



THE DIS-UNITED STATES

What it Means for Canada

APRIL 2021





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1400 - 130 Albert Street
Ottawa, ON, Canada, K1P 5G4
613.238.7858

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ppforum.ca

[@ppforumca](https://www.instagram.com/ppforumca)

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ROUNDTABLE PARTICIPANTS

[Christy Clark](#)

Senior Advisor / Former Premier of British Columbia
Bennett Jones

[Dale Eisler](#)

Senior Policy Fellow
Johnson Shoyama Graduate School of Public Policy

[Drew Fagan](#)

Professor
Monk School of Global Affairs and Public Policy
University of Toronto

[Jonathan Fried](#)

Senior Associate (Non-resident), Economics Program
Centre for Strategic and International Studies

[Maryscott \(Scotty\) Greenwood](#)

CEO
Canadian American Business Council

[Dr. Kristen Hopewell](#)

Canada Research Chair in Global Policy
University of British Columbia

[Ambassador David Jacobson](#)

Vice Chair / Former Ambassador to Canada
BMO

[Dr. Bessma Momani](#)

Full professor and Interim Assistant Vice-President of International Relations
University of Waterloo

[Dr. Ronald Paris](#)

Professor of International Affairs
University of Ottawa

[Dr. Christopher Sands](#)

Director, Canada Institute
Wilson Center

[Guy Saint-Jacques](#)

Senior Fellow
China Institute
University of Alberta

[Edward Greenspon](#)

President & CEO
Public Policy Forum

[Brian Bohunicky](#)

Vice-President of Policy
Public Policy Forum

[Katherine Feenan](#)

Policy Lead
Public Policy Forum

EXECUTIVE SUMMARY

Canada and the United States share not only the same continent, but also deeply integrated economies, many similar values, histories and strategic interests. The extent of integration is unique in the world, especially considering the wide disparity in size of populations and economies of the two nations. Today this bi-lateral relationship finds itself being tested like never before.

We have witnessed in recent years the growth of economic nationalism in the U.S., at times in strident forms. A belief that domestic interests have been ignored with the rise of globalization was seized upon and accelerated during the presidency of Donald Trump. With it came challenges to what became a strained Canada-U.S. relationship, evident in protectionist trade actions and the demand for a renegotiation of the North America Free Trade Agreement into the newly named Canada, United States, Mexico, Trade Agreement (CUSMA).

With the election of President Joe Biden, there have been clear signals of a return to more traditional U.S. bilateral and multilateral foreign-policy priorities. But is that a realistic expectation in the wake of the Trump presidency and the deep divisions evident in U.S. society? To explore the state of the Canada-U.S. relationship going forward, the Public Policy Forum in partnership with Global Affairs Canada, assembled a roundtable of Canadian and American foreign-policy experts. The experts were asked to provide their perspectives and insights on what they believed should be Canada's priorities for engaging with the Biden administration and beyond, into the next decade.

Several points of consensus emerged. The 11 participants agreed the Trump presidency and the rise of economic nationalism should not be considered a transitory period that ended with Biden's election. The overarching priority for the Biden administration will be dealing with pressing domestic economic issues that continue to deeply divide the American people. As such, for the foreseeable future, American foreign policy will be viewed through the lens of domestic policy. This is a reality reflected in the Buy American executive order issued by Biden days after taking office. The order requires U.S. federal government procurement be sourced from U.S. suppliers.

To manage U.S. protectionism, roundtable members said Canada needs to position its engagement with the U.S. in a manner that recognizes the domestic reality faced by Biden. This approach requires the need to identify the integrated supply chains between the two countries as shared strategic interests essential to jobs and economic growth.

As well, to increase its relevance with the U.S., Canada must use its strategic advantages in key multilateral areas that are mutually important. Specifically, Canada should:

- Make common cause with the U.S., and other like-minded nations, to pressure China into compliance with rules-based global trade and the norms of the international order;

- Play a larger role to assert its sovereignty in the Arctic, which is being challenged by Russia and China and is a region of important strategic interest and cooperation to both Canada and the U.S.;
- Invest with the U.S. to modernize NORAD as part of defence of North America, including the replacement of the aging North Warning System;
- Take advantage of its bounty of rare-earth elements (REE), resources critical to the technology-driven economy of today and in the decades to come. Currently, China is a major global supplier of REE and Canada should use its natural-resource advantage to play a global role, including as a supplier to the U.S.;
- Engage with the U.S. on climate-change and energy transition priorities by working bilaterally to harmonize policies that achieve common climate objectives; and,
- Broaden advocacy efforts by engaging different ethnic, racial and generational US domestic constituencies.

In the coming months and years Canadian leadership must be mobilized and sustained across jurisdictions, partisan lines and private and public sectors. Whether Canada succeeds in recasting its relationship with the U.S. for the changed dynamics of the next decade will depend upon whether leaders fully grasp — and persuade others — of the fundamental importance of the Canada-U.S. relationship and how much it is changing.

INTRODUCTION

For generations, the relationship between Canada and the United States has been an anchor in the lives of Canadians. It has been central to securing Canada's economy, its standard of living and its place in the world. This relationship has served as a cornerstone, helping to shape Canada's national identity as distinct from the U.S., while acting as a touchpoint in molding Canadian foreign policy.

The quote from President John F. Kennedy, when he addressed the Canadian Parliament in 1961, has been repeated so often it has become almost cliché; but, it remains, arguably, the most perceptive description of the underpinnings of the Canada-U.S. relationship. "Geography has made us neighbours. History has made us friends. Economics has made us partners. And necessity has made us allies. Those whom nature hath so joined together, let no man put asunder," Kennedy said. Those five sentences became so iconic that they were chiseled into the walls of the U.S. embassy in Ottawa. They were quoted by Pierre Trudeau 20 years later when President Ronald Reagan visited Ottawa, cited by Brian Mulroney when he spoke to the Economic Club of New York in 1984 and again repeated by President Bill Clinton when he addressed an Ottawa luncheon in 1995.

The depth of the bilateral relationship can be measured in economic, social, cultural and human terms. The United States is Canada's largest trading partner, while Canada ranks among the top three U.S. trading partners, with [\\$2.4 billion a day](#) crossing our mutual border. We share many common values from belief in democracy to the protection of civil liberties. We are united by a shared defence of North America and are joined by countless family ties and friendships stretching across the border. It amounts to the most unique, mutually beneficial and envied bilateral relationship in the world.

During the many decades, the Canada-U.S. relationship has proved resilient. It has endured through multiple challenges, whether trade disputes, disagreements over U.S. foreign policy, such as the wars in Vietnam and Iraq, or prime ministers and presidents who did not share similar political ideologies or priorities. But always, there was confidence that the depth of the underlying and natural strengths of the relationship were always far greater than any transitory political divisions.

That is, until now.

Never has the Canada-U.S. relationship faced the pressures and strains that have become evident today. Something fundamental has occurred and become so apparent in recent years that it raises serious issues about how Canada must manage its relationship with the U.S. There has been a shift in the body politic of the U.S. that threatens to harm and even unravel many of the bonds that have defined the bilateral relationship. It became most obvious during the Trump presidency, a four-year period characterized by the rise of U.S. economic nationalism and a turning away from many of its international commitments. Wide swaths of the U.S. population feel they have become victims, their jobs lost and livelihoods threatened by an economic agenda that turned its back on defending their interests against the effects of globalization. At the same time, there has been a stark

and dramatic radicalization of American politics, fanning the flames of division that had been growing for years, dating back to the financial crisis and recession of 2009 and before. Suddenly, the terms of the relationship between Canada and the U.S. are facing an unprecedented challenge with Canada no longer necessarily holding the special status that came with being a trusted and tested neighbour.

Working-class Americans have increasingly blamed their growing economic insecurity on a political elite they see as too accommodating of international economic arrangements. Over the last four years, these dynamics have moved from the fringe to the centre stage of American political theatre and have driven the drama, virtually hour to hour, during an unprecedented Trump presidency. Add to that mix the eruption of historic and systemic racial division and profound polarization more broadly, both exploited in the political fray and you have a formerly unrivalled superpower now weakened and declining from the inside as well as the outside. All those factors of anger and alienation converged on January 6, 2021 when an angry mob attacked the U.S. Capitol in a violent bid to prevent Congress from voting to confirm the election results. They failed.

The election of President Joe Biden, ending the one-term Trump presidency, has brought a certain amount of relief and a sense that “normalcy” has been restored to the White House. For one thing, Biden has said his primary objective is to heal the soul of America and restore the U.S. role in the world by re-engaging with multilateral institutions abandoned or ignored during the Trump years. The simple fact that Biden’s first call to the leader of another nation was to Prime Minister Justin Trudeau, a tradition broken by Trump, was seen as a signal by many that all will be well again between our two nations.

But is it reasonable, or for that matter realistic, to assume a single presidential election can ease the dissatisfaction, relieve the disillusionment and quell the anger that led to the insurrection and assault on the U.S. Capitol? What does the reality of U.S. domestic politics and the pressure it puts on the Biden administration mean for Canadian foreign policy? Those are questions Canada has never had to contemplate before. The fact they are now relevant speaks to the magnitude of the challenge Canada faces.

To delve into those questions, the Public Policy Forum, with the support of Global Affairs Canada, convened a roundtable discussion entitled *Dis-United States: America’s Next Decade and Implications for Canada*. A group of 11 experts¹ with extensive backgrounds related to the Canada-U.S. relationship, foreign policy more broadly, as well as intimate knowledge of U.S. politics and policy, were assembled to share their views. The experts engaged in a conversation with the aim of addressing three questions:

1. What drivers and trends in U.S. politics and society are affecting foreign-policy decision-making? Which have changed over time? Which ones remain consistent?
2. In the decade to come, what can U.S. allies expect of American behaviour toward multilateral institutions, alliances and agreements?

¹ See page 4 for participant list.

3. What areas of the partnership (trade, defence and security, climate and energy, etc.), should Canada look to protect? Are there areas in which to seize new opportunities?

THE NEW AMERICAN REALITY

The emergence of economic nationalism in the U.S. should not be considered transitory. It has reshaped American politics and was evident before the election of Trump, who exploited it and encouraged its expression, and will remain a powerful political factor in the years to come. The emphatic view of the roundtable participants was that Canada must recognize this new reality and adapt its engagement with the U.S. based on this understanding.

One roundtable participant warned against misreading reality because of Trump's defeat. The expert further emphasized, "one of the mistakes a lot of people make is that this was all about Trump. Obviously, Trump was part of it and he accelerated a lot of the things that underlie it. But this was not all about Trump. It fundamentally was about the perception among the middle class in the United States, particularly the lower middle class, that things were not working out quite the way they thought they would." Another participant echoed that view and identified it as a source of the radicalization of American politics. "We have a country that is increasingly about what they call a majority minority. There is a feeling of displacement among white people...There is a radicalization among those people."

The discussion included references by several participants to changed social and political dynamics in the U.S., evident in the increasing number of younger politicians elected to office. While most leadership positions in the House and the Senate continue to be dominated by representatives from the Silent Generation and the Baby Boomers, the voices of Generation-X and Millennial political leaders are beginning to emerge. For example, over the past few years Millennial representation in Congress grew from five members to 26. As one expert stated, "Generation-X and Millennials are redefining politics and the way we think of certain issues." The new class of young political leaders includes voices from the far left among the Democrats, including the group of women who make up "[the Squad](#)." On the right, the change becomes evident in the controversial positions taken by representatives such as [Marjorie Taylor Green](#) and [Lauren Boebert](#). As Charlotte Alter, national correspondent for *TIME* magazine states in her new book, "Millennials...are already the largest living generation, the majority of the workforce and will soon eclipse their parents as the biggest bloc of eligible voters."² This new generation of American politicians needs to be considered part of Canada's engagement strategy with the U.S. Nadia Theodore, former consul general of Canada to the Southeast U.S., also noted in a recent PPF paper [Towards a 21st Century Success Story with the United States](#) that Canada must recognize this cultural shift and focus all its resources across its U.S. network on key diplomatic assets of culture and technology.

The raw emotion and what in political terms can even be considered open wounds in the U.S. has become a major focal point in the media dialogue and among academics. For example, Theda Skocpol, a Harvard political scientist says the key dynamic in U.S. politics now is what she calls a political war that is "dividing the white middle strata between those who want to be part of a multiracial, inclusive future, and those who fear and refuse

² Alter, C. (2020). *The Ones We've Been Waiting For: How a New Generation of Leaders Will Transform America*. Washington: Viking. xi.

that...Trump's impact has been to remake many state GOP parties and to embolden organizations and individuals in the minority, yet powerful, far ethnonationalist right."³ American political scholar Julie Wronski says that "when Americans are divided on simple facts, and live in two different realities, we are not a governable people."⁴ More ominously, Timothy Snyder from Princeton University warns that when there is no agreement on truth, it leads to dark places. "Post truth is pre-fascism, and Trump has been a post-truth president. If truth is subjective, force must decide," Snyder says.⁵

Roundtable participants also indicated the rise of economic and ethnic nationalism in the U.S. has been building for years. The cost in human and economic terms of wars, the income inequality magnified by the 2008-09 financial crisis and the rise of populism first expressed in the Tea Party movement have all been factors in creating a divisive public environment exploited by the Trump presidency. In fact, years earlier in 2010, with Congress in a political deadlock, the same question of whether the U.S. had become effectively ungovernable was raised in [The Economist magazine](#). Beyond the U.S., the rise of nationalism and a retreat from globalization and open trade have been evident elsewhere in recent years, whether it was Brexit and the fracturing of the European Community, or the rise of ethnic nationalism in Hungary. According to a recent article by the Washington, D.C.-based Petersen Institute for International Economics, "a nationalist contagion has taken hold."

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This new reality was identified by roundtable participants as a central characteristic shaping Canada's current and ongoing engagement with the U.S. The expression "foreign policy is domestic policy" was cited to express how the lens of domestic politics will be used by the Biden administration to ensure its foreign policy supports its overarching objective of addressing the divisions — economic, social and political — in American society. "We're entering a new reality, a new era of great power competition with a turn towards economic statecraft, the use of economic tools for strategic purposes and rising strategic competition among states," one expert said. "We've seen this with the increase in protectionism and the turn away from free markets and trade."

But even with all the danger signs for Canada, both bilaterally with the U.S. and multilaterally, there is an opportunity presented by the Biden administration. "Joe Biden is somebody who truly believes in allies and multilateralism," said one participant. "He understands that the great competitive advantage that the U.S. has in the world is its allies." The consensus among roundtable participants was that as historically the closest ally to the United States, Canada must position its bilateral engagement with the U.S. based on a strategy of co-operation resulting in clearly identifiable mutual benefits. However, a clear warning from one expert was also to highlight, as many had mentioned, the need to "resist the temptation to be reassured by the familiarity of Biden

³ Edsall, T. (2021). [Is America Ungovernable Now?](#) The New York Times.

⁴ Ibid.

⁵ Ibid.

⁶ De Bolle, M. (2019). [The Rise of Economic Nationalism Threatens Global Cooperation](#). Petersen Institute for International Economics.

and to overlook the fact [that]...he is governing a different country." While the senior leadership are experienced and well-known multilateralists, the U.S. is a country in transition.

But Canada also needs to assert itself multilaterally by working with others to create common fronts on key issues. Participants talked of the need for Canada to seek out multilateral agreement by becoming "a bridge-builder in the club of multilateralists" noting that "Canada is going to make a bigger difference changing international rules by supporting other countries we agree with".

The approach also must be guided by key considerations to ground Canada's engagement in the new reality. Canada must:

- Support and encourage the notion of American leadership in the world;
- Engage not with just Washington, but throughout the country, state leadership, business to business;
- Frame relations based on how Canada can help in the U.S. economic recovery;
- Create relevance for Canada around common issues that matter to the U.S.;
- Not overplay Canada's hand in U.S. domestic economic priorities; and,
- Prepare to commit to "realist" framing and addressing of some issues.

Based on those considerations, specific priority areas emerged to shape the relationship and Canada's engagement with the U.S.

U.S. PROTECTIONISM

Evidence of the rise in U.S. protectionism during the Trump presidency is not likely to dissipate under the Biden administration can be expressed in two words: “Buy America.” In his bid to “heal the soul of the nation” and address the sense of economic alienation feeding the rise of nationalism in America, Biden has positioned Buy America as a central feature to his administration’s economic recovery strategy. Five days after his inauguration, Biden signed an executive order imposing “made-in-America” conditions for U.S. federal government procurement totaling approximately \$600 billion a year. The policy will apply waivers in only “very limited” circumstances. The White House announcement stated: “With this order, President Biden is ensuring that when the federal government spends taxpayer dollars, they are spent on American-made goods by American workers and with American-made component parts.” Biden has also ordered a review of critical U.S. supply chains with an objective to reduce dependence on China while identifying other vulnerabilities.

For Canada, the challenge presented with a Buy America edict is not new. This occurred in 2009, during the financial crisis and recession when the Recovery Act, under the Obama administration, imposed a similar Buy-America provision. Back then, after significant effort, Canada was able to secure some carve-outs, ultimately limiting the overall impact. Today’s reality is far different. Given the change in the dynamics of U.S. public opinion and the imperatives of U.S. politics, today’s protectionist sentiment in the U.S. is far greater compared to 12 years ago. In the words of one expert who has engaged in the earlier Buy America initiative, the mood is “overwhelming.” The individual added a note of caution: “I wouldn’t raise it [Buy America] too aggressively because I don’t think you’re going to make much progress.” The same advice was offered by one other. “I think the Canadian approach on Buy America sounds a bit entitled, like ‘we have free trade’... I’m not sure this is the hill to die on and what you can or should do is try to manage that on the margins.”

To address the current reality, the consensus was Canada needs to take a focused and strategic approach when raising its concerns about Buy America and U.S. protectionism. For example:

- Proactively make the case that strengthening regional supply chains should be part of the U.S. strategy to deal with China as a strategic competitor and global competition;
- Work as an ally to strengthen critical supply chains between the U.S. and Canada, such as the auto industry;
- Identify and build out critical infrastructure such as rail, roads, pipelines and air service; and,
- Recognize the “k-shaped” nature of engagement, where some issues are dealt at the level of political leaders, but many others are managed and addressed at bureaucratic levels.

At the forefront of rising U.S. protectionism is the day-to-day, often unglamorous, or as one roundtable participant put it, the “grunt work” of border management. It requires identifying critical sectors and then sorting out and managing supply chains that are crucial to the efficient flow between deeply integrated

economies. One proposal is the creation of a non-partisan Border Planning Commission to exist as a single data and information point of contact, similar to the approach used for the Windsor-Detroit Gordie Howe Bridge project, the world's busiest land border crossing. The commission would involve all levels of government — local, state/provincial/territorial and federal — where there would be a common database for approvals and permits to expedite the management of issues.

As well, to keep the focus on ensuring border efficiency, the re-institution of an annual North American Leaders' Summit was proposed, like that last hosted prior to the Trump presidency in 2016

CHINA

The subject of relations for Canada and the U.S. with China was a dominating theme. Participants saw Canada's role as essential, both bilaterally with the U.S. and multilaterally with "like-minded" countries, in addressing the trade and geopolitical issues posed by China. As one of the roundtable members said, "China is going to be the overarching foreign-policy preoccupation for years to come and Canada's current engagement with China has clearly not been getting the desired results." The frayed relationship is evident in multiple examples, including — the case of the two Michaels, the ongoing 5G Huawei issue, the inability to collaborate on a COVID-19 vaccine and, most recently, the Opposition motion in Parliament accusing China of genocide in its treatment of the Uyghur minority.

There was agreement that common cause should be made with the U.S. and other like-minded nations to insist upon China's compliance with rules-based global trade. In an era of rising protectionism and nationalism, the liberal trading system is being undermined by a much more power-based system where China is asserting its economic strength by defying multilateral trade rules. There was an acknowledgement for nations to work together to push back against China. As one of the participants noted: "The message would be very simple. China is welcome to the international table as long as it respects international rules and stops engaging in hostage diplomacy and the weaponization of trade." It was a view also expressed by others, including one who said China's "bluff" should be called by a coalition of nations. "With the United States and allies, you call China to account for its own rhetoric, claiming to be a defender of the rules-based system on everything from human rights to health, to the environment, to trade. Second you work on areas where the rules need to be adjusted to take account of the China reality."

Also stated was the need for Canada to act quickly as the world is entering a very complicated period of relations with China. A participant noted the Biden administration is in the process of putting together groupings of nations, or international organizations to address the challenges posed by China. Canada needs to ensure it is fully part of that initiative. Another expert indicated that "it really does make strategic sense for Canada to try to

work with the Biden administration to assemble a shared agenda among like-minded countries that might be different subsets of countries, to push back against China in key strategic areas.”

CANADA'S STRATEGIC ADVANTAGES

One of Canada's challenges relates to increasing the country's relevance in the context of U.S. politics and among policymakers. Roundtable experts agreed, noting that Canada has several unique strategic advantages and interests aligning with the U.S. The following areas should be leveraged to increase the importance of Canada to U.S. domestic and foreign-policy priorities.

The Arctic

Some participants called for considerably increased investment and policy attention in the Arctic from Canada on several grounds: Canadian sovereignty; the need to counter growing risks to security posed by Russia and China; and, the opportunity to deepen Canada-U.S. partnership. By asserting its sovereignty over the Arctic, Canada can play a critical geopolitical role of great importance to the U.S. The growing strategic significance and value of the region is clear. With its immense oil and gas reserves and shipping lanes becoming ever more accessible as warming advances and ice recedes, Russia has made aggressive moves to claim ownership of a large portion of the Arctic. It has included numerous air sorties well into Canadian Arctic airspace. As well Russia has been exploring the Lomonosov Ridge, an undersea mountain range that extends from Russia across the North Pole towards Greenland and Canada. Moreover, interest in the Arctic extends to China, which is seeking observer status on the eight-member Arctic Council.

As an Arctic nation, Canada needs to have a great deal more capability in the region, particularly through enhanced satellite technology for military and economic purposes. By so doing, it will improve the continental defence and security of North America. Coupled with a greater commitment by Canada to its presence and role in the Arctic should be a willingness to increase its role in NORAD as part of North American air defence. The specific — and costly — project of replacing the aging North Warning System, as well as advancing the broader commitment for NORAD modernization can also be seen in this light.

Rare Earth Elements

For much of its history, Canada's comparative advantage has been its wealth of natural resources. The same is true today, relating to the production of rare-earth elements (REE), which have taken on huge importance in a technology-driven world. REE are critical components for a wide range of applications, particularly high-tech consumer products such as cellular phones and computers, but also electric and hybrid vehicles, solar panels and have an array of uses in defence-related applications, such as guidance, radar and sonar systems. [According to Natural Resources Canada](#), our nation has “some of the largest known reserves and resources of rare earths in the world, estimated at over 15 million tonnes of rare earth oxides.”

Canada's storehouse of REEs can claim strategic importance because in 2019 the largest producer of REEs was China, which accounted for 60 percent of annual global production, estimated at 132,000 tonnes. The U.S. was the largest supplier of REEs until the emergence of China, which now effectively controls the world supply. By

increasing its production and processing of REEs, Canada can serve as a secure and dependable supplier to the U.S. of elements that are of great strategic value, essential to the economy of the 21st century and will become even more so in the years to come.

Energy and climate change

In policy terms, with the election of the Biden administration, Canada and the U.S. are in significant alignment on climate-change issues. It comes after many decades when Canada's export of energy to the U.S. — particularly oil and gas — has been a cornerstone of the trading relationship. As the U.S. has dramatically increased its domestic production of oil and gas over the last 10 to 15 years, the strategic importance of Canada as a supplier of oil to the U.S. has decreased. Biden's decision to revoke the permit for construction of the Keystone pipeline reflected both those factors — the growth of U.S. energy independence and the importance of addressing climate change to the Biden administration. Canada needs to align its climate-change policy as much as possible with the U.S., for both environmental and economic reasons. Significant discrepancies on climate policies, such as carbon pricing and incentives for low and zero emissions energy, will have consequences in terms of investment for Canada.

It will require that Canada becomes purposeful as it engages to become more relevant with the U.S. on climate policy. The strategy should include measures to create a common "carbon border", for example similar carbon capture policies and carbon infrastructure such as a carbon trunk line carrying emissions captured from heavy industry and spans the border. Similarly, Canada's hydroelectricity should be positioned as part of bilateral critical infrastructure that can be a source of non-emitting energy that serves the need of climate change policy in the U.S.

CONCLUSION

Clearly, the context and underlying terms of the Canada-U.S. relationship have been altered. The stark rise of economic nationalism, accelerated with the Trump presidency, reflected the deep divisions and anxiety in the American population. While Biden's election has signaled a return to more stable and friendly relations that traditionally shaped the bilateral relationship, the underlying issues remain. The domestic political reality for Biden is he must focus intensely on the needs of the American people, which means foreign policy for the foreseeable future will be seen through the lens of domestic policy.

Roundtable participants saw a significant shift back to more familiar dynamics in the bilateral relationship in the early months of the new administration — a constructive partnership with deep historic and economic roots and a large and complex set of opportunities to seize and disagreements to solve or manage. However, most would agree this is no return to some simpler past. In fact, the coming decade will play out in an era of profound change and deepening turmoil within the United States and ongoing geopolitical change. Both sets of forces demand new thinking to shape Canada's strategy for the bilateral relationship.

Roundtable participants discussed a far-reaching set of policy and strategic issues, each of which pose challenge and opportunity for Canada. These include relations with China, the Arctic, continental defence and security, industrial opportunities including rare earth minerals and climate and energy. Across all these areas, seizing the opportunities to advance Canadian interests will require new levels of coherence and determination. In some cases, that means marshalling new financial resources; in others emphasizing policy directions major constituencies will find contentious. In all of them, Canadian leadership will need to be mobilized and sustained across jurisdictions, partisan lines and private and public sectors. Whether Canada succeeds in recasting its relationship with the United States for the changed dynamics of the next decade will depend upon whether leaders fully grasp — and persuade others — of both the fundamental importance of the Canada-U.S. relationship and how much it is changing.

Canada must frame its engagement with the U.S. based on shared strategic interests. The way forward for Canada is to identify how its priorities can be positioned and seen by the Biden administration as helping to advance the domestic economic priorities and multilateral objectives of the United States.

