

January 2005

Discussion Following the Speeches of Mr. KcKenna and Mr. Lessenberry

Discussion

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Recommended Citation

Discussion, *Discussion Following the Speeches of Mr. KcKenna and Mr. Lessenberry*, 31 Can.-U.S. L.J. 199 (2005)

Available at: <https://scholarlycommons.law.case.edu/cuslj/vol31/iss/30>

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DISCUSSION FOLLOWING THE SPEECHES OF MR. MCKENNA AND MR. LESSENBERRY

DR. KING: I want to follow up on one of Jack's points. It seemed to me there were more U.S. correspondents in Canada of several years ago, but they were flushed out by the Canada tax system. That's my recollection. It is probably right.

(Laughter.)

DR. KING: And I wanted to find out – I think there are plenty of Canadian correspondents down here, but there is not much direct from Canada to U.S. newspapers? How do you remedy that? Is there any – in other words, how do you get good reporting if you don't have people there?

MR. LESSENBERRY: You don't. And while I think – while I think the Canadian tax system may have played a minor role, actually, all over the world the United States has disgracefully pulled out foreign correspondents. Most decent papers, back when they had Ottawa correspondents, did things to make them whole so to supplement their salaries, and it is a real problem. It is a question of priorities.

MR. MCKENNA: I am not sure if the New York Times is still doing it, but their Canadian correspondent was based in Denver for a while.

MR. LESSENBERRY: That's right.

MR. MCKENNA: And then in New Jersey?

MR. LESSENBERRY: Right.

DR. KING: That Denver thing always amazed me.

MR. MCKENNA: Pretty skiing in Canada, too.

MR. CRANE: It is interesting that Canadians have more correspondents in the United States than visa versa. Within Canada the English language newspapers have many more correspondents in Quebec than Francophone papers have in the rest of Canada.

MR. McLANDRESS: Jim McLandress.

MR. CRANE: I should have said this earlier. Everybody please identify yourself when you ask something. Yeah.

MR. McLANDRESS: Yeah, sort of originally perhaps directed to Barrie, but I would be interested in Jack's thoughts as well.

Barrie, you were talking about a bitterness, an indifference – a growing indifference in Canada, a dissolution with respect to trade issues. And don't take it personally, but how much of that is – comes from the media and the way – Canadian media and the way it covers trade issues? We talked about earlier today the NAFTA relationship. Ninety six percent of it works pretty well, and there is a little bit that doesn't work very well.

And it works spectacularly that little bit, and we spend all our time focusing on the negative. I am just wondering: would the Canada perspective be better if more, boring news I think is the problem, were there? Just about how well it is working as opposed to the – well, if it bleeds it bleeds, and that's what softwood lumber is.

MR. McKENNA: Yeah. I mean, it is the nature of journalism to focus on conflict and where things are changing and moving. A train, fully loaded with coal rumbling across the border one way or the other without incident isn't very interesting. I think we do focus on – we do lots of stories about Canadian companies doing good things in the United States, U.S. companies coming into Canada. We write an awful lot about that. But when you talk about covering trade, I mean, it is the coverage of conflict. That's what trade stories I think by definition have to be. I don't know.

MR. CRANE: Just on the positive side, it was interesting at lunch today when the Deputy Secretary of Commerce spoke, because I hadn't known this – perhaps you had, Barrie – but he said that the WACO agreement – all these initials, however you pronounce it, I am from Canada – but the agreement was a result of an initiative from Cretian government shortly after 9/11. That's when the whole thing started, and it was the Canadians who suggested it, this whole panoply of things, which was announced at WACO when Bush, Martin, and Fox met. And so it shows quietly countries can do things, and that's perhaps where more of the Canadian effort should perhaps go.

Jim.

MR. PHILLIPS: Jim Phillips. Two points I think: in the travels, one finds that the Canadians of public tend to think that if there is too much attention by the U.S., they are being dominated, and if there is too little attention, they are being insulted by the fact it is too little. And I would just make the point that I find it very interesting that, you know, I for a long time – I represent 60,000 companies, about 45 percent Canadian – and I would tell you that the majority think that they ought to lock all the softwood lumber people in a room and not let them out until it gets solved, because my grandfather and yours were involved in this way back when.

But seriously, the fact that lumber is moving to some degree, although with penalties, and the fact that unfortunately beef is not moving and – and that's a very wrongful thing to close the border, absolutely bad news on the U.S. side – but I would just point out that one of the reasons the Free Trade Agreement in '89 was lauded was that the Canadian-U.S. trade balance was about \$7 billion a year constantly, and those that championed Canada-U.S. relations said that's a stable currency relationship, while those same people fought NAFTA because the Mexican peso was doing this.

The point is today, that the unfavorable trade balance is around \$60 some billion between the U.S. and Canada, that has not been a news worthy item on either side given the fact that some of that is energy, and you have to take

that out of the equation. But the trade deficit between the U.S. has favored Canada in money, and you don't see any backlash from the U.S. side.

So I would say that's one story that you probably are lucky is not printed right now as being – but yet, the Canadians are very edgy, I would just point out, newsworthy-wise about lumber and beef, is a bad situation. Forget that. But lumber, I guess both sides or elements refuse to recognize the reality on the other side, but I just wonder what you think about the fact of the reality of the change in the trade balance and the fact that it hasn't become a news worthy item.

MR. McKENNA: It sometimes does come up as a backdrop when lumber, wheat, or cattle comes up in Congress. The members who are seized of the issue and concerned about Canada flooding the U.S. market with whatever, they will highlight that fact that Canada maintains – but you are right, I mean it is not like China. China is really getting battered.

MR. PHILLIPS: If we bet money back in the late '80s, we never would have believed your point. Ninety six percent of the trade, day in and day out, is as calm and as cool as it could be, and we never would have bet it would have been that good from the beginning. I just find it interesting that we don't seem to be positive about that kind of a fact.

MR. LESSENBERRY: Seems to me one of the untold stories, too, is the United States' demagogic reaction to mad cow and, you know, beating up on Canada has hurt all of us, both countries and Asia.

MR. CRANE: Well, you asked about the balance of attention, and it reminds of what Sir John A. McDonald once said about the drunken lady: That a little too much was just enough.

In the front here, and then we will go to the back.

MR. GELFAND: Marty Gelfand. This is for David Crane.

Who exactly are these 1,500 Americans who are actually reading the Toronto Star?

MR. CRANE: I think you have underestimated the number, but I am very curious about this. I think it must be organized.

MR. GELFAND: I'm sorry.

MR. CRANE: Because I can get up at 6:00 o'clock in the morning of the day something appears, and there are already abusive e-mails.

MR. McKENNA: I can tell you how that happens, seriously. What happens is, certain people – there are key words – there are certain mechanisms that are set up, when you have a column that mentions Bush and triggers it and is sent on to certain web sites where there are people who organize these mass e-mailings. Because I get those, too, from other web sites, and I have asked how that is done.

MR. CRANE: Michael?

MR. ROBINSON: Thank you. Michael Robinson. Just three short observations on what has been put forward so far:

On the low profile, I tend to agree that Canada benefits from the low profile. And as an example, which has scared the dickens out of me, is that Hilary Clinton has now published our dirty little secret, namely, more cars are made in Ontario than Michigan, and that got in the newspapers. We have known that for ages. The Auto Pact is one of the greatest deals for Canada that was ever done, and the low profile on that meant that we didn't have to get a lot of bad press for stealing jobs from Michigan and elsewhere.

Second observation is on the lack of backlash from not going to Iraq, and I think, David, you know this, that we cut a deal, and the deal was we sent our troops to Afghanistan.

MR. CRANE: Yeah.

MR. ROBINSON: And the Canadian troops are now the ones looking after Afghanistan. I bet many of my American friends here don't know that. Those troops that were U.S. troops in Afghanistan are now in Iraq, and that's why we didn't get hammered as badly as we did.

And the third observation is, that I think the Canadian government doesn't do enough to try and publicize what we are doing or what's going on in Canada. And my classic example is the very clever thing that a good friend and supporter of this institute, John Fried, used to do when he was in Washington. When John would get to the end of his budget year and he had any money, he would go to all the senior staffers – not the Congressmen – to senior staffers, the important Congressional people that had interest in Canada, the steel group, the this group – and he would say how would you like a week in Canada? All expenses paid.

And he would take these chaps from – and there were usually about 30 of them – coast to coast. But he was even smarter than that. He would call me, and he would say, okay, we are coming to Toronto, and we have to do all this baloney up at Queens Park – that's our provincial government center – and formal usual crap about how we are great partners and everything. He'd say, "would you arrange a lunch with counterparts in business from Canada of these staffers?"

Well, I thought I had died and gone to heaven. My clients were going to get an opportunity – these were brokers, bankers, we had people from steel. Called up the president of DeFasco. How would you like to have lunch in an open off-the-record discussion with the senior guy that advises the US Steel lobby? He would have crawled from Hamilton on broken glass.

It was a fabulous event. John would introduce the Americans. I would introduce the Canadians, and we would say there is only one rule, gentlemen: no fisticuffs. Nothing is on record; eat and talk. And this lunch would go on for like three hours. That's the kind of thing that Canada should still be doing. Not been done since John Fried left Washington.

MR. CRANE: Before we respond to you, perhaps I have another comment here, and then we can respond to both.

MR. SCHAEFER: Matt Schaeffer. Last year there was some discussion whether Canada should become a country that tries to bridge the gap between the United States and others in international organizations. Often the United States wants carveouts or exceptions in international agreements, and everybody insists, no, it is one size fits all. So the U.S. sits on the sidelines. If Canada played that role, they would probably get a lot more press than the United States and a lot more favorable press than the United States. And do you agree with that?

But then the second question is: But maybe that would create quite a bit of negative press for them in Canada, and whose press do they really care about?

MR. LESSENBERRY: If I – that's a very good question. Great Britain thought it could do that after World War II, sort of play, you know, sort of philosopher – ancient Greek kind of role to our realm. I think that that's an admirable idea. I think in practice, certainly with this administration, it just wouldn't work, but maybe Barrie has better insight than I.

MR. McKENNA: I think that's absolutely true. I think that is the traditional role that Canada has always tried to play. It is the reason why Canada is in the G-7, isn't it? The Americans brought us in there to provide a counterweight for some of the Europeans. They wanted another body there, and it was an attempt to kind of play that broker role, and Canada has done that over the years.

I think in the lead up to Iraq, you didn't hear a whole lot about it here, but Canada was there. Canada's UN ambassador and the ministers in Ottawa were claiming some active role in trying to broker some kind of resolution. And that story got no traction here, and that's because the administration was on a track that it was not going to get off of. And I think that has been the problem of late.

MR. CRANE: Michael, since neither panelist have chose to respond to you, the wise words you had to say, I think your last point was right on, and that is a lot of things can be done quietly rather than with lots of pizzazz.

MR. ROBINSON: Well, I may be in error in standing to be corrected by George who may have more current information. Do you, George?

MR. COSTARIS: We have had 10, 15 in the last year in Detroit. The war is critical. After September 11th, we had a minister and had Congressional ministers coming in every two days, every three weeks. The kind of visit that you are talking about, which is to get the staffers to Toronto –

MR. ROBINSON: Right. All across Canada.

MR. COSTARIS: It is a little more targeted today than it was when John Fried was there 12 years ago, 13 years ago, when the only two big issues back then were getting an acid rain agreement and the Free Trade Agreement. So it was more of a long-term cultivation back then.

Right now the issues are very targeted, whether it is softwood lumber, whether it is BSE, whether – and the border is critical, absolutely number one issue right now. And so our focus has been entirely on getting these Congressional staffers, getting the relevant committees, finding out what committees matter, and the problem with some of these issues is the disaggregated nature of the U.S. political system.

It is like mercury. You think you have it. You press here, and it is over here. And so you have to – when you look an issue on softwood lumber, who do you target? Do you target the president? Who do you target? What committee chair do you target? You have to target everybody; the publics, the media, the academic institutions, and that's what we do. That's what we do for a living. No, it is being done.

MR. ROBINSON: But they will still come. The staffers will come if you invite them.

MR. COSTARIS: Oh, they will come. You have to time it properly, but they will come, and they benefit from it, and they go back. My impression is, the U.S. is being run by 25 year olds.

MR. McKENNA: They do advocacy days in Congress, too, where they bring people down, and they come with a mixture of business types and provincial ministers, and they will go around, arrange a bunch of meetings with Hill staff and with members of key committees and that kind of thing.

MR. COSTARIS: We have to be careful we don't get too much of it. You know, there is a danger of crying wolf because if – you know, \$10 billion is a lot of money, but it is ten days of Canada-U.S. trade, and you add it all up. So I think you have to look at all these issues. You are going to the same well. It is the same committee chairs. It is the same media people. It is the same, and if you are going after them on every single issue, there is a danger of crying wolf.

MR. PHILLIPS: You ought to mention, George, the data, the joint U.S. Parliamentary Northern Border Caucus is very active where its ministers and members of parliamentarian, senators – and we now have Congressmen and 40 members of parliament on the Canadian side interacting with 56 members of Congress on the U.S. side. It is a real positive thing.

MR. LESSENBERRY: By the way, while I have the chalk and the board, I would like to honor Henry King who we appointed as the honorary consulate for Canada.

(Applause.)

MR. LESSENBERRY: Part of our strategy of getting the Canadian name up front in the local community, and Henry has been doing an incredible job for 20 years, 25 years – but he has been doing an incredible job for the last three months, four months. So congratulations, Henry.

(Applause.)

MR. CRANE: Now, the one flaw in Hilary's statement about Ontario versus Michigan, of course, was that so much of the U.S. automotive production has migrated to other states, and so that –

MR. LESSENBERRY: We all thought they went to Taiwan. They are still established in the hemisphere.

(Laughter.)

MR. CRANE: Henry has just sent me a signal that he wants to wind up at 9:30 rather than 11:30, and so we will just have two more.

DR. KING: We have a morning session. I want you all to get up very early tomorrow morning and start right at 9:00 o'clock.

MR. CRANE: Okay. Well, Henry, we will just have two quick questions starting at the back and then finishing with Larry in front.

MR. LUPUL: Phillip Lupul. I think my question is probably a good follow on, but I would ask Barrie McKenna in particular to comment from somebody, who is in Washington, could you give us your opinion as to whether you think the Canadians are effective in Washington? I come back to – I think we have heard about the failure of the rules based system, and it seems like Canadians, perhaps somewhat naively, seem to have placed a lot into that basket. And once we got stuck in that basket, are we moving on to look at other creative solutions?

I have heard, for example, on the softwood lumber that if you could get this unstuck, that the average American homeowner would save a few thousand dollars at least on a house. So it seems if you were creative, you could get homeowners associations and consumers groups and things of that sort – you know, have we been playing all the options there? Is it just rules based system and traditional diplomacy, or do you think we have been effective in working in Washington?

MR. McKENNA: I mean, in a word, no.

But how to do it differently, you know, people have talked about how they have a new ambassador down there, you know, Frank McKenna, who is a politician, and has a pipeline to the prime minister and –

MR. CRANE: Not Barrie's uncle.

MR. McKENNA: We claim some relationship; certainly I do now.

But everything that has happened in the past five years, I am not sure it would have happened any differently when you have sort of an administration and a government in Canada that are so, sort of, oceans apart. And you mentioned doing strategic things like on softwood – they have been working on the consumer lobby in the United States for I don't know how long. I mean, it has been well done, and it hasn't worked. It really hasn't worked.

It hasn't made a bit of difference in the political power of the lumber lobby in the United States, even though they can show figures of what inflated lumber prices do to the cost of the house. I think the thing is that lumber at the end of the day is a relatively small part of the entire cost of the

house and the land under it, and then just the way that the political system is set up. Congress is not designed to represent individual consumers. It doesn't work very effectively as a representative of individuals.

MR. CRANE: Larry?

MR. HERMAN: Larry Herman. I think that some of what we are talking about, the reflection of Canada in the U.S. media, particularly, is a function of the political – the state of the political relationship. And now today I think we have addressed the complexities of that relationship. It is a complex one, but at the highest political level, it is not in a good state right now. I think the relationship is quite bad, quite frankly, for a variety of reasons, and that is reflected I think in perhaps a lack of media attention.

Now, it is a complex and ongoing relationship, and I think it will change, and it will improve. To some extent, it is a reflection of the personal relationship between the prime minister and the president, and there have been good times, and there have been bad times. I think we are right now in a fairly negative period in Canada-U.S. relations, and my view is that is part of the reason why perhaps there is little attention in the U.S. media.

But I am convinced that will change, and it has changed. There have been periods. For example, when President Regan and Prime Minister Maroney had a very good strong relationship – some Canadians may not have appreciated that – but that was reflected in positive media reaction in the United States. These things do change, and they go through good periods and bad periods.

MR. CRANE: That's a comment, not a question.

MR. HERMAN: That's a comment.

MR. CRANE: Well, I think, Henry, you don't want another question, do you, Henry?

DR. KING: I want to wind up.

(Laughter.)

AUDIENCE MEMBER: Ring the bell, Henry. Ring the bell.

(Bell ringing.)

MR. CRANE: Henry, I wind up and you don't.

(Laughter.)

MR. CRANE: I think just as a final note, the other thing that is worth bearing in mind is, if you are sitting in the White House these days, what are you most worried about? You are worried about Iraq, what's happening there. You are worried about Afghanistan. You are worried about terrorism. You are worried about China, and you are worried about the economy.

And so there are only so many hours in a day. So that even if we had different leaders and they had different personalities I'm not sure it would make a heck of a lot of difference. There are things that could happen, and there is no doubt that different people might have handled the softwood lumber issue differently, which would be important. But in the big picture these other pic-

tures are so all-consuming, it is hard to imagine that at the presidential level, that regardless of who the Canadian Prime Minister was, that you would have a much different kind of relationship.

Well, anyway, I have talked too much. We will wind up now, but first of all, I think we owe Barrie and Jack a great deal of thanks. I think they have provided us with a lively evening after a pleasant dinner, given us lots to think about, raised some very important issues, and overall made it a very worthwhile way to spend a Friday evening when we could have been watching Law and Order.

(Applause.)

DR. KING: That was a good session.

(Session concluded.)

