.

Value and Sustainability

Canadians are generally supportive of the government's decision to examine ways to help make medicines affordable for all Canadians, according to an Abacus data survey released in September[1]. When asked what factors should be considered in developing a national policy, 94% of respondents indicated the need to keep costs low for taxpayersand 90% did not want group coverage to be put at risk of cancellation.

> *"Nearly 10% of Canadians **(3.6 million)** are not taking advantage of public drug coverage for which they are eligible."*

We agree with Canadians that any pharmacare option must be both fiscally responsible and practical to implement in the context of Canada's mixed public and private insurance framework.

System Responsiveness

Pharmacare options should reflect diverse and evolving patient needs and be responsive to technological change through the timely adoption of innovation. Medicines have the potential to save lives or enhance a patient's quality of life and save precious healthcare dollars. For example, a study of six classes of innovative medicines in Ontario found that the cost of the new medicines was offset by reductions in the use of other healthcare resources such as physicians and hospitals, and reduced productivity lossesin the workplace.

A national pharmacare system does not have to be an all-or-nothing proposition. Canadians don't have to choose between the current dual-payer system or a single-payer universal pharmacare program funded entirely by government. By addressing the needs of Canadians who don't have coverage or are underinsured, we can create a sustainable national pharmacare program that ensures that patients receive the best standard of care and have timely access to necessary medicines for years to come.

Pamela Fralick is president of Innovative Medicines Canada

Contributed to the Sixth Estate – The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of the Sixth Estate.

Accelerating Cleantech in Canada

BY DALE SMITH
Sixth Estate

To many Canadians, cleantech may sound like an abstract, catch-all term used to describe any innovation aimed at the green market. In fact, it is an industrial transformation that includes any process, product or service that reduces negative environmental impacts. According to a 2016 report by Analytica Advisors, the global market for cleantech is poised to triple to $3 trillion by 2020, which creates a huge opportunity for Canadians to take advantage of this booming sector. Sixth Estate's Spotlight hosted a panel of experts to discuss what is being done to accelerate the growth of cleantech in Canada. Moderator Lianne Laing welcomed Minister of Innovation, Science and Economic Development (ISED) Navdeep Bains, who used the occasion to announce $58.6 million in funding for 14 Canadian cleantech companies. The funding is through Sustainable Development Technology Canada (SDTC).

"We want to make sure that Canada plays a leadership role, and that's why clean technology was such a critical part of our innovation and skills plan, because it genuinely represents a key market growth opportunity for us," said Bains.

Leah Lawrence, president and CEO of SDTC said that when it comes to cleantech, "data is king."

"Data and intellectual property are what critically matter, and our lives are increasingly depending on it," said Lawrence. She added that data is worth protecting.

"That's why SDTC places a particular focus on working with cleantech start-ups who are looking to harness the power of data to advance pre-commercial demonstration and the technology ideas that they drive," said Lawrence.

During the panel segment of Spotlight, Audrey Mascarenhas, president and CEO of Questor Technology, who also chaired the federal government's economic strategy table for clean technology, said that there's an enormous opportunity for Canada to use digital to grow clean-tech industries and to think of things from a systems perspective.

"[We're] starting to look strategically at how we combine all of our different technologies to provide a solution, whether it's on water or air, and then market that strategically,

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and globally," said Mascarenhas. "This is an exciting time."

Mascarenhas said that the government's strategy tables were industry-led, and there was a focus on implementing cleantech to grow the economy and create jobs.

James Hinton, IP lawyer and patent and trademark agent with Own Innovation, said that while the good news is that Canada is good at researching cleantech, the bad news is that it's international companies that are able to take advantage of the research.

"Even though Canadians are creating these ideas and technologies, Canadian businesses lag globally for IP ownership in cleantech," said Hinton. "Canada decreased 22 percent in filings from three years ago, so it places us dead last in countries that file more than 100 applications."

Hinton said that while the government has implemented a national IP strategy, it needs to do more to capture the economic value of the technologies Canadians create and it needs to act swiftly.

While the re-negotiated NAFTA agreement, the USMCA, includes intellectual property provisions, some experts have warned they will hinder, not help, Canadian innovation.

Mark Schaan, the director general of the marketplace framework policy branch at ISED, said that increasingly, ISED is trying to meet the paradox of going from a country that leads in development of new innovation and ideas to being a country that leads in commercialization and reaping the benefits of those ideas.

"We're placing the emphasis where it should be – that we recognize that we need to be net generators and net owners of the ideas that we produce, and of the datasets and the insights that come from those datasets to maximize their potential," said Schaan.

Michael Gilbert, CEO and founder of the precision agriculture data analytics platform Semios, said that tools such as the internet of things and artificial intelligence-driven machine-learning are making it possible to avoid using physical labour in agriculture and are becoming more targeted in their approach.

"We started out with a relatively simple but odd proposition that we could stop butterflies from mating, and that would prevent a bunch of pesticides from going into the environment," said Gilbert of a pheromone-based mating disruption technology produced by Semios. "It turns out that it worked out really well, and we've displaced ten million litres of toxic pesticides."

Gilbert said that they hope to use similar tools to help farmers use less water as they scale up their production. Gilbert also said that Canadian companies need to be on the offensive and not defensive in order to become global leaders.

Mascarenhas said that having a patent can make companies competitive on the global stage, but the question is how to take those patents in a strategic direction. She also noted that patents can be of little value if they don't create companies and jobs, which is why the government needs to close the funding gap for scaling-up.

"If we don't invest and create scale-up companies in Canada, we're actually subsidizing the rest of the world's GDP growth," said Mascarenhas. "We need to make sure that we're looking at the entire ecosystem."

Millennials & US Midterms: Passionate, But Are They Predictable?

Left to right: David Coletto CEO Abacus Data & Shawn McCarthy Globe & Mail. Photograph by Sixth Estate

BY DALE SMITH
Sixth Estate

As with all elections these days, the looming November 6th U.S. midterms have refreshed the conversation on how to mobilize millennial voters, who have their own values and attitudes. Before the Bell hosted a panel September 27th on the factors that guide

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millennials' decisions, and what signals they might be sending for Canadian candidates ahead of the October 2019 federal election. Moderator Shawn McCarthy welcomed John Della Volpe, director of polling at the Harvard Kennedy School's Institute of Politics, and David Coletto, CEO of Abacus Data.

Della Volpe, an expert on millennial attitudes and behaviours, said his research shows that young Americans are deeply concerned about the state of their country, democracy, and institutions, and that there is a deep sense of anxiety among them. Polling also shows that they blame politicians, big money and the media for the state of things, but also the structural barriers to advancement. He also noted that there is waning support for capitalism among youth.

"Despite the fact that two-thirds of young Americans have more fear than hope, despite the fact that they're questioning everything from the politicians to the media, to structural challenges including capitalism, there are a lot of indications in our data and other data sets…that we're on the verge of seeing a once-in-a-generation attitudinal shift about the efficacy of politics and political engagement," said Della Volpe.

For the midterms, Della Volpe said his polling shows an increase in Democratic and independent-identified voters who "definitely plan to vote" relative to the last "wave" election in 2010, whereas there is a dip in self-identified Republicans.

"We expect to see an increase in overall participation, but more importantly a change in the composition of the vote," said Della Volpe. "We have far more young Democrats participating than young Republicans."

Della Volpe said that the reason some youth don't vote is that they don't see tangible results, as they do with community service. But in the Trump era, he is seeing a rise in engagement comparable to the aftermath of 9/11.

From a Canadian perspective, Coletto said that while the values are similar, the majority of young Canadians feel optimistic about Canada, and that there is less adherence to partisanship.

"In 2011, the Conservatives and the NDP basically split the youth vote," said Coletto. "Four years later, Justin Trudeau did very well. There's a lot of fluidity in young Canadians."

John Della Volpe. Photograph by Sixth Estate

Abacus's own numbers, released in April 2016, showed forty-five per cent of Canadians aged 18 to 25 voted Liberal, compared with 25 per cent for the NDP and 20 per cent for the Conservative Party.

There are a lot of indications in our data and other data sets…that we're on the verge of seeing a once-in-a-generation attitudinal shift about the efficacy of politics and political engagement."

— John Della Volpe
director of polling at the Harvard Kennedy School's Institute of Politics

Della Volpe said that the political awakening for older millennials — who so effectively mobilized for the Obama campaign in 2008 — was 9/11, and they have continued to be a reliable progressive voting bloc. For the younger millennials, the Great Recession showed them the failures of the system, and that Republicans failed to take advantage of the opportunities that it presented, which fed the grassroots movement for Bernie Sanders.

"The anger and questions that were raised about how this sort of thing happened in 2016 have now been channeled into a very productive series of conversations on campuses, and when I ask a young person why they're voting, they're more likely to tell me that they're doing it to support some marginalized population within their community or within the country," said Della Volpe.

On foreign policy, Della Volpe outlined in an RCP op-ed in May the level of support among young Americans for multilateralism. The Harvard Kennedy School Institute of Politics' Bi-Annual Survey of Youth Attitudes showed that an overwhelming percentage of young Americans under the age of 30 — regardless of party affiliation — believe in a highly collaborative approach to foreign policy.

For his part, when asked about millennials' values versus those of older generations, Coletto pointed to the sense of fairness and equality, and in Canada, climate change has a sense of urgency. He also said there is a sense that the system is broken, which is something that Trudeau was able to tap into in Canada the way Sanders did in the U.S.

Della Volpe said that by contrast, one of the top issues for young Americans is school shootings, as well as inequality. Reaching young millennial women is also where there is contrast between Canada and the U.S.

"Making gender equality a core part of the government's agenda speaks to the generation, and particularly to young women," said Coletto of the Trudeau government. "The broader MeToo movement has empowered them and given them a voice."

Coletto also noted that Canada's regional divides are more pronounced than class, particularly around issues like climate change and carbon taxes. He also said that housing affordability and jobs are the most pressing needs, which provides an opportunity for the Conservatives to come up with policies to fill that space.

Media Today: Medium or the Message

BY DALE SMITH
Sixth Estate

With the next Canadian federal election little more than a year away and the campaign for November's midterms in the United States providing lessons for Canadian media on what to expect in a changing news landscape, Before the Bell launched its new season with the panel Media Today: Medium or the Message. Moderator Catherine Clark welcomed legendary Washington producer Betsy Fischer Martin, who as the late Tim Russert's long-time producer on Meet the Press was one of the most influential women in Washington, and Globe and Mail en-

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ergy reporter and Carleton University reporting instructor Shawn McCarthy.

The Emmy Award-winning Fischer Martin, now executive director of the Women and Politics Institute at American University, spoke about asymmetrical polarization, whereby one political party moves significantly away from the mainstream, largely used to describe the move of the Republican Party further to the right while the Democratic Party has only moved slightly to the left. Fischer Martin likened it to a football game where the Democrats moved from the 40-yard line to the 30-yard line, while the Republicans went from their 40-yard line to beyond the goalposts.

"Looking today at the media landscape, I do think we have seen that same football game being played," said Fischer Martin. "Conservative media has moved significantly away from what we think of as mainstream, centre-left, or even centre-right media. The result of that is a spectrum of media organizations where essentially you can have two totally different universes of information being consumed."

> *"Looking today at the media landscape … you can have two totally different universes of information being consumed."*
>
> — Betsy Fischer Martin
> *Reporter*

Fischer Martin listed examples of how headlines are presented by different outlets, and which stories were given top billing between outlets that have more political leanings, and how that can create bubbles for media consumers.

Fischer Martin said that during the mid-90s, she would have the Senate majority and minority leaders on Meet the Press together to talk about legislation or issues, and that in the past ten to twelve years, she hasn't seen the bearers of those two titles together in the same interview. She also noted that the series of hour-long interviews with presidential primary candidates that were the norm in 2000 have virtually disappeared as candidates chose friendly outlets for six- or seven-minute interviews.

Fischer Martin suggested there are things that both journalists and news consumers can do to combat polarization, such as producing more straight news and fewer opinion columns, and creating a sharper line between the two, along with ending the practice of newspaper editorial endorsements.

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"We need to condition readers and news consumers to pay for good journalism," said Fischer Martin, and pointed to the declining numbers of outlets. "They're slashing staff left and right, and we end up with statehouses across the country that have no local reporters monitoring what's going on in state legislatures – it's one of the first things that newspapers cut."

Shawn McCarthy, global energy reporter with the Globe and Mail and instructor of political reporting at Carleton University, said that metrics show newspaper publishers that people prefer to read columns, which is why resources get shifted there.

"You go where the numbers are, especially when the business models are under so much stress now," said McCarthy. "Maybe in Canada, there's a bit less of that hardcore opinion that you would associate with…a political point of view, but it's going that way."

McCarthy said that there are still people in Canada who feel that the mainstream media is either too far left or too far right for their particular point of view.

> *Social media is not only allowing politicians to bypass the media to reach people directly, it's also impacted marketing when businesses bypass media advertising for targeted social advertising.*
>
> — Shawn McCarthy
> *Reporter, Globe & Mail*

McCarthy noted that social media is not only allowing politicians to bypass the media to reach people directly, it's also impacted marketing when businesses bypass media advertising for targeted social advertising. The downside of this, he noted, is that it tends to only reach a core audience.

"If you're trying to reach those who are not partisans but are persuadable, you have to look beyond that strategy," said McCarthy.

Fischer Martin said that media need to figure out how to give people both their "short clicks" along with more substantive content, that will still provide a viable business model. McCarthy also said that people need to beware of treating the media as a monolith when each organization has a target audience that is different from their competitors.

McCarthy said that he sees the same trends from the U.S. happening in Canada when it comes to the reach of populist leaders — perhaps not in as visceral a manner as with President Donald Trump, but that they are all tapping into fears among the electorate about how fast the world is changing.

"Politics is reflecting that and the media are reflecting that," said McCarthy.

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Ottawa ⟷ Montréal	Jusqu'à 12	198 km	**1 h 55 min**	2 h 27 min	227 $	**33 $**	194 $
Ottawa ⟷ Québec	Jusqu'à 8	482 km	**5 h 23 min**	4 h 39 min	488 $	**44 $**	444 $
Toronto ⟷ Montréal	Jusqu'à 13	541 km	**5 h 25 min**	5 h 30 min	562 $	**44 $**	518 $

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

An Open Letter to the Prime Minister and the Minister of Finance

The Right Honourable Justin Trudeau,
P.C., M.P.
Prime Minister of Canada

The Honourable William Morneau,
P.C., M.P.
Minister of Finance

Dear Prime Minister and Finance Minister:

In my role as a volunteer board member of four major volunteer organizations in healthcare, education, social services and arts and culture, I am well aware of the increasing needs of the benefactors of these organizations and how the charitable sector plays a vital role in the well-being of society generally. The needs of the benefactors are growing and governments cannot keep up with the increasing demands. To provide much needed relief with the private sector as a helping partner, I recommend that your government remove the capital gains tax on charitable donations of private company shares and real estate in the 2019 budget, the same policy and legislation that presently exists for listed securities. There are 84,000 registered charities in Canada which employ over 2.1 million people and serve a large proportion of the Canadian population from all walks of life.


Centraide
United Way Flickr photo


Heart and Stroke Foundation
Queens University Flickr photo

Vancouver Food Bank Flickr photo

The case for this proposal is compelling:

- It is not a "Tax Break for the Rich". The real beneficiaries of this proposal are the millions of middle class Canadians who are served by our registered charitable organizations. For example there are now 87 United Ways and Centraides in Canada and collectively, they provide crucial funding to over 3,000 community based agencies that deliver more than 6,200 services and programs to support those in need.
- The fiscal cost of the measure is shared by our tax payers and the donor, whereas the cost of direct government spending is borne 100 per cent by our tax payers.
- The measure removes a barrier to charitable giving and enables successful entrepreneurs to give back to the communities that have played an important role in their success. These entrepreneurs live in all parts of Canada, small towns and villages in rural areas as well as our cities.
- The exemption would put the Canadian charitable sector on an equal footing with their United States counterparts with whom we compete for the best talent to help raise funds and address the challenges of managing the operations of charitable organizations.
- Extending the capital gains exemption would generate an estimated $200 million in new charitable donations every year going forward.

As the previous Conservative government included this measure in its 2015 budget, it is reasonable to assume that the Conservatives will include this measure in their 2019 Election Platform. There is a very high level of awareness and support among all stakeholders in the charitable sector including the 2.1 Canadians whom the sector employs.

I urge you to include this measure in your 2019 budget. It will be a great legacy for your government to leave for all Canadians for generations to come.

Thank you!

Yours truly,

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


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