



# THE UNITED STATES AND CANADA: AGENDA 2021

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## INTRODUCTION

*By: Christopher Sands, Director, Canada Institute, The Wilson Center*

The change in administration in the United States, from Donald Trump to Joseph Biden, provides an important opportunity to review the most pressing issues that are on – or should be on – the bilateral agenda. The 117<sup>th</sup> Congress is closely divided with Democrats in control of the U.S. House of Representatives and Senate, but by narrow margins. Confirmation of the Biden administration’s cabinet, senior officials, and a new ambassador to Canada are likely to take longer than Biden or Canadian officials would prefer.

The 2020 election in the United States saw very little comment or debate about Canada or bilateral issues by candidates of either party. Yet the election did feature a robust discussion of issues that are important to both countries: the COVID-19 pandemic response, the need to revive the economy, and implementation of the United States Mexico Canada Agreement (USMCA).

This report is a compilation of commentary by the scholars and fellows affiliated with the Canada Institute at the Woodrow Wilson International Center for Scholars on the bilateral agenda in 2021. It is not a consensus report; not all of the contributors would agree with what others have written, and in some cases the authors are writing in their area of specialization unfamiliar to the rest. We publish this report aware that not every issue is, or could be, addressed here. Indeed, as 2021 unfolds it is likely that certain issues will emerge and dominate the bilateral relationship between the United States and Canada that were not included in these pages.

Nonetheless the report provides a snapshot of the issues that concern our experts that we hope will prompt your thinking and robust debate in both countries about the future of this important relationship. If something here moves you to comment, we would love to hear from you. You can reach us by email at [Canada@wilsoncenter.org](mailto:Canada@wilsoncenter.org).

## NEW BILATERAL DYNAMICS

### Day 1 for the Next U.S. Ambassador in Ottawa

*By: James Dickmeyer, Global Fellow, Canada Institute, The Wilson Center*

A U.S. ambassador soon learns after arrival in Ottawa that her voice, while important, is only one of myriads of American voices that command the attention of Canadian decision makers and public. It is a testament to the closeness of the two countries' relationship and their physical proximity (a one-hour flight gets you from Washington to Ottawa) that so many channels of communication exist between the two governments. This wide range of contacts is mirrored in state-province relations, adding to the complexity of opinions that are voiced in both private and public fora.

Nonetheless, the public voice of the U.S. ambassador can and should hold the greatest attention of the greatest number of Canadians when it comes to U.S.-Canada relations.

Why? First, she is the most senior US official who is focused 24/7 on our relations with Canada. Second, she is physically present in Canada, with all that means in terms of sharing experiences and daily conversations with Canadians from all walks of life. Third, she heads a large cadre of U.S. diplomats located throughout Canada, from Halifax to Vancouver, and at five other consulates in between. This network of diplomats provides the ambassador eyes, ears, and mouthpieces throughout Canada.

How? The standard list of diplomatic communications includes face-to-face meetings, phone conversations, and formal diplomatic demarches. Add to these the tools of public diplomacy, from the signed OpEd in a national newspaper, to live interviews on radio and television, to public speeches before private sector groups. And, of course, these channels are now augmented by tweets, blogs, Instagrams, Facebook postings, YouTube videos, and all the other social media.

A successful U.S. ambassador must use all of these communication channels and tools. And use them well. She does not have to be a natural before the camera, or exceedingly erudite in penning opinion pieces and speeches. But with the support of her embassy staff, and through thoughtfully planned outreach, she can make her voice one that wins the attention of the Canadian public. She is the face of the U.S. presence in Canada. Use social media to show her engagement with Canadians, and by extension, how deeply our common experiences run. A tweet or two, however, will not adequately explain the U.S. position on joint pipeline proposals. So use public speeches, and engagements with editorial boards, university students, chambers of commerce, and others to demonstrate an appreciation and command of the complex issues we face. U.S. policies matter to Canadians and they are keen students of them. Pay them the respect their focus deserves.

Who? The U.S. ambassadors I have known all noted how hard they needed to work to successfully do their jobs. The hours can be brutal; an ambassador is never really "off-duty." Travel can be extensive, especially in a continent-straddling country like Canada. Attention to

bilateral issues must be intense and constant. So, high energy and a willingness to do the hard work and put in the long hours are essential qualities. Deep knowledge and experience with Canada should be a requirement. But given that the post of ambassador in Canada is one of the top plum positions that go to political appointees rather than career diplomats, a Canada expert will not always be chosen. But here enters perhaps the most important ability that a U.S. ambassador can have: when needed, she can get an issue in front of the U.S. President. A career diplomat rarely has that access. All the recent U.S. ambassadors to Canada – political appointees all – did.

When? This is easy: ASAP. We know the vetting and confirmation of a new U.S. ambassador to Canada will not be completed by February. But this diplomatic posting must be in the top level of nomination priorities of the Biden administration. While awaiting the confirmation of a new ambassador, the importance of the relationship can be demonstrated by returning to the tradition of making Canada the first foreign visit of the new President. After all, it is just one hour away on Air Force One.

## Restoring confidence in political institutions and bilateral relations on both sides of the Canada-U.S. border

*By: Frédéric Gagnon, Raoul Dandurand Chair of Strategic and Diplomatic Studies, and Full Professor of Political Science, University of Québec in Montreal*

January 6, 2021, will remain engraved in our memories. Expressing dissatisfaction with the outcome of the 2020 U.S. elections, supporters of Donald Trump stormed into the U.S. Congress to halt the process of certifying Joe Biden's presidential victory.

This major event reveals the fragility of our democracies and the challenge that awaits elected officials not only in the United States but also in Canada in 2021. How do we restore confidence in our political institutions after almost a year of COVID-19, and when the current economic crisis threatens to exacerbate the kind of frustration we saw on January 6?

The violence committed on that day must be condemned and the perpetrators brought to justice. However, the grievances of Trump's supporters will not disappear overnight, and U.S. and Canadian elected officials must continue to seek answers to at least two major questions that have been highlighted by his presidency.

First, how can we create the good jobs that Trump's supporters wanted by electing him to the White House? Trump's record on employment is not as good as he claims, but he has managed to convince tens of millions of Americans that politicians are not as concerned as he is about defending jobs across the country, especially in rural and exurban areas that have suffered most from the recent economic crises and globalization.

This perception is also prevalent in many parts of Canada, where deindustrialization and the offshoring of jobs abroad are leading to the precariousness of families whose members are no longer certain that they will have a better life than the previous generation. The economic slowdown that accompanies COVID-19 only accentuates these fears, and elected officials will have to give priority to employment throughout 2021 and beyond, with economic stimulus plans that are based more on pragmatism than dogmatism. For example, climate change advocates will insist on the importance of a green economic recovery, but the urgency of restoring jobs in some regions will sometimes require more flexibility than normal, at the risk of momentarily slowing the energy transition, to avoid further deepening the economic insecurity that has made the anger of Trump's supporters possible.

A second major issue for 2021 is how to restore mutual trust between the United States and Canada. President Trump's presidency ushered in one of the most tumultuous periods in the recent history of Canada-U.S. relations. Trump has regularly characterized Canadian trade practices as unfair and included Canada in countries that unduly benefit from the trade relationship with the United States. Field investigations we conducted in a dozen of Canada's neighbouring states during the Trump years found that the President's grievances against Canada have gained ground with local elected officials, voters and interest groups who support him.

On the Canadian side, Trump's presidency has also fuelled a sense that the United States may no longer be the staunch ally it once was. Joe Biden is viewed more favourably in Canada and his arrival in the White House will reduce that feeling. But 2021 will require considerable effort on the part of Canadian and American elected officials to rebuild mutual trust between the two countries. Joe Biden and Justin Trudeau's commitment to job creation in their respective countries as a first priority in the context of the pandemic suggests that Washington and Ottawa may be tempted by protectionist policies in the months to come. But here again, economic recovery will be better served by pragmatism rather than dogmatism.

The return to more cordial relations between Justin Trudeau and the White House under Joe Biden will make it easier than in Trump's time to distinguish between protectionist policies necessary to protect a particular economy and those that have harmful effects for both countries. As such, the Trump years were challenging for certain economic sectors in Canada (dairy, aluminum, etc.). However, they had the advantage of reminding Canadians that the economic relationship with the United States should never be taken for granted and of the importance of the efforts of Canadian authorities and Canadian provinces to convince Americans that it is in their best interest to do business with their northern neighbors.

## Post-Election Pandemic-era Pragmatism

*By: Deanna Horton, Global Fellow, Canada Institute, The Wilson Center, and Senior Fellow, Munk School of Global Affairs and Public Policy, University of Toronto*

Having had the Washington experience of preparing for the “New Administration,” I am aware that Canadian officials for sure, and perhaps even their American counterparts, are making hopeful lists of potential accomplishments that encompass the bilateral relationship. Top of the list for both governments will of course be combatting COVID-19 and economic recovery. Another priority for both governments should be cementing common cause for addressing climate change: carbon pricing, ending any subsidies for fossil fuels, investing in energy innovation, etc. However, given the difficulty President Biden is bound to face enacting legislation in a divided Congress, both sides should consider what can be done through regulation.

Now, and well into 2021, is not the time for initiatives requiring big legislative changes, but rather pragmatic approaches to eliminate some of the regulatory bottlenecks and promote the kind of shared prosperity both countries will need to revive our economies.

By 2020, the relationship between the White House and Congress had deteriorated to the point that enacting major legislation became a challenge. The Biden Administration will of necessity have to focus on what can be done via Executive Order. In the U.S.-Canada bilateral context, that should include measures to promote commerce through dismantling regulatory barriers.

The United States-Mexico-Canada Agreement (USMCA) sets out a number of areas for regulatory collaboration. These would include, through the Committee on Technical Barriers to Trade, enhancing regulatory compatibility on chemical substances, cosmetic products, information and communications technology and energy performance, and medical devices and pharmaceuticals.

Potential collaboration should also incorporate services, a sector often overlooked and under-reported which comprises the lion’s share of both economies. Doing a fast forward on recognition of education and qualifications that will facilitate cross-border exchanges, transportation, and professional services.

Particular attention should be paid to measures that would enhance the competitiveness of the Small and Mid-size Enterprises that are so important to both our economies. And steps are especially key to foster the expansion of digital trade, including to international markets of importance to Canadian and U.S. businesses.

Finally, since it is very apparent that much of the innovative governance thinking on issues of importance to both countries is taking place at the subnational level, perhaps the most appropriate role for national governments is that of cheerleader. They need to encourage the sharing of best practices – from affordable housing to resource management to climate resilience and for the mitigation, transit, and resilience-building of cities. States, provinces, and cities across North America are facing similar challenges. Resolving and moving beyond them will be critical to North American global competitiveness.



## The not bad, the bad, and the ugly – A forward look at the 2021 Bi-national relationship

*By: Nik Nanos, Global Fellow, Canada Institute, The Wilson Center; Chief Data Scientist, Nanos Research; and Research Professor, SUNY Buffalo*

The transition to a Biden-led administration effectively sets the stage for a possible reset with America's main allies, key among them being Canada. Previous research by Nanos Research (Nanos) suggests that Canadians believe that "tone at the top" between the President and the Prime Minister is one of the key determinants of a cordial working relationship. The policy frames for both the Biden and Trudeau administrations have some overlap. For example, both have inclinations to intertwine green priorities with possible pandemic stimulus spending, and both have styles which emphasize foreign policy stability over disruption.

What Canada should have learned over the past four years is that the U.S.-Canada relationship is largely shaped by America's willingness to be fair-minded with its much smaller neighbor to the North. For the first time in 14 years of Nanos tracking, Americans gave Canada its highest rating on having common business values. Conversely, Canadians gave Americans their lowest rating on the same dimension in 14 years. A Biden Administration will not necessarily mean good news for Canada because the United States will focus on advancing its own interests, which may or may not align with those of Canada. What it does mean is that there will likely be a normalization of the binational dialogue under Biden. In that sense, this is not bad.

The most worrisome dimension of the binational relationship in 2021 will be the pandemic and also what that might mean for the U.S.-Canada border. The pandemic fuels xenophobic attitudes towards fellow citizens and foreigners. Americans might be surprised to know that about eight of ten Canadians are good with a border closure to non-essential travelers. If fellow citizens who travel are now considered risky potential carriers of the virus and its new emerging strains, amplify that view when it comes to foreigners who travel. A day may come when the benevolent and once welcomed 'snowbirds', retired Canadians who head south for the winter, are seen not as contributors to the country's economy but health threats.

The bad in the binational relationship for 2021 is that pandemic politics may limit the policy flexibility of both governments to advance a more positive binational relationship. If Canadians and Americans are in fear of the pandemic, it will cast a shadow on issues such as having a well-functioning open border.

Events of the past week and the angry storming of the Capitol Hill will be the ugly overhang for 2021 in the binational relationship. As opposed to the inauguration being a new page with a new administration, there is now a higher likelihood for the Biden Administration to be even more focused on domestic politics. This at a time when many countries, like Canada, would welcome an international re-engagement by the American government on trade, human rights, and the environment.

Even with an administration with a human rights-minded President and group of advisors ready to renew America's role internationally, a domestic focus may put international re-engagement in the back seat.

Overall, the opportunity for normalization of the U.S.-Canada relationship is quite strong. The challenge will be positively moving forward during a pandemic with a Biden Administration potentially very focused on domestic politics.

## NORTH AMERICA

### Time to Press A North American Agenda: Can Canada Lead?

*By Alan Bersin, Global Fellow, Canada Institute, The Wilson Center, and Senior Fellow, Belfer Center, Harvard Kennedy School*

When he takes office in January, Joe Biden will confront challenges more difficult than those faced by Franklin D. Roosevelt in 1933 and nearly as challenging as those confronting Abraham Lincoln in 1861. Like FDR, President-elect Biden will need to address an economic depression precipitated by the coronavirus; and he must also contend with a still raging pandemic. Like Lincoln, he inherits a country riven gravely with fundamental political division. On top of this, Biden likely will be burdened by a renewed migrant crisis already mounting at the southwest border. The pressures on the new president appear genuinely immense and daunting.

Given these circumstances, it is improbable that the new Administration will prioritize the Canada-U.S. bilateral agenda as much as we would wish. Goodness knows there is an ample agenda to accomplish in the arena – including reigniting the cross-border movement of people, accelerating United State-Mexico-Canada Agreement (USMCA) implementation, modernizing security arrangements through North American Aerospace Defense Command (NORAD), and revising the Columbia River Treaty, among numerous other matters. This is not a new problem. Taking its most important bilateral relationship for granted perennially has been an issue in Washington, now sorely exacerbated by the Trump experience.

In this context, Dwight Eisenhower’s wisdom could prove useful guidance: “When you cannot solve a problem, think about making it bigger.”

The audience for this forum, sponsored by the Canada Institute, largely appreciates the strategic potential for a more economically competitive and secure North America: rich, diverse human capital across a half billion people; economies that together generate almost [30%](#) of the global product for goods and services; shared production platforms with robust trade flows of more than a [trillion](#) dollars annually (comprising [17%](#) of global commerce); energy superpower status and independence in the 21<sup>st</sup> century; an unmatched natural resource base (beyond hydrocarbons), including huge navigable rivers and copious amounts of arable land; unmatched access to the Atlantic, Pacific and Arctic Oceans; and demilitarized, trade friendly borders administered by governments committed to a democratic rule of law.

Even more, however, than the parallel U.S. bilateral agendas with Canada and Mexico – except for migration management concerns to the south – the trilaterally-oriented North America agenda invariably has been an afterthought in the hierarchy of U.S. policymaking. Three sovereignties, histories, politics, languages, and currencies, coupled with two qualitatively different borders have resulted in a painfully slow movement towards integration. Despite periodic meetings (on a haphazard schedule) among heads of state, there really is not much substantive to show – aside from an incipient, unambitious, mostly unimplemented merger of the three countries’ trusted traveler programs.

An opportunity to remedy this deficit may soon present itself. The Biden foreign policy/national security team, led by Tony Blinken and Jake Sullivan, appear firmly to grasp the erosion of the post-WWII “liberal world order” that has occurred – and the geopolitical realignment taking place across the world that is both cause and effect of the breakdown. Surely in the new arrangement that is unfolding, the U.S. position would be strengthened by stronger regional cohesion in North America and a concrete “continental” illustration of its vision for a new world order. The American Century undoubtedly is coming to an end, but it could be doing so in the context of a North American century that is just beginning.

Those of us seeking to reenergize the U.S.-Canada relationship should consider Eisenhower’s advice. Situating specific action items within a larger strategic framework could both accelerate their achievement within the bilateral agenda as well as advance integration within North America which does appear a continental destiny. Given an understandable current U.S. preoccupation with domestic crises and fashioning its reentry on the world stage, and President Lopez Obrador’s decidedly inward focus in Mexico, Canada would have to take ownership of this approach and assume leadership, at least in the short to midterm. A turn in this direction – eschewing over-reliance on U.S. leadership and embracing a more authentic partnership with Mexico – could well capitalize on the external credibility of Pierre Trudeau and operate to the benefit of his Government’s agenda – as well as of the people of North America as a whole.





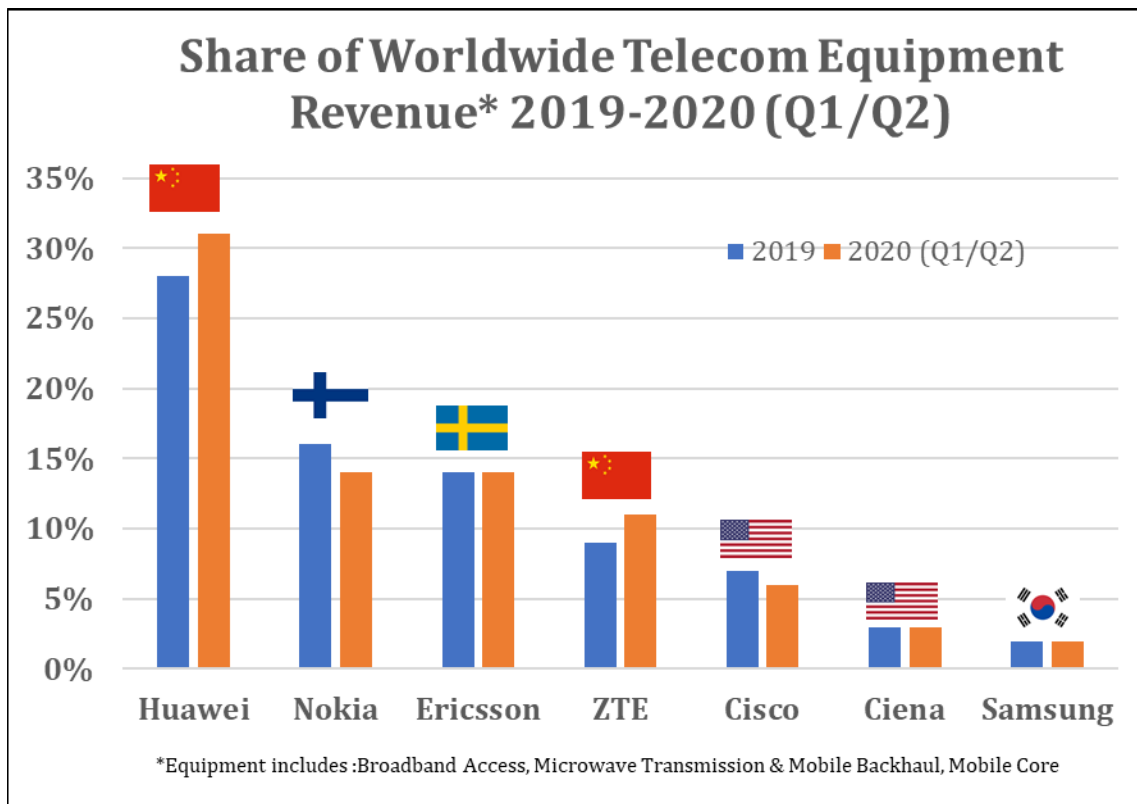
## GLOBAL SECURITY

### Canada-U.S. Cooperation on Secure 5G Networks

By: Eric Miller, Global Fellow, Canada Institute, The Wilson Center, and President, Rideau Potomac Strategy Group

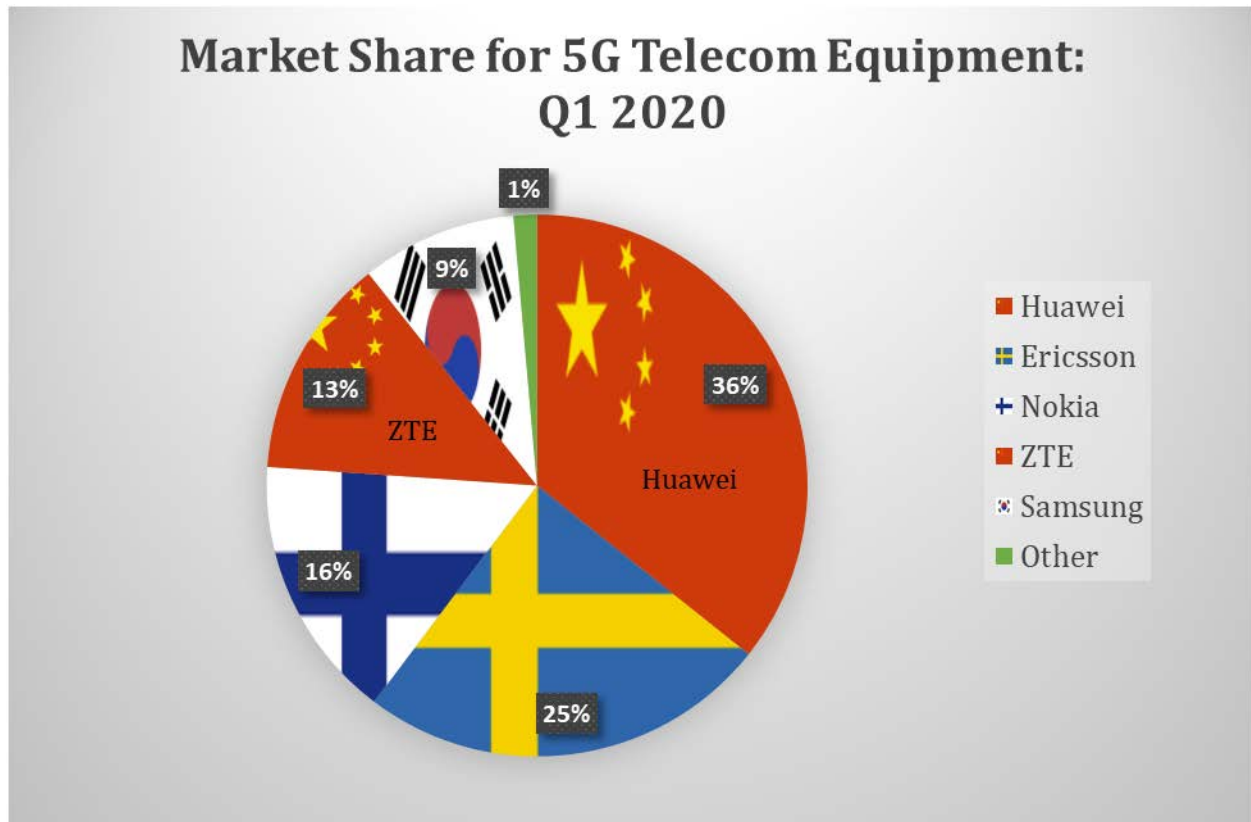
From Zoom classes to e-health, North America is at the forefront of global innovation in the application of information technologies. Nevertheless, Canada and the United States are substantially absent from the production of the equipment that undergirds our communication networks. Given the increasing centrality of information technologies to warfare, industrial espionage and inter-state competition, North America's increasingly limited capacity to build its own network infrastructure creates an array of economic and security vulnerabilities

Chinese telecom giants Huawei and ZTE presently earn more than 40% of global telecom equipment revenues and close to 50% in 5G or '5<sup>th</sup> Generation' equipment. Their only major competitors are now European firms Ericsson and Nokia. The leading U.S. firms, Cisco and Ciena, have a combined market share in the 10% range in equipment revenues and less than 1% in 5G.



Source: Statistics from the Dell'Oro Group as cited in <https://cntechpost.com/2020/09/08/huawei-continues-to-lead-global-telecom-equipment-market-in-h1-report-shows/>.

The rise to dominance of Huawei and ZTE over the past two decades was as much a function of Chinese statecraft as of market innovation. Substantial government subsidies allowed these firms to always undercut their competition. The Chinese Government has also been seen to undertake cyber-attacks on and steal IP from their competitors. These factors were central to the collapse of Canada's Nortel in 2009, which once had a 40% U.S. market share.



Source: Statistics from the Dell'Oro Group as cited in: <https://cnetechpost.com/2020/07/06/huawei-zte-hold-48-9-percent-share-of-5g-telecom-equipment-market/>.

While concerns among Western Governments about relying on China for their communications infrastructure has been growing for years, the debate has crystallized since 2018 around Huawei's participation in 5G network buildout. In May 2019, the United States effectively banned Chinese telecom equipment. Key security allies Britain and Australia have followed with bans of their own. Canada has not formally banned Huawei equipment from its 5G buildout, but none of the nation's telecom companies will buy Chinese. Given the Huawei CFO Meng Wanzhou case and the detention of "the two Michaels," Canada has heretofore avoided declarative statements.

COVID-19 has pushed Western Governments to focus on supply chain vulnerabilities and the importance of a domestic industrial base. To date, on the telecom front, purchasers have merely been told to not buy Chinese. Sweden's Eriksson and Finland's Nokia offer excellent products,



but the U.S. and Canadian Governments have little influence over them. With information networks central to North American security and prosperity, the incoming Biden Administration and the Trudeau Government should work together on a plan for ensuring a robust North American source of supply for the telecom equipment going forward.

Key questions that need answering in any viable plan include:

- The role of existing North American players, including Cisco or Ciena;
- The role of extra-regional players from allied nations, including Ericsson and Nokia;
- The methods of conveying advantage: Regulations? Procurement? Subsidies?;
- The extent to which the North American player would compete with the Chinese or others in third countries; and
- The feasibility of coordination with allies beyond North America, especially the Five Eyes nations.

## Canada's top priority: securing the release of the two Michaels

*By: Darren Touch, Schwarzman Scholar, The Wilson Center*

The inauguration of Joe Biden as the 46<sup>th</sup> president of the United States of America on January 20 will signify a much-welcomed shift by Canada after four-years of unpredictability and inconsistency in U.S. foreign policy, which has shattered alliances and destabilized relationships. For Canada, the geopolitical tensions between Washington and Beijing throughout the Trump administration contributed to the downward spiral of Canada's relationship with China and strained its special relationship with its old-time friend, neighbour, and ally, the United States.

Canada entered the fray of U.S.-China strategic competition when Ottawa knowingly or unknowingly detained Huawei's chief financial officer, Meng Wanzhou, in December 2018 for extradition at the request of the U.S. government on charges of financial fraud. In retaliation, China detained former Canadian diplomat Michael Kovrig and entrepreneur Michael Spavor on charges of espionage. Since the arrests, Canada-China relations have soured with the case of the two Michaels being characterized as a case of "hostage diplomacy." Moreover, China has applied economic coercion on Canada's agri-food by banning Canadian pork, beef, soybeans, and canola seeds. Despite calls for the Trudeau government to politically intervene and negotiate for the release of Meng in exchange for the two Michaels, the Trudeau government has frequently reiterated its commitment to upholding the rule of law and judicial independence on the matter. After two torturous years, the two Michaels continue to be detained in isolated, harsh conditions in a Chinese prison in comparison to Meng, who is on bail living comfortably at her C\$15-million home in Vancouver.

Under President Trump, U.S. support for Canada's efforts in the release of the two Michaels have been inconsequential. At one point, President Trump once notoriously suggested that he might intervene if the case could result in better trade terms for the United States, which infuriated Canadians. With a change in administration, there is an opportunity for the Biden administration to reaffirm and commit support of Canada's efforts in securing the release of the two Michaels. Moreover, it also raises the possibility of the United States reconsidering the prosecution of Meng. Within this context, it will likely be a key topic of discussions between President Biden and Prime Minister Trudeau following the inauguration.

Last week, Prime Minister Justin Trudeau's cabinet shuffle shifted Marc Garneau from the transportation to foreign affairs portfolio, taking the helm from François-Philippe Champagne. Garneau has deep connections with the United States, serving as a National Aeronautics and Space Administration (NASA) astronaut for nearly a decade in the 1980s and 1990s. As a political operative, he chaired the cabinet committee on Canada-U.S. relations during the renegotiation of the North American Free Trade Agreement (NAFTA), and he has established working relationships through his former role as the Minister of Transport (2015-2021) with U.S. federal, state, and local government officials. As Canada's top diplomat, he will be instrumental in convincing the United States to join Canada's efforts, and vice versa.

For Canada, the top priority of the Trudeau government will be to bring the two Michaels home. Given our shared history, values, and interests, Canada serves as a natural partner and ally;

however, working with Canada on any China-related issues will require the Biden administration to put this at the top of their agenda.

## Critical Minerals Cooperation

*By: Christopher Sands, Director, Canada Institute, The Wilson Center*

As tensions between the United States and China rose during the Trump administration, the world economy's dependence on Chinese-controlled supplies of several critical minerals drew attention as an important vulnerability. On January 9, 2020, the United States and Canada signed a [Joint Action Plan on Critical Minerals Cooperation](#) to explore alternatives.

The United States Geological Survey (USGS) produced [a list of 35 minerals](#) that are critical to the modern economy. They include cobalt, graphite, and lithium which are used in electric vehicles batteries and a number of clean technologies important in addressing climate change. Also on the list are gallium and germanium, used in fiber optics, solar cells, and consumer electronics. And many of the minerals on the list are critical to military and space sector technologies.

Canada has [significant deposits of 13](#) of the 35 critical minerals on the USGS list. A Natural Resources Canada survey reports that Canada is currently the largest supplier of potash, indium, aluminum and tellurium to the U.S. and the second-largest supplier of niobium, tungsten and magnesium. For other minerals on the list, including rare earth elements, Canada could develop known-reserves and add new supply for the global economy. Yet China has fostered dependence on supplies from mines and resources that they control by flooding global markets and depressing prices. This makes the development of new supplies uneconomic for the private sector, and with their Joint Action Plan the United States and Canada are working on a strategy to identify and develop these supplies in the national interest and to support allies' economies.

In 2014, the United States, the European Union, and Japan [won a case China at the World Trade Organization](#) over a 2010 incident. China expanded production of rare earth elements, and then imposed export controls on the minerals provoking a price surge on global markets and a resulting windfall profit for China. At the same time, China imposed an ['unofficial' embargo](#) on critical minerals exports to Japan to demonstrate its displeasure with Japanese control of the Senkaku islands claimed by China (but administered by Japan since 1972).

The Biden administration inherits the Joint Action Plan with Canada, and bipartisan support in the 117<sup>th</sup> Congress will permit President Biden to build on this partnership to ensure that the United States and its allies will not be militarily vulnerable to Chinese manipulation of critical minerals supplies, and to prevent alternative energy technologies and vital medical equipment innovations from being disrupted by Chinese action. For certain minerals, the United States could create a strategic reserve similar to the [U.S. Strategic Petroleum Reserve established in 1975](#) in response to an Arab oil embargo. Establishing stockpiles of critical minerals would create new demand exclusive to producers not controlled by China and help create a business case for the development of new supplies in Canada. The National Minerals Information Center at the USGS has produced [a number of reports on the potential for recycling](#) certain critical minerals, another way to extend current supplies.

## Homeland defense and the importance of allies like Canada

*By: Andrea Charron, PhD, Director, Centre for Defence and Security Studies, University of Manitoba*

Increasingly shaky U.S. deterrence credibility (measured by capabilities and resolve) has risen in priority on the U.S. military's agenda given the return to great power politics. Former US Undersecretary of Defense for Policy (2009-2012) Michèle Flournoy's article in *Foreign Affairs* entitled "[How to prevent war on Asia](#)" suggests that questionable U.S. deterrence may increase the likelihood of Chinese miscalculations.

While the focus of U.S. deterrence and way of war have been on the "away game" (i.e. the ability to project force globally and relatively unchallenged), homeland defense has been overlooked including in the Foreign Affairs' article. It is homeland defense and especially the Canada-U.S. defense partnership, which are essential to bolstering U.S. deterrence thereby frustrating Anti Access/Area Denial (A2AD) tactics employed by China as well as other adversaries.

Successive [North American Aerospace Defense Command \(NORAD\)](#) and United States Northern Command (USNORTHCOM) Commanders (one in the same) have sounded the alarm for more attention to be paid to the protection of the homeland. Until 2002, North America had no combatant command charged with protecting the homeland and, even with the creation of USNORTHCOM and its twinning to NORAD, both commands were considered less important than the United States European Command (EUCOM) or the United States Indo-Pacific Command (INDOPACOM) despite their mandate to guard North America. In a [think piece](#) penned by former NORAD and USNORTHCOM Commander General (ret) O'Shaughnessy and current NORAD Deputy-Director of Operations Brig Gen Peter Fesler, they suggest advanced technology and the exploitation of the cyber and cognitive domains by adversaries means that North America is more vulnerable to attack than ever before.

The United States' network of allies is a distinct advantage. The binational NORAD agreement ties Canada and the United States to the joint defence of the North American airspace and maritime warning of the approaches. The current USNORTHCOM and NORAD Commander General VanHerck wants to employ Joint all Domain Command and Control (JADC2) with feeds and intelligence from Canada and other allies to dominate the information race. With more information from a variety of sources, Artificial Intelligence (AI) assistance and new ways to use data (including to deceive), North America will be better protected.

It is also important to rediscover the hundreds of bilateral partnerships that Canada and the United States have forged between the United States Navy and Royal Canadian Navy, the Coastguards, border agents, intelligence departments, civilian emergency preparedness agencies, and the [Permanent Joint Board on Defense](#). Twenty years since 9/11, it is crucial to reflect on how vital Canada was to shutting down and protecting U.S. airspace, hosting thousands of stranded travellers, and initiating [Op NOBEL EAGLE](#) and is the source of NORAD's vital feed of air information, the [North Warning System](#) – now in need of renewal. The idea of North America is also expanding to recognize the strategic and operational importance of Greenland

especially in an Arctic context and Mexico's ongoing contributions to counter drug and human trafficking.

It is time to reflect on the importance of homeland defense and the essential roles played by Canada and other allies. A North America held hostage by adversaries and an underestimation of the importance of homeland defense will undermine U.S. deterrence credibility – the key and guarantor of many allied defense strategies.



priority, given the great importance and success of North American Aerospace Defense Command (NORAD) to Canadian and American national defense and security.

Part 2: Re-invigorate the Canada-U.S. Permanent Joint Board of Defense (PJBD).

The United States is fortunate to have Canada as our closest Arctic defense and security partner and ally. This includes a shared defense commitment through the North Atlantic Treaty Organization, shared protection via protecting respective aerospace domains and the maritime approaches to Canadian and American sovereign territory via the North American Aerospace Defense Command (NORAD) and a complementary defense arrangement through United States Northern Command and Canada's Joint Operations Command. This bi-national defense cooperation is supported by the Canada-U.S. Permanent Joint Board of Defense (PJBD), established in 1940 by joint declaration between the U.S. President and the Canadian Prime Minister.

PJBD today has 4 Canada-U.S. departments represented: DoD, DHS and Canada's Department of National Defense and Department of Public Safety. As useful as the forum is towards advancing bi-national defense and security cooperation, over the last few years the forum remains a bit underleveraged in both Washington and Ottawa. The PJBD is jointly led by co-chairs as designated by the Canadian Prime Minister and the U.S. President. Executive support of the co-chairs is provided by ADM-Pol in Department of National Defense and the Assistant Secretary of Defense for Homeland Defense and America's Security Affairs. Concurrent to PJBD is the Canada-U.S. Military Coordination Committee (MCC) that is jointly hosted between Canada's Strategic Joint Staff (Co-Chair, SJS DJ5) and the U.S. Joint Staff (Co-Chair, Vice DJ5/Deputy Director Western Hemisphere Pol-Mil Affairs). While the MCC has the capacity to advance intercessional work for the PJBD, such an initiative has yet to be realized.

Lastly, the establishment of a Canada-U.S. focused Ted Stevens Center for Arctic Security Studies provides both the PJBD and the MCC a dedicated group of who will be rightly networked across the Canadian and American security and defense professional community to support intercessional studies and analysis important to both PJBD and MCC. A Ted Stevens Center can serve as a convening body to support PJBD and MCC that connects other Arctic Security and Defense centers such as the Wilson Center's Polar and Canada Institutes, University of Alaska's Arctic Domain Awareness Center, (ADAC) the U.S. Coast Guard Academy's Center of Arctic Studies and Policy (CASP), the University of Alaska Fairbanks Center for Arctic Security and Resilience, the University of Idaho's Center of Resilient Communities, and the North American and Arctic Defense and Security Network (NAASDN) at Trent University, Peterborough, Ontario.

*Part 3: Create a Canada-U.S. Strategic Foresight Assessment on the North American Arctic.*

Currently, ADAC and NAASDN have created the "Advancing Collaboration in Canada-U.S. Arctic Regional Security (ACCUSARS) workshop series in 2020 that advanced prior work starting from a June 2017 workshop on Security in the Arctic Borderlands Region, the North



American Marine and Environmental Security Workshop hosted by ADAC in September 2018, and the Arctic Command Arctic Symposium held in November 2019 in Fairbanks Alaska. NAADSN and ADAC have co-hosted ACCUSARS I in September 2020 and are planning a February 2021 follow-on workshop to focus on specific initiatives that will improve understanding and enhance collaboration between Canada-U.S. Arctic security professionals. ACCUSARS I provided an initial Strategic Foresight Assessment (SFA) for the Canadian Arctic, which provided an initial baseline to be further developed. The purpose of ACCUSARS II is to create a SFA for portion of the North American Arctic focused on Alaska and Western Canada. The following ACCUSARS III will zero in on a SFA for Eastern Canada and Greenland in order to synthesize the entire North American Arctic. Leveraging and adopting the North Atlantic Treaty Organization's Strategic Foresight Assessment, NAADSN and ADAC are trying to characterize the North American Arctic according to Political, Societal/Human demographics, Technology, Economics, and Environment.<sup>1</sup>

Part 4: Advancing Canada-U.S. endeavors (practical measures) for North American Multidimensional Arctic Security.

Currently Knowledge generation centers such as the University of Alaska's Arctic Domain Awareness Center, (ADAC) the U.S. Coast Guard Academy's Center of Arctic Studies and Policy (CASP), the University of Alaska Fairbanks Center for Arctic Security and Resilience, the University of Idaho's Center of Resilient Communities, and the North American and Arctic Defense and Security Network (NAADSN) at Trent University, Peterborough, Ontario, and soon hopefully a Ted Stevens Center of Arctic Security Studies, create understanding, convene experts, provide analysis, and create products that support the advancement of past, current and developing trends in various elements of Arctic science, policy, security, and more.

The Arctic region is experiencing great change due to rising temperatures, and as forecasts indicate, this trend will likely continue, and bring unique challenges that will strain all the inhabitants' ability to adapt – flora, fauna and people alike. As seasonal Arctic ocean sea ice levels continues to diminish, the barriers of access are opening the Arctic region to natural resource development, maritime trade, and tourism, all of which is substantially transforming the security landscape of the high latitude north. Arctic nations are now advancing efforts to better realize the region's economic potential. As the changing Arctic presents new economic and geopolitical opportunities, environmental change poses a significant threat to current economic systems and traditional lifestyles in the Arctic. Diminishing permafrost is compromising the land that serves as the foundation for coastal Arctic communities and the small number of connecting

<sup>1</sup> Strategic Foresight Categories/definitions: a. Political: Includes the re-distribution of geostrategic power, challenges to governance, nonstate actor influence in domestic and international affairs, power politics, public discontent and disaffection, interconnectedness, and polycentrism. b. Human: Includes asymmetric demographic change, increasing urbanization, fractured and/or polarized societies, gender norms and relations, and increasingly connected human networks. c. Technology: Includes rate of technology advancement, access to technology, global network development, dominance of the commercial sector in technological development, and dependence on certain technologies. d. Economics/Resources: Includes globalization of financial resources, geopolitical dimension of resources (rare earth elements, water, food, and energy), asymmetric change in defense expenditures, and increased global inequality. e. Environment: Includes climate change, climate adaptation and mitigation measures, water and food stresses, and natural and human-made disasters. Reference NAADSN Initial Canadian Arctic SFA (from ACCUSARS I workshop). See <https://arcticdomainawarenesscenter.org/Events>.

roads and ports. With less sea ice cover, weather systems are becoming more volatile, allowing for stronger storm systems that further exacerbate coastal erosion through storm surges, high winds and coastal flooding. The opportunities of an opening Arctic are an incentive for Arctic and non-Arctic nations alike to pursue easier to access and extract mineral and petrochemical resources, pursue fish proteins (at present, outside of the Central Arctic Ocean), conduct maritime transport, advance tourism, and project sovereign influence through national flagged vessels.

These challenges provide opportunity to not only study the problems and difficulties, but also provide measures to address that provide innovative solutions to contain and alleviate the risks to national interests and citizen security. Focusing on practical solutions that generate local/small scale success that provide policy and decision makers the change to upscale such success to larger horizons. As such, while studies and analysis need to continue, so to are measures, guided by studies that seek to provide solutions at local and perhaps, regional level – conducted in close consultation and with the approval and support – of the citizens who live there.

## ENVIRONMENT & ENERGY

### The Future Prospects for KXL and Hydrogen

*By: Hon. Rona Ambrose, Former Leader of Canada's Official Opposition and Leader of the Conservative Party of Canada; Deputy Chairwoman, TD Securities; and Global Fellow, Canada Institute, The Wilson Center*

Canada and the United States have long been co-dependent, our economies and citizens uniquely intertwined. Regardless of what government was in power in either country the relationship has always been stable and like your oldest friend, one that could be counted on. These ties were however put to the test over the past four years. No doubt there is a sense of relief among many in the Canadian government that a familiar face, Joe Biden, will be assuming the U.S. Presidency in January.

But so often with the good also comes some...unpredictability.

There are obvious points of commonality between Prime Minister Justin Trudeau and President-elect Biden: they are both squarely focused on climate action and place a high value on the commitments in the Paris Accord. Notably, Canada is working on becoming the first in North America to flush out a national hydrogen strategy as an alternative to fossil fuels. Developing other energy sources including hydrogen was something Mr. Biden talked about on the U.S. campaign trail and is sure to be a regular topic of conversation between the countries.

While Mr. Trudeau and Mr. Biden will find points of overlap that will help revive the relationship an obvious point of tension will be the Keystone XL project. This pipeline extension has waded through a massive public relations battle, been put on hold, been cancelled only to be revived two years later and is at risk of becoming a political casualty once more. Mr. Biden publicly stated he has always been opposed to the pipeline and that if elected he would stop the project like his Democrat-predecessor did in 2015. His energy secretary nominee, while Canadian born, has also been a vocal opponent of the project.

No doubt the Province of Alberta, which has invested heavily in the project and where construction has begun, is feeling nervous. The energy sector in Alberta has been hit hard in the past years with many businesses and people left unemployed, the Covid-19 pandemic only exacerbated these economic challenges. The completion of the Keystone XL is paramount to the province's future and the Canadian federal government understands this. Prime Minister Trudeau said his government will advocate for the pipeline's completion, expected in 2023, to his new counterpart. The incoming Biden administration can anticipate an all hands-on deck approach from Team Canada on this front.

Mr. Biden is inheriting a country in the throes of a global pandemic among many other high tensions. Letting the Keystone XL continue may not be a winning point for him at home, but it could be a signal to an old friend that there are sunnier days ahead.

## The Biden-Harris Administration and the Binational Great Lakes Basin: Possibilities for Action

*By: Kathryn Bryk Friedman, Global Fellow, Canada Institute, The Wilson Center, and Research Associate Professor of Law and Planning, SUNY Buffalo*

Harmful Algal Blooms (HABs) are a significant threat to ecosystem viability and citizen health in the Binational Great Lakes St. Lawrence River Basin. HABs are prevalent in all five lakes and on both sides of the U.S.-Canada border, including Saginaw Bay (Lake Huron), Green Bay (Lake Michigan), and the Rochester Embayment (Lake Ontario) on the U.S. side of the border; and Hamilton Harbour (Lake Ontario), Halton (Lake Ontario), and East Bay (Lake Superior) in Canada. Furthermore, nutrient loading practices in the United States and Canada collectively contribute to massive HABs outbreaks in the western basin of Lake Erie. Despite treaties, agreements, policies, and management strategies to reduce the risk of HABs, outbreaks continue to rise in frequency, magnitude, and duration.

A consensus is emerging among Great Lakes stakeholders in both the United States and Canada that, although science and technology are crucial to inform policy and practice in this area, these tools are not enough. Many are of the view that effective governance is essential to tackling the HABs challenge – and that this challenge should be undertaken collaboratively by stakeholders on both sides of the border. However, given that the Covid-19 pandemic and economic recovery will be the focus of the Biden-Harris Administration, it is unlikely that the significant investment required at the federal scale to address HABs will be prioritized. This also is true in Canada, where the Trudeau Government remains steadfast in its focus on public health and the pandemic.

So then what could the Biden-Harris Administration do to add value? Both the President-elect and Prime Minister Trudeau have similar outlooks on the environment and climate change. How could this synergy be leveraged? The Canada-US Law Institute held a virtual workshop in October 2020 where Great Lakes stakeholders from across the United States and Canada discussed, for the first time, what could practically be done regarding HABs. Although many of the recommendations were aimed toward states and provinces, there was a sense that action could be taken at the federal level as well. Therefore, it is recommended that, as a first step, the United States and Canada host a series of diplomatic conversations and/or a listening tour regarding HABs throughout the Binational Great Lakes Basin. These conversations could kick-start efforts to bring the marketplace to the table (e.g., the energy and ag sectors) and/or ascertain best practice in addressing HABs. This effort could take place under the auspices of International Joint Commission as an initiative to inform the work of the Great Lakes Executive Committee, or other suitable agency.

## Revisiting the U.S.-Canada Clean Energy Dialogue

*Lisa Raitt, Global Fellow, Canada Institute, The Wilson Center, and Vice Chair, Global Investment Banking, CIBC*

One of the most important areas of common interest between the United States and Canada is in the production, transportation, and utilization of energy. Transportation policy, natural resources policy and climate policy all come to play when having discussions around energy.

Mere weeks after his inauguration, President Obama and then-Prime Minister Harper launched the U.S.-Canada Clean Energy Dialogue (CED) in February 2009 to encourage the development of clean energy technologies to reduce greenhouse gases and combat climate change in both countries. Working groups were set up and an action plan designed to guide bilateral engagement.

The US Department of Energy and Natural Resources Canada co-chaired three bilateral Working Groups. The specific areas of focus being carbon capture and storage (CCS), clean energy R&D (in advanced biofuels, clean engines, energy efficiency, advanced transportation, marine energy, and other areas), and making the electricity grid a smart grid. (Environment Canada co-chaired the Clean Energy R&D Working Group with Natural Resource Canada, or NRCan.) I was the Minister of NRCan during this time and overseeing progress in these working groups was a significant part of my mandate letter.

As we approach the inauguration of President-Elect Biden (12 years later), a case can be made that there is much unfinished business when it comes to discussions around clean energy or climate change between the United States and Canada. Two current irritations in the United States-Canada relationship today are the fate of the Presidential Permit for Keystone XL and the revoking of the marine easement for Enbridge Line 5 pipeline in Michigan. Perhaps a broader discussion around clean energy or climate and where these issues fit in would help in the final disposition of these matters. Restarting a framework for a Clean Energy Dialogue could be of assistance going forward.

The U.S.-Canada Clean Energy Dialogue (CED) was created in 2009 to strengthen Canada-U.S. energy collaboration and advance the transition to a low-carbon economy through the development of clean energy science and technologies to reduce greenhouse gas (GHG) emissions and combat climate change. The same mandate makes just as much sense today as it did then. With a new Administration in the United States, there is an opportunity to revisit the product of these working groups and re-establish a strong bilateral energy-climate dialogue where we can work together to help avoid issue in the future.

## BORDERS & IMMIGRATION

### Revitalizing the U.S.-Canada Immigration Relationship

*By: Richard Sanders, Global Fellow, Canada Institute, The Wilson Center*

The guiding principle of U.S. immigration law has been family unification – once an immigrant has become a U.S. citizen, he can petition for not only his spouse or minor children, but also adult children and even siblings (subject to wait times which can be lengthy). Even while still a permanent resident, an immigrant to the U.S. can petition for not only his spouse and minor children, but also adult children. Canada’s immigration system by contrast limits such petitions only to minor children, and takes the majority of its immigrants on the basis of the skills which they can bring to Canada, their knowledge of French or English, etc., ensuring a match between the immigrant job-seeker and the needs of an advanced industrial economy. This economics-based immigration policy is more generous than its American equivalent in that it does not require a specific job offer from an employer and includes a path to permanent residency and eventual citizenship. While many see the benefits of a Canadian-style system, revamping our immigration system wholly on these lines is unlikely, but it has been suggested that as part of an eventual comprehensive immigration reform there is room for the U.S. to reserve at least some immigrant visas for those with skills in demand using a similar points system. In addition to its merits for improving the U.S. labor pool, it would curb a phenomenon seen in recent years in which American firms in need of foreign talent in the tech area have had trouble competing with Canadian counterparts, and in a number of cases have shifted positions to Canadian operations.

Another mechanism for fostering regional labor market integration would be an updating and expansion of the categories permitted for specialized workers from the United States, Canada, and Mexico to work in any of the three countries under “TN status” as contemplated under United States-Mexico-Canada Agreement (USMCA) and its predecessor North American Free Trade Agreement (NAFTA). Under this status workers in the permitted categories only must show a job offer and appropriate supporting credentials (without having to obtain the official certification of a labor shortage required under other U.S. work visa categories or having to compete under Canada’s points system. The work categories covered under TN status date from the original NAFTA agreement of 1993 and are outdated particularly in the technology area where only broad categories such as “engineer” and “computer systems analyst” exist, leaving it up to CBP officers’ discretion as to whether such new professions qualify. It has been suggested that specific categories such as “user experience and interface designer” and “technical sales representative” could be included. To some degree, this could be done by better guidance for CBP officers reviewing applications rather than by renegotiating the list of professions among the three countries. TN status is granted for three years but is renewable. However, there are reportedly inconsistencies in the granting of renewals, and administrative provisions making them more predictable would add to stability. As part of any comprehensive immigration reform, consideration should be given to easing and expediting applications for permanent residence from those already in TN status. Canada’s existing immigration regime appears to be more liberal than that of the U.S. in this regard.

## The Western Hemisphere Migration Crisis

*By: Kathryn Bryk Friedman, Global Fellow, Canada Institute, The Wilson Center, and Research Associate Professor, Law & Planning, University at Buffalo*

Myriad opportunities exist for the Biden-Harris Administration to reset U.S. foreign policy with Canada and reengage with its historic ally. One unique opportunity is for the United States and Canada to partner on a refugee resettlement and protection agenda that humanely addresses migration flows from Venezuela and the Northern Triangle to North America (a “Regional Migration Strategy”).

At first blush, migration flows from this region seem to have little impact on – and therefore be of little strategic interest to – Canada. However, the current migration crisis is impacting the southern border of its number one ally and foreign policy interest: the United States. And the United States cannot manage this crisis alone. The Biden-Harris Administration knows that it must enlist the aid of U.S. allies and partners in the region to address this challenge. For its part, Canada is experiencing significant spillover pressures on its immigration system from Trump-era asylum policies. Two of these pressures stem from the Safe Third Country Agreement (STCA), i.e. the land border non-port of entry (POE) loophole that allows refugees to cross into Canada between POEs to claim asylum and the Federal Court of Canada decision that held the STCA unconstitutional because of the detention consequences for refugee claimants returned to the United States. It also is important to consider that Canada 1) has a global reputation as a leader in the area of progressive immigration policy; 2) is comfortable “burden sharing” with the United States; 3) is a passionate advocate for the multilateral system and the rules-based international order (and, as it happens, is the incoming Chair of the MIRPS Support Platform); 4) has a strong relationship with Mexico (another ally significantly impacted by these migration flows); and 5) has a strong feminist foreign policy orientation, which is important considering that many of the refugees and migrants from the Northern Triangle are women and children.

Foreign policy interests aside, a further point to note is that President-elect Biden and Prime Minister Trudeau have a strong, personal relationship. Many observers of the bilateral relationship are of the view that, should the President-elect ask the Prime Minister to assume a role in crafting and operationalizing a Regional Migration Strategy, Canada would give the request serious consideration. The Trudeau Government has a real interest to help reform the regional migration system in a way that gives the United States a win and demonstrates Canadian influence to the world.

So what could be done during the first year of the Biden-Harris Administration? As proposed by the Center for Democracy in the Americas, the United States must look to its partners throughout the region for solutions to these challenges. Specifically, the Administration should take three steps with Canada as a partner. First, it should assemble a White House leadership team to spearhead U.S. engagement in a Regional Migration Strategy. Concomitantly, the Administration should, early and at a high level, re-establish strong diplomatic ties to the Trudeau Government and situate a Regional Migration Strategy within a broader platform of bilateral pillars in which to partner with Canada. Although a quid pro quo is not the way that foreign policy is conducted between the Government of Canada and the United States, it would be important for the

Administration to take steps to mitigate the negative impacts of the STCA on the Government of Canada. It could, for example, roll back or phase out Trump Administration executive orders, policies and regulations that limit asylum claims. For the Canadians, this means that irregular asylum claims at non-POEs presumably would decline and processing logjams would ease. Additionally, the Administration could ease Trump-era detention policies, which may render an appeal of the STCA decision moot.

In return, the Government of Canada brings several tools to the table: it could address root causes and spillover effects of the migration crisis through foreign aid on a bilateral basis; “burden share” and engage with the United States to creatively address asylum failures at the U.S.-Mexico border; engage in managing migration challenges on a multilateral basis through MIRPS; use its “soft power” as a leader in immigration and human rights to influence other nation states in this space; and use its own immigration tools to serve as a country of destination for migrants and refugees.

Second, the Biden-Harris Administration should host the Summit of the Americas in late 2021 and use the forum to discuss a Regional Migration Strategy, with Canada highlighted as a key partner. Third, as the United States begins rebuilding its relationship with Canada, it should start a parallel rebuilding of the bilateral relationship with Mexico, and then engage trilaterally, as appropriate, using existing North American institutions, i.e. the North American Leaders Summit, to develop a humanitarian response to the crisis.



## The Public Health Component of Border Policy

*By: Laurie Trautman, Global Fellow, Canada Institute, The Wilson Center, and Director, Border Policy Research Institute, Western Washington University*

Canada and the United States are at cross-roads when it comes to border policy. Not only does unfinished business remain from the Beyond the Border Accord, but the COVID-19 border restrictions continue to be an unprecedented challenge. The incoming Biden Administration has the opportunity to re-establish key bilateral channels with Canada and support a return to collaborative policy making on the border, which will be essential to resuming mobility between our two countries.

Prior to the COVID-19 pandemic, the United States and Canada were on the cusp of entering a new era of border management, hinging on technologies such as facial verification, biometrics, and other digital platforms that create a more seamless and touchless environment for travel and trade. In addition, pre-clearance operations were beginning to expand across modes. All of these advancements have laid the foundation for additional gains in security and efficiency. The COVID-19 pandemic requires us to now incorporate a third element into our longstanding focus on security and efficiency – that of public health.

Much work has already been done, especially in the air mode. The concept of ‘health pre-clearance’ advanced by the [Future Borders Coalition](#) is key to ensuring that the verification of health data is done *away* from the border *prior* to reaching a port-of-entry. This not only protects the health of travelers and officers, but also avoids a thickening of the border. While not an entirely new concept, implementation will vary across modes, and will be hampered if the United States and Canada develop systems that are not aligned. It is crucial that we start researching and testing these approaches now, so that when cross-border travel is able to resume, we can have policies in place that ensure public health is protected.

The COVID-19 pandemic has altered the way we will need to manage our shared border. It is clear that the tools are available to resume cross-border mobility safely and efficiently. However, our ability to do so depends on the extent to which our two countries can work collaboratively to leverage the gains that have been made prior to the pandemic. This will require coordination between multiple agencies at various scales of government, as well as a return to a bilateral relationship grounded in trust.

The United States and Canada have proven that we are most resilient when we work together, and our collaboration on the border is essential for a safe, integrated, and seamless approach to succeed.

## Resolving the Border's Permanent State of Indefinite Measures

*By: Mitch Davidson, Global Fellow, Canada Institute, The Wilson Center, and Executive Director of the StrategyCorp*

Though it should not be a priority over acquiring a vaccine or protecting the elderly, the Canadian and U.S. governments need to do a better job figuring out the future of cross-border travel. To date, this area of shared jurisdiction has seen countless extensions of an agreement to close non-essential border travel since the pandemic began. Though neither country wants to re-open the border in the midst of surging cases, the current approach isn't truly working either. The U.S. government has only placed restrictions on vehicular crossing but not crossing by air. The Canadian government has placed a 14-day quarantine restriction on all travelers regardless of symptoms or negative tests. Neither approach is perfect.

In Canada, the government needs to publicly evaluate new options such as pre and post-flight test requirements or 7-day quarantine pilots, such as the one in Calgary, that allow for early release with multiple negative tests. Both options, if proven safe, can be a reasonable alternative to a restrictive 14-day quarantine that restricts cross-border tourism and family visits to only the wealthiest.

In the United States, a lack of quarantine provisions or testing requirements in any capacity leaves a country riddled with surging cases further susceptible to the virus. A program where both countries institute similar and consistent rules would reduce confusion, protect citizens, and allow for mutual agreements on border re-opening that are not solely indefinite extensions of closures.

Perhaps symbolically, the two governments could pursue this level of mutual decision making in an area that citizens of both countries care deeply about: professional sports. To date, the Canadian government has blocked both its sole National Basketball Association (NBA) and sole Major League Baseball (MLB) team from playing home games in their country. The National Hockey League (NHL) was only exempted due to the existence of a bubble for the 2020 playoffs. With the NBA returning this month, the NHL set to return soon, and the MLB to start up in the Spring, these issues will be raised again.

Through mutual collaboration, the two governments could settle on an acceptable policy for these sport teams to cross the border for games in Canada and do so with highly monitored controls. Something as simple as a requirement for multiple negative tests from all participants prior to departure and upon arrival, combined with restricted movement between hotel and stadium once across the border could be an elegant solution. It would give Canadians and Americans something to look forward to and increase at home entertainment options to make staying home more attractive. The proper return of sports would spur economic activity and, if done right, could serve as an effective model to build on and replicate for Americans and Canadians to cross the border in a more reasonable way as vaccines are slowly rolled out in both nations.

## Bilateral Issue: Canada-U.S. Food Supply Continuity Plan

*By: Robert Carberry, Global Fellow, Canada Institute, The Wilson Center, and Founder, Carberry Insights and Associates Inc.*

Canada and the United States, as well as the rest of the world, are facing the effects of the first serious global pandemic in 100 years. Scientists were warning of this for decades, and they are warning that this may only be a dry run for something even more deadly and widespread in the future. We should take heed of lessons learned through the challenges of Covid-19, and a critical issue that we were fortunate was not worse was that of food supply. Scenarios that would have made the North American situation worse are not hard to imagine. What if the influenza was avian based, and massive numbers of chickens, turkeys, ducks and other food sources had to be destroyed, eliminating a key source of protein for citizens overnight? What if the influenza was such that normal modes of transportation could not operate or if employees in food production, processing and retail could not work in normal operations? The World Health Organization just last month warned that despite the severity of Covid-19, the pandemic is not “necessarily the big one.”

Canada and the United States have the most integrated economy in the world, and this is acute in the area of our food supply. And this is not just Canada’s obvious reliance on the United States for fresh produce at all times and acutely through the winter months. In 2016, the United States imported [\\$21.5B](#) in food from Canada, [70%](#) of which was processed food, grains ,and red meat. Canada imported [\\$20.2B](#) in food from the United States annually, [61%](#) alone was processed food.

The limitations on restaurants as a source of food for citizens was dramatic for food supply chains. In 2019, the average consumer spent [50%](#) of their overall food spending away from home. Food processing facilities orient much of their production to serve this need, preparing institutional packages for food service use. When the restaurant channel shut down, storages in food plants were immediately filled to capacity with non-consumer size products, creating a critical dilemma for these facilities. Panic buying from consumers emptied store shelves in early days and supply chains had to adjust. Canada and the United States continued to move products north and south of the border, but this was not due to any pre-established plan. Decisions were ad-hoc and fortunately dispensations were made to keep products rolling across borders. But if the pandemic was worse, or a secondary issue creating food shortages was to occur, the impact could be unimaginable.

Each country needs to contemplate a domestic plan to ensure food supply in a more serious situation. In many ways, we have been fortunate that the pandemic implications were not worse nor compounded by other challenges. Each country needs a plan that covers: harvest, processing, transportation, storage, distribution, labour, price controls, and other government interventions (purchase and orderly distribution). And there should also be a Canada-U.S. Food Supply Continuity Plan, an agreement that connects our domestic plans recognizing trans-border movements and seasonality of supply in a bilateral context. We will need to rely on each other, and this should be codified, not left to ad hoc arrangements in what might be very trying times.

## ECONOMIC RECOVERY

### Fiscal challenges in the wake of the Pandemic

*By: Jim Haley, Global Fellow, Canada Institute, The Wilson Center, and Senior Fellow, Centre for International Governance Innovation*

Long after the COVID-19 pandemic is contained and the world returns to some semblance of “normalcy,” high levels of public debt will remain. These debt loads and the policy challenges they pose are an enduring legacy of COVID-19. Concerns have already been expressed that the spike in debt levels in the United States and Canada presage a fiscal reckoning at some point in the not-too-distant future. But how likely is that outcome? And what is the appropriate policy responses to the fiscal challenges we confront?

That public debt burdens, conventionally-measured by the debt-to-GDP ratio, have increased by a sizable discrete step as governments have responded to the economic exigencies of the pandemic is clear. More worrying for some, this is the second such increase in the step function in little more than a decade, following on the increase in debt as governments likewise responded to the global financial crisis (2007-2009). Judged by this metric alone, the situation undeniably appears troubling, especially for the United States, where debt has nearly tripled—from about [35 percent](#) in 2008 to roughly [100 percent](#) of GDP at end-2020.

The concern may be that the United States is at risk of going over a fiscal cliff, with higher and higher debt levels ultimately triggering some form of fiscal crisis, culminating, in its most extreme form, in debt default. And even if this debt apocalypse is avoided, the possible alternative is just as bad – explosive inflation resulting from the monetization of the debt. Similar fears were raised a decade ago, including by some prominent economists and political leaders. However, the fact that inflation did not rise, and the Fed subsequently consistently undershot its inflation target, should serve as a cautionary tale for those issuing the most dire warnings.

At the same time, while the risk of a fiscal crisis should not be exaggerated, particularly so in the case of Canada, where IMF figures show general government debt as a percentage of GDP less than half the U.S. level, it might still be the case that high debt loads constrain the active use of fiscal policy going forward. This is a reasonable conjecture. Yet, even here, there is reason for optimism. This is because the increase in public debt levels is taking place in the context of a long-term secular decline in interest rates around the globe.

In a recent paper, Jason Furman and Larry Summers (“[A Reconsideration of Fiscal Policy in the Era of Low Interest Rates](#),” Brookings Institution) note that, even as the stock of debt is rising, the cost of servicing debt, as measured by the “real,” or observed rate minus expected inflation, is falling. High debt levels should not, they conclude, constrain the use of fiscal policy to return the economy to full employment.

In fact, Furman and Summers warn that continued reliance on monetary policy alone for stabilization purposes entails the risk of more financial instability, as investors take on ever-

increasing investments in the search for yield. The threat associated with that scenario is that, with nominal interest rates already at the effective zero lower bound, and corporate balance sheets weakened by the solvency shock generated by the pandemic, the capacity of central banks to stabilize the economy may be limited. In some sense, policy must balance the marginal increase in the risk of possible fiscal instability from additional increases in debt against the incremental increase in the risk from potential financial instability.

The key variable in that calculus is the future path of interest rates. If real interest rates remain at current levels – or, conceivably, track lower – high debt levels would not pose a clear and present threat. This is because with growth rates above the interest rate on the debt, the real burden of the debt shrinks over time, holding the stance of fiscal policy (measured by the primary surplus) constant. If interest rates shoot up, in contrast, and exceed growth rates by a sizable margin, fiscal stability would require an appropriate policy response through reduced expenditures or higher taxes. Of course, such responses would be incompatible with efforts to restore full employment and could be difficult to achieve in a polarized political environment.

Unfortunately, the reasons for the decline in global interest rates are not well understood. That being said, demographics – the aging of advanced economies’ populations – is likely a key factor, in that aging populations increase savings for their retirement driving down interest rates.

Another factor, inequality, may also be important. The trend increase in inequality across advanced economies over the past three decades or more has shifted wealth to individuals with higher marginal propensities to save, away from folks more likely to spend. Not only has that shift increased the pools of savings, it may have contributed to the “financialization” of the economy and financial instability, with more resources allocated to managing pools of wealth and risk-taking increased as interest rates on “plain vanilla” financial assets fell.

It is worth noting, therefore, that while demographic forces are largely beyond the control of policy, certainly over the short term, successful efforts to restore full employment and reduce inequality could reverse one factor pushing interest rates down. Of course, that does not militate against the pursuit of those goals – *far from it!* But it does underscore the need for vigilance with respect to the fiscal challenges that lie ahead.

## The Future of the North American Auto Industry

*By: Paul M. Yeung, Global Fellow, Canada Institute, The Wilson Center*

The COVID-19 pandemic significantly impacted both the Canadian and American motor vehicle industries. On the north side of the border, the industry contributes [\\$19 billion](#) to the economy annually and employs around [130,000](#) Canadians. But in April 2020 at the height of the pandemic, an estimated [30 percent](#) had laid off since January 2020.

Sales rebounded after the initial lockdown was lifted in May 2020. Dealerships in Canada's largest market – Ontario and Quebec – were permitted to reopen by appointment only. Meanwhile online shopping surged. A bigger stimulus came from safety concerns with both public transit and ride-sharing. “Our registrants benefited from pent-up demand, especially for trucks and SUVs, which resulted in vehicle supply issues due to the manufacturing shutdown in both countries, that lasted a month. Factors such as shopping safely for motor vehicles and consumer confidence in the economy have not significantly impacted sales to date,” said John Carmichael, CEO and Registrar of the Ontario Motor Vehicle Industry Council.

Coincidentally during this time, the federal and provincial governments announced measures to spur the manufacture of electric vehicles to achieve impending greenhouse-gas emissions targets. With transportation the second largest source of Canadian emissions, almost half from cars and light trucks, Canada announced a new federal electric-vehicle 2025 sales target, namely [10%](#) of all new sales, up from [3%](#) in 2019. Quebec announced a ban on gas-powered cars by 2035 (following a similar move by California).

“Government investments in Canada focusing on new technologies in the auto sector as an alternative to cars powered by fossil fuels could bode well for the country the long term. The increased global demand and policy supports for cleaner vehicles in China and Europe, and in combination with the election of President Joe Biden in the U.S., will likely shift the market more rapidly towards emerging technologies,” said Rebekah Young, Director of Fiscal and Provincial Economics at Scotiabank.

Electric vehicles have significant advantages – they are cleaner, quieter, quicker, more responsive, and break down less frequently, according to Scott Bell, CEO of General Motors (GM) Canada, in an interview published in December 2020.<sup>2</sup> He emphasized the importance of hiring Canadian engineers to develop the industry and the critical role of Canadian manufacturers in supplying parts to GM's three electric assembly plants in the United States. On January 15, 2021, General Motors announced it planned to invest [C\\$1 Billion](#) to convert its CAMI Assembly plant in Ingersoll, Ontario, into Canada's first large-scale commercial EV manufacturing plant. GM plans to produce its recently announced BrightDrop electric light commercial vehicle, the EV600, in Ingersoll.

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<sup>2</sup> Brad Bennet, “GM Canada's CEO Scott Bell on the company's commitment to electric vehicles,” MobileSyrop.com (17 December, 2020).

The [Canadian Motor Vehicle Association](#) says about 120 models of electric vehicles will be available by 2023, including SUVs and pickups, up from about 40 models now. More incentives, infrastructure, and public education are needed for Canada to become an industry leader.

The second-wave of COVID-19 lockdowns continue to hurt the North American economy and by extension the automotive sector. The prosperity of Canada and the United States have been historically linked, which is why economic partnerships, free trade, and open borders will be even more important in the years ahead. The recent investments and policy commitments to electric-vehicle production strengthen the existing Canada-U.S. automotive partnership – and usher in the next chapter of cooperation.

## Canada-U.S. Regulatory Partnership on Supply Chains

*By: Robert Carberry, Global Fellow, Canada Institute, The Wilson Center, and Founder, Carberry Insights and Associates Inc.*

Canada and the United States are the two most economically integrated countries in the world. We manufacture and produce together, and we have implemented regulatory oversight systems with near identical outcomes in mind. And even though our manufacturers and producers share individual supply chains, with each contributing at various points while offering vehicles, pharmaceuticals, food, and an enormous range of consumer products to our respective citizens, we subject these supply chains and firms to individual, duplicative, non-integrated regulatory systems. This results in unnecessary delays in getting products to market and unnecessary cost and administrative requirements on industry and contributes to resource pressures on government as we simply do almost everything twice between us.

It was in this context that the Regulatory Cooperation effort was initiated in 2011 between Canada and the United States. A great deal of good work was done in the first 5 years, but government to government processes to secure cooperation between Canadian and U.S. regulators were not finalized nor institutionalized, and the initiative has stalled through the last 4 years. But the unnecessary costs to industry and government continue to accrue. There remains an imperative to pick up from where this was left in 2016. The opportunity to secure this as an ongoing practise between regulators was also missed in the North American Free Trade Agreement renegotiation, but it is not a condition of advancing the work.

The regulatory cooperation work should be subject to new discussions between Canada and the United States in a new bilateral agenda. It can be rebranded to reflect what it really is, improving regulatory effectiveness and efficiency through greater partnership. Given the world-class nature of our respective systems, we can jointly address bi-national supply chains and jointly address risk from third countries by working more closely together, each contributing and recognizing the work of the other to deliver a collective regulatory approach. We no longer need to review the same products twice, to re-inspect products from each other's country that have already been manufactured and produced under one or the other country's regulatory oversight. We can inspect products manufactured in other countries once, as they are prepared for or land in our collective territory.