

We Need to Talk About Canada: The Role of Stakeholder Agenda Setting in U.S. – Canadian Relations Today

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Columbus, Ohio will host a gathering of stakeholders in the U.S.-Canadian relationship in June 2016 that represents an important opportunity for U.S. and Canadian policymakers, but particularly for the 45th President of the United States and the 115th Congress of the United States. This meeting in Ohio has the potential to contribute significantly to the future of U.S.-Canadian relations because stakeholder voices have always been essential to building a consensus for action among leaders in both countries, and because the relationship between Canada and the United States has yet to fully recover from the successive impacts of the North American Free Trade Agreement, the September 11, 2001 terrorist attacks on the United States, and the 2008 financial crisis – all of which have disrupted the longstanding partnership between these two countries.

Since the establishment of diplomatic relations between the two countries in 1926, following Canada's early days as a British colony, there has been a tradition of advancing bilateral relations in pragmatic ways that benefit citizens in both countries. Central to this tradition has been the periodic convening of stakeholders in good relations between Canada and the United States. These meetings have generated policy alternatives and agendas for constructive engagement that would be impossible for political leaders and officials in Washington D.C. to generate alone, given the diffuse and decentralized nature of relations with Canada, which span domestic and international policy and political spheres.

For the United States, some international relationships command attention: Russia, China, Europe, Iran and even Mexico. For the most part, these countries push their way onto the agenda through the potential they have to harm U.S. interests. Ignore potential trouble spots for too long, and voters will lose confidence in an administration's foreign policy leadership.

Canada is in a different category for U.S. policymakers. For one thing, the two countries are so interconnected that Canada falls someplace between foreign and domestic policymaking – in the space that Bayless Manning called the “intermestic” arena (Manning, 1977) . Another challenge is the diffuse nature of the relationship, which tends to make it hard for federal policymakers to address comprehensively and at the same time can lead state and local officials to get involved, complicating bilateral relations with issues of domestic politics and federalism (Sands, 2000). Add to this the fact that the U.S.-Canada trade relationship remains the largest by value in the world, and the bilateral investment relationship is large, mutual and growing – and the importance of maintaining good relations requires an effort to manage the relationship's complexity.

Policymaking absent crisis can be a challenge for the United States, where the constitutional separation of powers divides responsibility and makes crisis, or what John Kingdon called a “policy window” a prerequisite for concerted efforts by rival policymakers (Kingdon, 1984). In his memoir, former Secretary of State George P. Shultz called the work of managing non-crisis relationships “weeding the garden” so that natural and healthy growth would not be choked by problems (Shultz, 1993).

The problem of managing by gardening the relationship with Canada is that it can lead to muddling through, and merely “satisficing” the various competing stakeholder concerns in Herbert Simon's memorable phrase (Simon, 1957). This can preclude optimizing the management of the relationship for U.S. national interests or Canadian ones.

Certainly there is an element of satisficing in the routine management of U.S.-Canadian relations, just as Shultz observed. Yet during Shultz's term as Secretary of State, the Reagan administration dramatically reshaped U.S. relations with Canada through the Canada-U.S. Free Trade Agreement, triggering the tripling of bilateral trade from \$153 billion USD in two-way trade in 1988 (when Canada and the United States were already the largest trading partner for each other) to \$539.6 billion USD in 2015 (Census Bureau, 2016). How can mere gardening lead to such a fundamental transformation strategically?

In Kingdon's model, even limited-time policy windows can be openings for fundamental changes when a policy alternative or an agenda is ready and waiting. And when it comes to Canada, it has been stakeholder groups that have done the work of developing innovative policy agendas for U.S.-Canadian relations to provide strategic thinking and vision for leaders in both countries.

Talking To Americans

Business leaders have often seen an economic stake in solving problems in the bilateral relationship. After the close wartime cooperation between Ottawa and Washington during World War I, the Carnegie Corporation of New York funded a landmark series of studies intended to take stock of the relationship coinciding with the formal establishment of diplomatic relations between the United States and Canada, then still a British colony, in 1926. Though a primarily scholarly and academic project, the Carnegie series helped inform early bilateral policymaking.

World War II brought the two countries even closer, as U.S. owned automotive manufacturing plants built tanks and planes to supply Canadian and British forces. The 1940 Ogdensburg Agreement between U.S. President Franklin Delano Roosevelt and Canadian Prime Minister William Lyon Mackenzie King established the Permanent Joint Board on Defense to coordinate mutual defense arrangements, and the 1941 Hyde Park Agreement allowed Canadian purchases of U.S. materiel to be charged to Britain's Lend-Lease account. In 1942, the two countries agreed to build the Alaska Highway. It was a time of goodwill in the bilateral relationship that carried over to the early Cold War period (Azzi, 2015).

In 1957, business leaders in both countries established the Canadian-American Committee to sponsor economic research and promote cooperation between the two countries. The C.D. Howe Institute, founded as the Private Planning Association of Canada in 1958, became the Canadian institutional partner in this committee and was joined by the National Planning Association in the United States. Through the 1990s, the Canadian-American Committee served as a means by which private sector stakeholders in constructive bilateral relations could promote policy alternatives and attempt to shape the agenda for leaders in both countries.

The 1950s saw the integration of air defenses with the establishment of NORAD, a joint air defense command in 1957. Later, the Canadian and U.S. arms industries (which were already closely linked due to the legacy of the two world wars) were integrated through the 1958 Defense Production Sharing Agreement.

Canadian anxiety about national sovereignty was heightened by the casual attitude of business leaders in both countries to the pursuit of closer cooperation and deeper economic integration. As Joseph T. Jockel has noted (Jockel, 1985) this set in motion a series of crises in the bilateral relationship, each of which was followed by attempts by stakeholders to promote better relations between Ottawa and Washington. Disagreements between the U.S. John F. Kennedy Administration and the Canadian government of John Diefenbaker (including a disagreement during the Cuban Missile Crisis) contributed to a crisis in 1963 when Diefenbaker was defeated for reelection.

He was replaced by Lester B. Pearson who in 1964 commissioned two former ambassadors, Livingston T. Merchant (a former U.S. Ambassador to Canada) and Arthur Heeney (a former Canadian Ambassador to the

United States) to study the management of the relationship and recommend ways to improve it. The Merchant-Heeney report, formally entitled, “Canada and the United States: Principles for Partnership” argued against the growing trend of multiple federal departments and even state and provincial governments establishing direct linkages with counterparts, favoring a model in which foreign ministers managed the relationship centrally according to principles of prudent accommodation and “quiet diplomacy.” Critics focused on the model, seeing it as undermining a partnership of equals and therefore undermining Canadian sovereignty; in retrospect, the report correctly identified the growing diffusion of the relationship that was slipping out of the control of diplomats, which turned out to be the more significant of its findings.

Yet the quiet diplomacy recommended by Merchant and Heeney helped to give rise to the 1965 Auto Pact, which allowed U.S. automotive production in Canada to enter the U.S. market and vice versa. This agreement helped save the Canadian auto industry, which had been built up to serve British Empire markets that closed when the empire ended and many large colonial markets sought to foster domestic automotive production as a spur to industrialization. Growing bilateral tensions over the Vietnam War and the Richard M. Nixon administration’s belief that Canada had unfairly manipulated the terms of the Auto Pact ended the brief period of quiet diplomacy.

Soon, a new crisis rocked the relationship as Nixon imposed a 10 percent import surcharge on goods from Europe and Japan in 1971 that, in a break with past practice, made no exception for Canada. Jockel (1985) saw this as the second crisis of the postwar period. Charles F. Doran saw this in starker terms as the moment when the principle of managing the relationship as a partnership of equals despite the asymmetries of power and wealth between the two countries was abandoned, or as Doran put it, “forgotten” (Doran, 1984).

The crisis of the 1970s fueled Canadian economic and political nationalism, which in turn led a number of U.S. institutions to focus attention on Canadian relations with the support of business leaders in both countries eager to foster better relations.

One such forum was the American Assembly, founded at Columbia University by the university’s then-president (and future U.S. president) Dwight D. Eisenhower took a repeated interest in this relationship. The American Assembly model convened a cross-section of thought leaders for a wide-ranging discussion on a topic that was oriented toward problem-solving (Columbia University, 2016). The American Assembly hosted meetings on the U.S.-Canadian relationship in 1963 (Dickey, 1964), 1984 (Doran C. F., 1985), and in 2005 (Haglund, 2005) that were intended to generate policy alternatives to prevailing conflict, and promote an agenda of bilateral cooperation.

The 1970s also saw private sector groups fund major studies at U.S. think tanks. In 1978, the Hudson Institute, and American think tank based in New York which had a branch office in Montreal from 1974-1994 produced a monograph, *Canada Has a Future*, which decried Canadian pessimism but noted the changes in Canadian society that fueled a sense of insecurity about the future (Drouin, 1978).

The Center for Strategic and International Studies (CSIS) commissioned a study on the U.S. Canadian relationship in 1970 that resulted in a report calling on the two governments to work together more in order to more effectively regulate growing cross-border economic activity, from trade to investment (Hockin, 1972). CSIS followed up this study by creating a Working Group on Canada to study the potential for a bilateral rapprochement following the retirement of Canadian Prime Minister Pierre Trudeau, whose economic nationalist policies had created tensions in the relationship that were especially pronounced during the Reagan administration’s first term (Carver, 1985). The Working Group report recommended closer cooperation on trade and security issues and laid the groundwork for U.S. support for the negotiation of the Canada-U.S. Free Trade Agreement. CSIS then established a Canada Project in 1992 that received corporate support from both countries and generated studies on the relationship from trade to border security until 2005.

The efforts by stakeholders to voluntarily meet and contribute ideas to the U.S.-Canada relationship proved successful in overcoming the tensions caused by the Vietnam War, Canadian economic nationalism, two oil shocks, stagflation and recession. Even as officials in Ottawa and Washington abandoned (or forgot, per Doran) the principles of a co-equal partnership for the management of bilateral relations, stakeholder groups replicated the co-equal partnership in their discussions, giving Canadians a larger role in agenda setting for the official relationship when backed by U.S. business and intellectual leaders (Bothwell, 1992)

Shocks to the System

Three major events, the ratification of the North American Free Trade Agreement (NAFTA) in 1994, the September 11, 2001 terror attacks on the United States, and the 2008 financial crisis disrupted the pattern of dialogue and study by stakeholders that had successfully fostered the improvement of U.S.-Canada relations from the postwar period until the early 1990s.

NAFTA disrupted the bilateral relationship by subordinating it to a trilateral dialogue on economic issues that now included Mexico, a country with which Canada had surprisingly limited relations. The Clinton administration carried forward the logic of NAFTA by reorganizing Canadian affairs within the executive branch into new North American bureaus (removing Canada from bureaus responsible for Western Europe) from the State Department to the National Security Council. Many private organizations, from multinational corporations to U.S. think tanks, did the same. The venerable Canadian-American Committee was renamed the North American Committee by the National Planning Association and its partners. At the Center for Strategic and International Studies, separate Canada and Mexico projects were sustained until the early 2000s, but programs became frequently trilateral. A group of elder statesmen and “thought leaders” led by George Shultz set up the North American Forum to meet annually and discuss the future of continental relations, attracting senior Canadian participation, but with co-equal Mexican participation (Hoover Institution, 2016).

The September 11, 2001 terrorist attacks on the United States led to further disruption as political leaders in Washington and Ottawa responded to public concerns over security in different ways; the United States sought to reinforce border security after the Chrétien government rejected an early Bush administration proposal for a common security perimeter, while Canada subsequently worried at the loss of unrestricted market access due to new security inspections at the border.

What made these two shocks so extraordinary is that they propelled U.S. relations with Canada in different directions: NAFTA accelerated continental economic and trade integration, while the U.S. response to September 11 began to dis-integrate supply chains in North America.

Brain Bow argues that in the wake of these two shocks the Canadian debate about how to engage the United States split into two camps, one that sought to restore top-down management of the relationship, and the other which advocated bottom-up strategies that were a better fit for the changed policy environment (Bow, 2006). Those Canadians who believed that the underlying partnership between Canada and the United States remained viable argued for a concerted effort to develop a strong relationship between the U.S. president and the Canadian prime minister who could manage issues from the top-down, and in some cases for deepening the network of relationships between counterpart officials, relying on cultural affinity and professionalism to resolve issues at the working level. The conceptualization of a U.S.-Canada “partnership of equals” despite apparent asymmetries was hard to give up for Canadians, but the second group described by Bow argued that U.S. policymaking had become highly fragmented and that Canada was increasingly forced to engage with domestic U.S. policymakers as the interests of the two countries became integrated alongside their respective economies. To cope, this second group advocated utilizing relationships between firms with common problems, aggregation of special interests in both countries, and the development of deeper contacts between U.S. states and Canadian provincial governments in order to tackle problems on an issue-by-issue basis, moving things up to high levels only when necessary. When issues, such as border security, became too large

to resolve at the working level, Canadians in this second camp hoped a “big idea” might unite the fragmented policy actors and interests and reset the context for bilateral relations and allow progress in spite of ongoing decentralization.

What followed these shocks was a more targeted engagement strategy from business leaders in Canada and the United States. When the George W. Bush administration launched the Security and Prosperity Partnership for North America in 2005, Canadian business leaders joined with their U.S. and Mexican counterparts to form the North American Competitiveness Council to advise the governments on urgent policy priorities related to the regional economy and security (Anderson & Sands, 2007). But when the Barack Obama administration disbanded the SPP, new dual-bilateral dialogues separated U.S. discussions with Canada from U.S. discussions with Mexico which proceeded on parallel tracks. The U.S.-Canada Beyond the Border Working Group and the U.S.-Canada Regulatory Cooperation Council were launched in 2011 without a formal stakeholder engagement forum, although business leaders sought briefings and offered informal input to the two federal governments on each of these processes (Sands, *The Canada Gambit: Will it Revive North America?*, 2011).

The 2008 financial crisis underscored the weakness of stakeholder input in an emergency. Stimulus legislation passed by Congress in 2009 included “Buy American” provisions that Canadian businesses believed would lead to their exclusion from potential contracts for infrastructure projects with U.S. federal funding (Attwater, 2012). Canadian business groups lobbied for clarification that the new legislation did not violate NAFTA rules against national content requirements. In the subsequent government-led bailout of General Motors and Chrysler, the Government of Canada was the only other government to join the United States in an effort to help the two firms, with strong support from U.S. and Canadian automotive firms. But Canada’s role is rarely acknowledged by U.S. policymakers involved in the bailouts such as (Rattner, 2010) and (Goolsbee, 2015).

Whether bilateral or trilateral, the engagement of stakeholders in U.S.-Canadian relations since 2001 has been reactive; business leaders have provided input to discussions framed by the governments, rather than generating new ideas.

At the same time, stakeholders from business and nongovernmental organizations in Canada and the United States have expanded participation in state-provincial and even-municipal-to-municipal forums (Fry, 2005). And while groups such as the Pacific North West Economic Region (PNWER) have been successful in incubating policy alternatives and promoting policy agendas for the federal governments to consider, such as enhanced driver licenses and creative ideas for security cooperation when Vancouver hosted the 2010 Winter Olympic Games, they rely on local policy networks and must work hard to attract the attention of U.S. policymakers capable of instituting comprehensive policy solutions for the economy.

When TransCanada applied for a presidential permit to build the Keystone XL pipeline, stakeholder input into U.S.-Canada relations was unable to foster a broader dialogue on the bilateral relationship to put this project, and the significant bilateral energy trade, into proportion. The Obama administration chaffed when Congress tried to force the president to approve the pipeline by legislation in 2012, and again when Republican presidential candidate Mitt Romney made approval of the pipeline one of his top five policy priorities. By the summer of 2015, many Canadian observers claimed that U.S.-Canadian relations were in the worst state in living memory (Sands, *U.S.-Canada Perception Gap on Bilateral Relations Wide and Worrisome*, 2015).

The Ohio Opportunity for U.S.-Canadian Relations in 2016

October 2015 saw the election in Canada of a new Liberal government led by Prime Minister Justin Trudeau. With the new government came a new perspective on the bilateral relationship: Trudeau called for greater

constructive engagement by stakeholders on both sides of the border, amid a renewed spirit of partnership that would have Canada take seriously U.S. policy priorities such as climate change (Trudeau, 2015).

In the United States, the November 2016 elections will determine the composition of the 115th Congress and the 45th President of the United States. As both take office in January 2017, there will be an opportunity for new leaders to embrace Trudeau's call for change in management of the bilateral relationship.

Will the United States be ready?

It may depend on whether stakeholders in the United States and Canada have developed policy alternatives to address disagreements over the future of the Columbia River Treaty, trade in softwood lumber and energy. Just as important will be the question of business and NGO support for the cooperative management of border security, regulatory cooperation in pursuit of the NAFTA goal of a single market for goods and services in North America, and environmental action to address shared concerns. For the rising Millennial Generation, there has been little discussion of how the management of U.S.-Canadian relations could advance their particular economic prospects in light of the technological revolution that they inherit; they are stakeholders without a voice in the debate to date.

As home to more than 100,000 Millennial Generation students, the University of Windsor, Johns Hopkins University and The Ohio State University are partnering with the law firm of Dickinson Wright PLLC, with offices and attorneys in the United States and Canada to gather stakeholders in better U.S.-Canadian relations for a summit June 15 to 17 hosted by Ohio State in Columbus, Ohio. Within each of these universities, scholars familiar with the history of this bilateral relationship have responded to the invitation from Dickinson Wright to get involved.

- At the University of Windsor, the Cross Border Institute has long specialized in the study of the challenges faced by businesses and citizens on both sides of the border.
- At Johns Hopkins University, the Center for Canadian Studies at the Paul H. Nitze School of Advanced International Studies (which I am honored to direct) has focused on the problems of U.S.-Canadian relations, particularly those related to economics, since 1960.
- At The Ohio State University, the John Glenn College of Public Affairs is a leading center of excellence in U.S. government and policymaking whose graduates are respected policymakers at the national, state and municipal level in the United States, as well as in policymaking around the world.

As George Shultz observed, relationships between the United States and partners like Canada require periodic "weeding" so that they can grow and prosper. A new team of gardeners has taken office in Ottawa, and another is arriving on the scene in Washington in a matter of months. What work lies ahead of them? Canada is ready to work, but readiness of the United States side is unclear.

In June in Columbus, Ohio stakeholders, public and private sector leaders, and concerned citizens in both countries have been invited to once again contribute ideas for policy alternatives and new agendas for the oft-forgotten partnership between Canada and the United States. The opportunity of this gathering in Ohio is to renew the partnership and make the relationship prosper for the generation that will soon inherit leadership in both countries.

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