

Best friends, eh? The Canada-United States relationship in 2015

Rémi DESCHEYER

On June 22nd 2015, the leader of the Liberal Party of Canada, Justin Trudeau, attacked Prime Minister Stephen Harper on the state of Canada-United States relations: "I think a huge load of responsibility is in how this government has engaged, or refused to engage, with the Americans. And the tone of belligerence and high partisanship, of telling the Americans what they are going to do, and not taking 'No' for an answer, has been a large generator of the challenges that we have actually faced over the past years with the Canada-U.S. relationship."¹ From this comment, it would appear that since 2006 Stephen Harper has damaged this relationship through an aggressive and unilateral policy. Given the well-known and ancient friendship between the two countries, the statement may seem to be an exaggeration. There are points of divergence, however, that need to be overcome. In order to do so, the imbalance between the two countries in terms of population, economic weight and international role must be acknowledged, as it causes most issues to be of greater importance for Canada than for the U.S.

A very old relationship

The history of Canada-U.S. cooperation spans over two centuries. Today, they enjoy the closest relationship between any two neighboring countries in the world. As Vice-President Joe Biden stated during a visit in Vancouver on July 5th 2015, "Canada is the most reliably certain and consequential ally we have. [...] You're not supposed to say that, but Canada is an incredible, incredible ally."² The countries share the longest undefended border in the world and enjoy a stunning level of cultural proximity.

Les opinions exprimées dans ce texte n'engagent que leur auteur.

ISBN : 978-2-36567-427-0
© Tous droits réservés, Paris, Ifri

20 July 2015

ifri

1. <www.theglobeandmail.com/news/news-video/video-justin-trudeau-stephen-harper-has-marred-canada-us-relations/article25064395/>.

2. <www.huffingtonpost.ca/2015/07/05/us-vice-president-joe-b_n_7732702.html?ir=Canada%20Politics>.

Since the end of the War of 1812, when the U.S. tried to invade British Canada in the context of the Napoleonic Wars and trade blockade, relations have been peaceful, and both countries' economies have become increasingly integrated. After a failed attempt to establish free trade in 1919, economic integration was bolstered by the Second World War. Canada and the U.S. have engaged in free trade since the 1988 Free Trade Agreement (FTA), followed by NAFTA in 1994. Today, the U.S., Canada and Mexico constitute a 470-million-people, \$20-trillion-worth trade bloc. The unevenness between the U.S. and Canadian economies is quite visible in terms of trade. According to the Fraser Institute's report,³ Canada's exports to the U.S. in 2012 amounted for 278.09 billion CA\$ (out of 380.06 in total, roughly 73% of Canada's overall exports). Imports from the U.S. have amounted for 243.60 billion CA\$ (out of 389.93, or 62.5% of total imports). During the same period, Canada accounted for 19.4% of American exports and 14.4% of its imports.⁴ An estimated 400,000 people cross the border every day, as does approximately \$1 billion in trade.⁵

Both countries are also engaged in military collaboration since the Second World War, on a bilateral (North American Aerospace Defense Command, or NORAD) as well as multilateral (NATO) basis. They currently collaborate on weapon development such as the F-35 stealth multirole fighter. The two neighbors are part of the G7-G8 group, and share the same positions on an array of issues, such as the Ukrainian crisis, the fight against the Islamic State, and the Iranian nuclear deal.

Seen from the outside, collaboration between the two countries seems to have been incredibly close and fruitful. But some points of divergence have also existed through time, and should not be forgotten, notably different stances on the Vietnam and Iraq Wars, different treatments of Cuba, and some frictions over several territorial claims (notably the Northwest Passage: see below). Trade has also faced some drawbacks, such as the Nixon Shock of 1971 that imposed a 10% tariff on imports, frightening the Canadian government and prompting efforts to diversify its exports. Since 2006 and PM Stephen Harper's arrival to power, several issues have appeared between the two allies.

The Northwest Passage

From the 1970s onwards, the Northwest Passage has been at the center of a dispute between Canada and the other Arctic powers (above all the United States and Russia, plus some European States). At stake is the status of the waters, ice, and airspace that make up the passage connecting the Pacific and Atlantic Oceans through Canadian land masses.

Canadians have traditionally considered the passage as internal waters. They

3. Moens, A. & Bartos, A. "Canada's Catch-22: The State of Canada-US Relations in 2014", *Fraser Institute* (Vancouver, BC): January 2014

4. Anderson, C. & Stephenson, L. "Moving closer or drifting apart? Assessing the State of Public Opinion on the U.S.-Canada Relationship", *The U.S. Canada Institute* (London, ON): 2010

5. <http://can-am.gc.ca/relations/border_frontiere.aspx?lang=eng>.

therefore claim complete sovereignty over the area. However, other powers engaged in the region have claims based on the UN Convention on the Law of the Sea that the passage, connecting two high seas areas, must be considered as international strait with free crossing for any ships, without any restrictions from any country.

The slimming of Arctic ice due to climate change has opened new economic possibilities with the Northwest Passage, opening a commercial route between Asia and Europe that is 5,000 miles (8,000 km) shorter than the route going through the Panama Canal, and suitable for large vessels unable to use the Canal (these ships are currently required to go around Cape Horn). It is expected that maritime traffic could thus greatly increase in the next decades, raising once again the status of the passage: are they Canadian or international waters?

The United States has stirred criticism from Canada in the past by sending vessels through the Passage. The famous cases have been the crossings by the supertanker *SS Manhattan* in 1969 and the U.S. coast guard *Polar Sea* in 1985. The U.S. government sees the Northwest Passage as vital for U.S. strategic mobility and commerce. Recognition of Canadian sovereignty over the area would not really impede this mobility, as Canada does not have the capabilities to actually prevent U.S. submarines from crossing through the passage. However, it would set a dangerous precedent that could limit American mobility elsewhere (for example in the Strait of Hormuz). Both countries agreed to disagree by signing the 1988 "Arctic cooperation" declaration, resolving practical issues of American crossing without tackling the sovereignty dilemma.

Of particular interest in the context of Canada-U.S. relations since 2006 is Stephen Harper's assertiveness and willingness to defend Canadian sovereignty over the passage despite limited means, at the risk of worsening bilateral relations with its southern neighbor. When the presence of U.S. submarines in the passage was reported in late 2005, the newly elected Prime Minister made the issue a top priority. He declared in August 2006 that "sovereignty is not a theoretical concept; you either use it or lose it," promising to develop capabilities to assert this sovereignty. His plan has been to create a sound surveillance system (to listen above and beneath the surface), an Arctic deepwater port (for resupplying purposes), and three armed naval icebreakers, which were later replaced with plans to construct five to eight Arctic ice-strengthened patrol ships. These capabilities, paired with increased general surveillance, are aimed at strengthening Canada's claim over the passage with direct force projection capabilities in the area. They can however appear quite ill-suited for the effective day-to-day operations required by the exercise of sovereignty. The main weakness is that, compared to icebreakers, the ice-strengthened patrol ships are only able to go through first-year meter-thick ice and cannot perform icebreaker duties for vessels other than themselves. They

are unable to assist any ships in the area and unable to travel anywhere where ice is more than a meter thick. This would reduce the military's ability to perform along Stephen Harper's plan.

At the end of the day, it might not be in Canada's interests to oppose American vessels and submarines' crossing through the passage. To several observers, Canada's claim is not strong enough to guarantee complete success in an International Court of Justice trial. It is thus not in its best interests to alienate the United States over the passage on the question of strategic security (especially SSBN submarines): if pressed over the issue, and if free crossing for its warships is to be denied by Canadian authorities, the Americans could bring a case to the ICJ and put Canada's claim in jeopardy.

Canada might thus be overreaching its capabilities in the passage. It might not be sustainable for a country with 35 million inhabitants and a \$20 billion total budget for its armed forces to try to exert sovereignty and project force in such a huge and difficult area. What could be more in its interests would be, as Adam Lajeunesse has argued⁶, more Canada-US cooperation in the region and a North American shared sovereignty over the Arctic following the NORAD model. It could be a real win-win deal. Canada would benefit from U.S. capabilities to counter foreign influence in its waters, especially Russian vessels. The U.S. would secure their strategic mobility and might ensure access to some of the formidable reserves to be exploited in the Arctic. A more cooperative stance is therefore needed from the Canadian government.

The Keystone XL pipeline

The main and most recent point of contention has been the fourth extension of the 3,000 miles-long (4,700 km) Keystone Pipeline System. Currently made of three different pipelines, the system carries Canadian crude oil from Hardisty in Alberta to refineries in Texas, Illinois, and Oklahoma and became operational in 2010. A fourth pipeline, known as Keystone XL, was proposed in 2008. It would be 1,200 miles long (1,900 km) and duplicate the existing Phase I pipeline running from Hardisty to Steele City, Oklahoma, though with a larger diameter and shorter route. It was originally planned to enter the U.S. in Montana; pass through Baker, Montana, where it would receive American-produced crude oil; travel via South Dakota and Nebraska before arriving in Steele City, Oklahoma, and join the existing pipeline network. This particular fourth phase has been the subject of much controversy, based on environmental issues. Given its trans-border character, the project has become a point of tension between the two neighbors, as the United States has continuously delayed any final decision until now.

The pipeline was supposed to cross the Sandhills, a sensitive area of Nebraska, and the Ogallala Aquifer, one of the largest water reserves in the

6. Adam Lajeunesse, *The Northwest Passage in Canadian policy*, International Journal (Toronto, ON): Autumn 2008

U.S. Concerns have been expressed over the consequences of potential oil spills that could have dramatic effects on the region, both in ecological and economic terms. The extraction of oil sands also results in higher greenhouse gas emissions than the extraction of conventional oil, which stirred further concerns by environmentalists in the U.S. Those environmental issues have taken a political turn, as final decision has been delayed since 2008. After several legal and judicial challenges that extended the decision, the project was cleared by the Nebraska Supreme Court in early January 2015. From the Canadian point of view, issues appear to have been resolved. The initial route has been diverted to avoid the Sandhills region, and the southern leg of the project has already been completed. A bill approving the construction of the pipeline was passed by the U.S. Senate at the end of January 2015 and by the House of Representative on February 11th 2015, prompting hopes that the project would finally start. But because the project has an international and transborder dimension, the final decision rests on the State Department and thus on the executive branch. President Obama hence vetoed the bill on February 24th 2015, a veto Senate has been unable to override. To many observers, this veto means that the issue will have to wait until after the 2016 presidential election.

The issue has become a major issue between Canada and the U.S.. To Canada, the new pipeline is vital in allowing more crude oil exportations from Alberta. Much of Canada's recent economic recovery rests on the energy revenues, providing both economic growth and jobs to the country. Export diversification has been a preoccupation for the Canadians lately. In addition to the Keystone XL (which would transport 465,000 barrels per day), another pipeline project called the Enbridge Northern Gateway Pipelines has been set up to move crude oil to the West Coast ports of Canada to be exported on the Asian market. In the context of resource security, it should be concerning for the Americans that Canada is looking for new clients, and especially resource-hungry China. The only alternative to the Keystone XL for transporting Albertan oil to the U.S. has been rail transport, which is estimated to cost up to three times as much as pipeline transport and necessitates heavy investments (\$1 billion for new rail terminals and \$4-5 billion for new rail cars according to the Fraser Institute's report). Rail transport may not be safer than pipeline transport, as demonstrated by the dramatic 2013 accident in Quebec that killed 47 people and the subsequent oil spill. Politically, Prime Minister Stephen Harper has taken the issue very seriously, calling it a "no-brainer" for the Americans and stating that he would not "take 'No' as an answer." This assertiveness and partisanship has been criticized as damaging the relationship and pushing both sides further apart, as the Trudeau quote from the introduction reveals. In any case, what first appeared as a minor trade issue has evolved into a major political issue for the two countries.

Whatever happens to the Keystone XL project, a political consequence of all past difficulties on this issue may be that Canada will be extremely cautious in

any future negotiation with the United States, especially if the issue is of bigger importance North of the border than South.

Economic disputes

Other minor points of divergence have emerged recently, most notably economic and trade disputes, such as the Mandatory Country-of-Origin Labeling - hurting Canadian cattle and hog exports to the U.S. and ruled discriminatory by the World Trade Organization, with an estimated loss of \$1 billion a year for Canada-; the Softwood Lumber dispute; the 'Buy American' provision; and issues with intellectual property rights and prescription drugs. These issues remain quite minor and do not stir real political attention.

Looking forward

The Northwest Passage and Keystone XL disputes highlight the imbalance between the two neighbors. To Canada, the relationship with the big Southern neighbor is key, and its support vital. The reverse is not necessarily true. Canadian reactions, such as the pursuit of new economic partners and trade diversification, as well as a more assertive foreign policy in the Arctic hint at the country's efforts to exist outside of the bilateral relationship. Prime Minister Stephen Harper's firm stance against Russia in the context of the Ukrainian crisis is another sign that Canada is trying to exist as a sovereign actor on the international scene.