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Distinguished Panel: Face Off or Fresh Start? International Trade in Times of Turmoil

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DISTINGUISHED PANEL: FACE OFF OR FRESH START? INTERNATIONAL TRADE IN TIMES OF TURMOIL

Moderator: Christopher Sands

Speaker: Terence P. Stewart

Speaker: John M. Weekes

Speaker: The Honorable Alan Wm. Wolff

ASSOCIATE PROFESSOR PARRAN: Okay. If everybody would get back into their seats, this next panel is going to be excellent. Moderating is Mr. Chris Sands from Johns Hopkins [University], and I will turn it over to him.

MR. SANDS: Excellent. Good morning, everyone. I am honored to be on a panel of such distinguished legal experts in the area of international trade.

The first introduction I have to make is to our Henry King awardee, this year Dick Cunningham, who couldn't be here, who is the rightful chair for this panel, really the ghost in the room because he has organized several calls and pulled ourselves together to talk about the themes, and you will see his fingerprints sometimes on the conference and I think the quality of the panelists today.

We have three terrific panelists for you. To my right is Terry Stewart who is managing partner at Stewart and Stewart in Washington, D.C. He has a Harvard MBA and has a law degree from Georgetown. His practice is focused on trade remedies, and he is a legend in the D. C. trade community, having worked both officially and unofficially with the U.S. Government and its various trade bodies as well as in private practice as one of our leading trade litigators.

To his right is Ambassador John Weekes, well known to the CUSLI community, the senior business adviser at Bennett Jones, former Canadian ambassador to the World Trade Organization, proud graduate from the University of Toronto. He was Canada's chief NAFTA negotiator and has been a senior associate of the Minister of Foreign Affairs, long experienced with the [General Agreement on Tariffs and Trade ("GATT")], then WTO, and now serves as occasional panelist, WTO dispute panels as well.

To his right is Ambassador Alan Wolff, a senior counsel at Dentons LLP. He is a graduate of Harvard and has his law degree from Columbia. He is former Deputy U.S. Treasurer Representative and General Counsel at USTR from the days before it was USTR. It was just the Office of Special Trade Representative and served as a lawyer at the U.S. Department of Treasury. He is also—we heard earlier about Governor Blanchard being [a] Super Lawyer; he is also a Super Lawyer, giving him extra powers, I suppose, in these states and has, despite a long and very distinguished career, a particularly important and relevant role,

now having been a key adviser in stakeholders during negotiations of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, yet to be concluded, so three panelists who bring us a tremendous breadth of experience from both sides of our border.

I am going to start with Terry, and we will continue from there.

MR. STEWART: Thank you very much. It is a pleasure to be here with you today and to be on the panel with John and Alan who will carry the heavy lifting. What my job is to try to explain how the Trump administration trade policy such as it is has come to be.

I prepared a paper, which is available to you, that walks through my effort to decipher that, and I think the easy starting point is a slide that I put up, which tracks the U.S. trade deficit in goods compared to the timing of various trade agreements that the United States has entered into. And what you see is, if you go back to the late 1969 when we had a trading surplus, that we have been on a downward spiral, if you will, and major events would have included NAFTA, would have included the Uruguay Round, it would have included China's accession to the WTO is probably the three major points.

Now, one can say who cares? But the fact that we have gone there, a trade surplus to a three quarters of a trillion annual trade deficit in goods has been an issue of great concern to some in the country, including many working class folks in Midwestern states and states that were pivotal in the last election. When you couple that with the fact that if you take a look at non-farm income in the United States on a per capita for a family basis over the last 43 years, there has been a decline in real dollars of more than ten percent. You had a building storm of discontent, and neither political party, Democrat nor Republican, were really postured to understand or grasp that because with the—and trade has been one of those interesting areas where the trade policy folks inside the beltway for both parties have been fairly closely aligned with relatively small differences.

And, so, if you look at the last election, you had two outsiders. You had Bernie Sanders on the left, and you had Donald Trump on the right who raised this issue about the trade in equities in the system, and that resonated with a lot of people. So statistically, you can see where the issue is. The U.S. Government historically has always talked about how many jobs are created by exports, and they have refused to identify any jobs that have been lost to imports, and so for people who like to believe that people who are inside the Beltway are disconnected that face average Americans, stagnant, in fact, declining incomes in real terms and a very large and globally unheard of, a trade deficit over the years would create the kind of environment in which somebody who promised to deal with that problem would receive support, and I would say that the election was a tipping point in terms of making that a central issue. Lots of discussion as to why that's not a valid concern, but for this administration, it is a very important issue. When you take that down to the individual countries where we have large deficits, obviously China is at the top of that list, but other important trading partners where we have big deficits include Mexico, Japan, Korea and Germany, and if you take those countries alone, you will account for the vast majority of

the trade deficit, and hence, if you look at the language that has come out from the administration, the early morning tweets and other identifications of countries who are, where we have, quote unquote, bad deals. These are the countries who have been identified, and it is directly tied to the large trade deficit that we have with those countries.

Further building on what the earlier panel this morning had to say, if you take a look at auto and auto parts or motor vehicles and parts for motor vehicles, what you find is, it is the largest part of our trade deficit globally, and for these five countries, it is the majority and in the case of Mexico more than a hundred percent of the trade deficit. So if you try to figure out where the Administration is going and what they are focused on, they are focused on issues that were of concern in the states, that resulted in the president getting elected, the swing states in the Midwest and in the East where manufacturing is important. In fact, it wasn't until the trade policy 2017, presidential trade policy came out that you saw anything coming out from the Administration that went beyond manufactured goods and picked up a small item of agriculture or a relatively minor part of the economy on the services. So that has been where the focus has been, and what that has meant is that the government's focus is on how you make those deficits disappear.

The negotiations that will go on, at least from the Administration's point of view, are intended to try to address that. There had been meetings with industry groups. Autos were one of the early ones that they had, and it is an effort to try to identify what do you need changed in the economy so that you will, in fact, be more like Germany and less like the United States in terms of the large deficit that we run in autos and auto parts since it drives a lot of manufacturing jobs all around the world and certainly in the United States.

So you have those things. If you look at the trade policy, there were four priorities that the Administration identified, the first of which was maintaining sovereignty over domestic trade policy. This is really a reflection of the challenges that the United States and other countries, in fact, have faced in the WTO but what the United States has faced particularly and, in particular, in the trade remedy arena where 60 percent of the cases that had been brought in the WTO have been against the United States, who has brought a total of 12 to 13 percent of the trade remedy cases, despite the fact we were a major negotiator in the Uruguay Round and despite the fact that the agreements in dumping in Canada largely reflected existing U.S. law. And so the fact that there is concern in the United States and has been in the Congress for the last 15 years, that the [WTO] Appellate Body is in some ways uncheckable, which is largely the fault of how we created the system, is a top priority and a major concern.

The second concern priority being enforcement, strong enforcement of trade laws. You can't really have one without the other, but you are seeing executive orders come out that are trying to address some of the problems that industries which have had trade problems face. There was an announcement of one coming out today, that will deal with a problem that has grown exponentially as trade with China has grown, namely evasion of dumping duties and countervailing duties, a relatively minor issue in global trade but an important issue for

industries who have trade remedies in place and are not getting effective remedies. Custom services GAO put a report out, I think, last year that identified something like \$2.7 billion dollars in duties had not been collected over a ten-year time period. In terms of trans-borders, this is a matter that has been of great concern to the industries who are affected.

While the Administration's trade policy may be transactional in nature, an effort to try to deal with trade deficits, obviously, trade policy negotiations is not limited; it is not controlled by the executive branch itself but, rather, is a joint effort with the Congress. And you can see that in terms of what the Administration's draft notice of what they would like to do in the NAFTA renegotiations includes. It includes a whole host of issues that members of the Senate Finance Committee, House Ways and Means Committee has those concerns that are part of the trade promotion authority that is out there. So I have very little doubt that when we finally get to the notification of intent to enter negotiations with Canada and Mexico, that it will be a broad-based effort. That broad base will not be a confrontational list in my view. It will be an effort to expand upon what has been done to deal with new areas such as had been picked up in the TPP, and one of the interesting challenges is how much of the TPP will be picked up and included from the United States point of view and how much of it will be tweaked to address particular problems that various members of the Senate Finance Committee, in particular, had with the TPP agreement that was there. And certainly, the issues will be more complex as it relates to our friends in Mexico than it will be with our northern neighbors.

So I think with that, I will stop and turn it over to John. And thank you very much.

MR. WEEKES: Well, thank you very much, Terry. That's a good beginning and a good outline, I think, of the situation.

Let me start by saying that I am not speaking on behalf of the Canadian government. I know that's obvious, but I just want to say that because I occasionally slip into using "we" as if I was still a government official, and I am only speaking with the full authority with the rank of citizen. (Laughter.)

Let me start with a few comments because you have set the stage rather broadly in terms of the United States. Let me start a little bit with Canada and what I will call the Canadian trade negotiations agenda. Now, before, obviously, the biggest thing on the horizon perhaps is the renegotiation of NAFTA. But there are a lot of other things that we are looking at, so let me run through that.

First of all, let me start with the Cabinet because it is quite interesting. You may recall Chrystia Freeland was our international trade minister, and she then became foreign minister, and what I don't think is known by everybody is that she took with her to the foreign ministry, which is all housed in the same department called Global Affairs as the Trade Ministry, the responsibility for Canada-United States trade relations and for NAFTA. So you have Chrystia Freeland with that file, so the big file. And then you have Francois-Philippe Champagne, who has been made the Minister for International Trade, and I hadn't realized until the dean spoke last night that he studied here at Case,

studied law. So there is a connection there with our conference. He is a very active—he has had a lot of very good business experience. He was a vice president of Asea Brown Boveri, for instance, and he has had a number of different positions that give him a good perspective on international commerce. He is ambitious, and he is vigorous, and he has got lots of ideas, and I think his deputy minister has trouble keeping up with him. So what I am saying here is, we have got at the top, we have got a minister who is focused on Canada-U.S. matters and another minister who is sort of free as it were to deal with other parts of the world.

So what else is going on? Reference has already been made to the fact that, you know, our agreement with the European Union will come into force provisionally probably before summer, the start of the summer. And we are now, of course, looking at what do we do with the United Kingdom. The United Kingdom is our largest market in the European Union, and clearly, there is already, while we are not having negotiations, but there are discussions going on about what do we do when we get to the point of wanting to have an agreement with the UK that would, at least, maintain and hopefully actually improve on what is at CETA because, of course, when CETA comes in our agreement with the European Union, Comprehensive Economic and Trade Agreement, CETA, when it comes into force, the UK will still be part of the European Union. So the agreement will apply to the UK until such time as the UK leaves. So people need to plan for that.

We have a Free Trade Agreement with Korea, which has come into force relatively recently. As was mentioned, we are having—we've initiated exploratory discussions with China to look towards establishing a Free Trade Agreement. I suspect that's a process that will take some time, but it has now been initiated. We very much would like to have a Free Trade Agreement with Japan, for us, in many respects for the United States as well. The main prize in terms of what would be new in the Trans-Pacific Partnership is going to be an agreement with Japan, and we are already feeling the pressure because Australia has a Free Trade Agreement with Japan, and a lot of their goods are going in on a preferential basis, so we would like to do that. And we are quite alarmed when we hear that the United States might do a bilateral agreement with Japan because that would make this situation we face, it is very unfair, very unfair of discriminatory trade barriers, and so we are worried about that and how to manage that, and how to protect and advance our relations with Japan is an important point. They are a very large trading partner.

We have free trade negotiations going on with India, obviously a significant country, but those negotiations are in some difficulty because there seems to be a number of issues, which have come up, which are difficult to resolve. We are looking at the possibility of having a negotiation with MERCOSUR.

This is a sort of recurring theme, and it sort of depends on the political constellation in that part of the world, how we look at it. We are looking at what can we do in Asia now that the TPP isn't going anywhere for the moment beyond Japan and China. So you know, the idea is being talked about, looking at initiating a free trade negotiation with the [Association of Southeast Asian

Nations (“ASEAN”)] countries and also some thought being given to the free trade area of the Asia Pacific (FTAAP), which of course, is an [Asia Pacific Economic Cooperation (“APEC”)] initiative, which may not be for tomorrow given the position of the United States government but is interesting because, of course, it would actually involve the United States and China as well as most of these other countries in the region.

So I come back—so there is a lot going on, and the point was made, you know, we realize that as we realized for some time in Canada that maybe we need to take a look, take steps to diversify our trade relationships, and I would say we are trying to do that. It is not going to lead to any miraculous change in terms of where the most important trade relationships are. You know, I think forever I suspect the United States will be our principal trading partner.

Now, obviously, the election of Mr. Trump and proposals to renegotiate NAFTA have captured a lot of attention in Canada, but I think it is important to recognize that while, you know, we have now seen the draft letter that the President intends to send to Congress about his intention to initiate a renegotiation of NAFTA, we don’t know what the final form of that letter would be, and of course, that’s only a letter still to Congress. It is not a letter to us, gives some signals about what we may need to be getting ready for, but what we really need to wait for in terms of, I think, serving as a government reacting publicly, is what proposals are actually brought to the negotiating table. And well, I guess we are still, at least, three months away from that because the formal letter signals a 90-day period which is a minimum, not a maximum, and so what are we doing? What’s going on? Well, as you heard, we are now have a Canadian chief negotiator for the NAFTA. There are consultations going on. I think it is pretty clear that, you know, they know who they need to consult with most seriously now, because you can make some judgments about what some of the focus of this negotiation will be about. So that can be underway; developing Canadian ideas and proposals. So we are in a state of active preparation but also sort of a waiting game.

By the way, maybe at this point I will say something: You know, we are looking at a situation in which, you know, how long a process of renegotiation is going to take, is a little unclear. Wilbur Ross has said publicly the United States wouldn’t be ready to sit down and have detailed negotiations until late this year, this was a couple of weeks ago. Maybe this has changed by now, I don’t know—hoped that it would be—that it would be possible to conclude those negotiations within about a year from that date. So we are down—we are right in the middle of the mid-term elections is where we are, and we are past the Mexican election, and we are a year from the next Canadian federal election. I am not sure that this is ideal timing for trying to reach an agreement, but anyway there could be some problems there. You know, by that time, in fact, depending on how this plays out in the mix, I have been on a number of panels lately that involve Mexicans as well, including one in Minnesota earlier this week with Rania Sarah and Carla Hills, and one of the things that comes up in these discussions just to put Mexico in the picture for a minute is that the polling in Mexico at the moment shows that

if the Mexican presidential elections that are scheduled for, I think, July of next year were held today, that [Andres Manuel Lopez] Obrador, the former Communist mayor of Mexico City and a virulent anti-American, would win, and no doubt Mexico under that scenario might withdraw from the North American Free Trade Agreement. But in any event, it would usher in—I suspect there is a lot of prospect here that I would say from the point of view of United States-Mexican relations, you know, the lesser problem might turn out to be NAFTA and trade, and the bigger problem will be border security and a total lack of cooperation and migration from Central America and drug controls and other things. So I just put that out there because there are a lot of uncertainties as to how this is going to unfold.

Let me say something now about the Canadian perception of this because—and let me go back because we have heard a lot about American perceptions of Mr. Trump—clearly thinks this is all unfair and unbalanced and so on, so, Canadian perceptions. When we started negotiating the Free Trade Agreement with the United States, there were very serious concerns in Canada, a large segment of the population, that this was really a crazy idea; that here we were sitting down to negotiate Free Trade Agreement with a country that was much larger, much more powerful, and a lot of Canadians were convinced that we were going to lose our shirt and worse. And indeed, when we concluded that agreement, the Canadian election of 1988 was fought essentially on the one issue of the Free Trade Agreement. And there was a point in that election where the polling showed that the Government was going to lose the election. Well, in the end, they didn't, but it was a very close-run thing. And then in the NAFTA, you know, when we were negotiating the NAFTA, a lot of the same concerns came back. You know, what are we doing? We are exposed again, and I think it was something like 75 percent of the Canadians thought it was a bad idea for us to be negotiating the NAFTA. You know, the polling has now changed around considerably because we Canadians have realized, well, the bad things that people said were going to happen didn't happen, and actually, you know, while we have a balanced—I would say a balanced trade relationship with the United States, it is one in which Canadians are doing well. It has had a beneficial effect, and the Canadians acknowledge that pretty broadly.

However, we got into—and I was struck—let me come back to what Jim Blanchard said earlier when he was talking about the people he talked to, about the sort of relief with Mike Pence as vice president, and I don't want to quote too selectively, but he mentioned two of the things that he is in favor of, were the rule of law and the Constitution. You know, if anybody had told me when we finished negotiating the NAFTA that, you know, twenty years later or twenty five years later I would be sitting at a conference and people would be saying that it is a good thing that the vice president of the United States believes in the rule of law and the Constitution, I would have thought, you know, this is an impossible scenario if you can imagine. (Laughter.)

So you know, but yet, we believe—in Canada we believe in the rule of law. We think it is important, and we like it domestically, and we also like it internationally because when we negotiate an agreement, we want to know

where we stand. We don't want a deal where we have to renegotiate it every four or five years because it is starting to look unbalanced from the other side. You know, we don't want to create rules that are changed every time the United States is doing better than or doing worse than we are.

And let me here, too, say, because there is a lot of discussion about trade balances, and you can argue whether they are really relevant or not in consideration of trade policy, but let me just point out that if you look at the Canadian trade balance with the United States, we do run traditionally, but not every year, a trade surplus in goods. But if you take out raw materials and energy products in particular, then the United States has a very large surplus in manufactured goods with Canada, manufactured goods. They also have a very large surplus in services.

So you know, I think when Canada—so the government is going to have difficulty potentially depending on the kind of negotiation we get into managing a situation in which the Canadians see that we are really under fire and attack, and, you know, I think the government will negotiate in good faith and be prepared to do a number of things. There are constructive things we can do in terms of borrowing things from TPP, but when we get down to some of those hard-core issues that are obvious, we can find them in the national trade estimates, they are there every year. They are now in the letter, and I think there will be some issues on which the Canadian government will probably say no, we are not going to do that. You know, we have done this, this and this and this, and we have asked you to do this and this and this, and you have said you will do that, but you said no, no, no, no, no to all these other things. You know, we will want to negotiate in a way that makes it clear that we have engaged in a good faith effort to produce something, but there could very well be a point in which we will say enough is enough.

You know, that's it. You have to go away and decide, draw your own conclusions about what you are going to do as a result of that situation. And so you know, I put that out there. Let me say, too, finally, just on a couple of specifics because I am not going to try to get into talking about all the issues in the negotiation, but let's talk about dairy, and let me talk about Buy America just to pick two.

MR. WOLFF: Easy ones.

MR. WEEKES: And government procurement more broadly. Sorry, sir, what?

MR. WOLFF: The easy ones.

MR. WEEKES: A couple of easy ones. So dairy. You know, as somebody who is sort of watching what's going on in this area in Canada, I think actually that we could be getting to the point in the not too distant future where the pressure is for reform, and you see it already with some of the changes in pricing, are becoming so big, the system has become so sclerotic it just doesn't; that, you know, there are going to be domestic pressures as well as international pressures to make some changes. But it is the sort of thing you can't do quickly overnight because you need to work it out and plan it properly, and there would have to be

transition and so on. And let me clarify, I am not speaking for the government, but you know, when you look, one of the things we would be interested in here, though, I am sure, if we get to that stage is, we would want an even playing field and reciprocity. It has got to be fair.

And if you look at U.S. dairy policy, it is not exactly an open market scheme either. In fact, you know, you could go—so are we talking here about a reform of Canadian dairy policy or a reform of American dairy policy, North American dairy policy? You know, what would be on the table in this situation? If the United States were prepared to say, okay, we will have a fundamental look at how our dairy policy is structured as well and put that on the table, then maybe we could have a different kind of discussion. I am not sure that's in prospect.

Now, on Buy America, it is very—let me say a couple of things: One is, I notice in looking at the draft letter that it talks about both, Buy America in the United States, and it talks about trying to get better access to foreign procurement markets in the NAFTA partners. So you know, we have been open for some time to the idea of enlarging our government procurement agreement within NAFTA with the United States. We are ready to do that, I think, and we have done it with the European Union. So you know, later this year we will be giving for the first time major preferences at the provincial level to European suppliers for surface transportation systems, hydroelectric—electrical generating facilities and so on. And I think it is going to be interesting, you know, the first time that some big European company wins a \$600 million-dollar contract for one of these things in Canada, and their American competitor finds out that they weren't allowed to compete.

So one of the big objectives we have had traditionally in trade negotiations, and I think we have it again now is, we want—we want to get better controls on Buy America in the United States, and we are prepared to pay for that. But from some of what I listened to, it doesn't sound like that's necessarily Mr. Trump's idea of how we will do things, but maybe I am wrong.

I will stop there because I thought I better, you know, the amount of time we have is rather limited. We can't get into everything, but I thought I would give a flavor, big picture, a sense of perception of Canadians, and then look at some of the problems with trying to think about how you negotiate on a couple of issues that, as Alan said, are a couple of the more difficult ones.

MR. SANDS: Alan, can I ask—yeah, bring your microphone down.

MR. WOLFF: Thank you very much; pleasure to be here. The fact is that history tends to—I don't know if it repeats itself and said to Ron—I started out in the U.S. Treasury, and what we were worried about is our trade deficit in a sense. It was really we had a surplus, but we were defending the whole world. We were giving a lot of foreign aid, still giving a lot of foreign aid, and our surplus was not large enough to cover our obligations, and the French, always helpful, were flying plane loads of gold out of Fort Knox every night, which was a matter of concern because our reserves of gold backing the U.S. dollar at the time, which was fixed, the exchange rate was fixed, \$35 an ounce, that we were going to be in real trouble.

So along came an import surcharge, 10 percent against all imports, which I drafted at the time at Treasury, always a free trader at trading, and we put into effect a tax provision. The domestic international sales corporation helped us on exports. I went over to Geneva the year before. It was an act to explain to then GATT, predecessor of WTO, why it was legitimate, and sold no one. We put it into effect, and we were condemned by the GATT and removed it.

Bob Lighthizer, who was the USTR designate during his time in office at USTR, defended the next trade element of tax policy, went over to Geneva and, of course, lost, and we are back to that again where we are trying to figure things out. But we put on the import surcharge, and then we said foreign markets are unfairly closed. There is a lack of reciprocity.

So we had three delegations to negotiate: One with Japan, one with Europe, and one with Canada. I was on the Canada team, and for some reason nobody wanted to give us unilateral concessions. We didn't understand it. It was evolving, but we just got no place so there was a decision to have a multilateral round of trade negotiations called the Tokyo Round, and that did work. I was invited to be on this panel according to the esteemed Mr. Cunningham, and I wouldn't use the term he used, but because I was somewhat bipolar in trade, I first came to Cleveland representing Republic Steel. Later I represented LTV Steel. I, along with Lighthizer and a group of six major steel companies that we represented against dumping and subsidization and injurious, otherwise injurious imports and for a little while Wilbur Ross' company because he wasn't in the steel business all that long, but I worked with him on that.

But I chaired the National Foreign Council, which is the oldest free trade organization in the United States. And it doesn't go back quite as far as to the Free Trade Agreement between the U.S. and Canada. President Taft, native son here, wanted to have open trade, wanted to reduce tariffs. Congress wouldn't give him that. The conservative Republicans were against that at the time, and they said, but we will let you have free trade with Canada. So the U.S. and Canada negotiated a Free Trade Agreement under Taft and Laurier. Laurier went home and his government failed. Canada just couldn't live up to its obligations under that agreement. It was politically unpopular.

MR. WEEKES: Very unfair.

MR. WOLFF: Very unfair. You labor under an interesting disadvantage in that you have to get up early in the morning and read what's happened overnight in the White House to describe what's going on. Trade policy—and Terry was talking about today's executive orders coming out in this area—what I want to do, go one step back for a moment in Canadian waters anyway. Our current trade policy dated back to when Cordell Hull was around. You could also date it back to Placentia Bay in August of 1942 when Churchill and Roosevelt got together.

MR. HERMAN: '41.

MR. WOLFF: '42.

MR. HERMAN: '41. Before Pearl Harbor.

MR. WOLFF: I wasn't there. (Laughter.)

MR. WEEKES: Larry was.

MR. WOLFF: '41. You are right. Okay.

MR. WEEKES: We will go on, but somebody Google it quickly.

MR. WOLFF: '41. Okay. The Atlantic Charter had two provisions in it that dealt with economics, and what it basically said is all countries should have the ability to trade openly with each other, and it sort of—the vision of maybe a little bit more Roosevelt than Churchill. Churchill was always a free trader, but he did like, I think, imperial preferences. But the idea of multilateralism may have been born there and came into fruition with GATT, which is relevant to where we are today.

Terry has outlined a number of things that this administration has said about trade. Economic nationalism, national sovereignty, Buy American, hire American, all prior trade agreements are terrible. NAFTA is the worst trade deal maybe ever signed anywhere but certainly ever signed in this country. That's Donald Trump in September.

So Steven Nugen coming back from the G20 Summit, finance minister, said as long as we can renegotiate trade deals that are good for us, we won't be protectionists. Otherwise, we will.

So let's look at those, you know, hands across the sea, trying to have—bilateral agreements are the way to go, and as Terry said, bilateral trade deficits balance a measure of success or failure. On the subject of WTO, Terry may have noted a number of positive statements with respect to WTO, and maybe John did, but I haven't found them. Public sentiment to the United States, which this Administration says, first of all, whoever wins gets to determine what their mandate is. You could win by a very small margin if you are George W. Bush or if you are Donald Trump and you have a mandate because you have a mandate. It turns out that 72 percent in 2017, Gallup survey says exports are more of an opportunity than imports are a threat, and 73 percent of the 18 to 29 age group say that NAFTA has been good for the United States. The fellow who does this represents Pew Research says, Bruce Stokes says all that has to happen is for this generation to die off, and we will have potentially free trade outlook in the United States. Young people were a major part of the Bernie Sanders phenomenon, but they are free traders. Sort of interesting.

So where do we go from here? March 1 the President's trade agenda for 2017, trade policy agenda came out, and while the tone is about economic sovereignty and economic nationalism, in fact, the reality of the bullet points of what they want to do are really in a traditional sense centers on policy. Terry mentioned that, as did John, that the Constitution is still in force in large parts. The commerce power is still in the Congress, and the Administration has discovered the existence of the Congress, including on healthcare. The statutes are still in place. We do have the rule of law, and therefore, a notice is going up to the Hill, which we see in draft because everything is leaked that gives the negotiating objectives as they want them to be sent out. There was no change in the Congress in the United States to speak of. Orrin Hatch is still chairman of the Senate Finance Committee, and Ron Wyden is still the ranking Democrat, and if you look at the hearing confirmation hearing for the U.S. Trade Representative,

which was a love-in of sorts, Bob Lighthizer had been staff director 30 years or so ago of the committee supported by Republicans and Democrats alike.

Another sort of future of the landscape is the bureaucracy is still there, and in fact, that's all that is there because in most departments of the U.S. Government, there is just a secretary, the top of the department, and maybe a political appointee of sorts but not confirmed by the Senate. So there is a lot that is going to be pretty standard. Now, you know, John described the promiscuity of the Canadian government with respect to free trade agreements. The question is, we want bilaterals now, just bilaterals, which we don't know whether NAFTA is a bilateral or trilateral, and that is yet to be discovered, but NAFTA is the first—where else do we turn?

We will date, sort of speed dating with the UK. They can't do anything with respect to—they are still members of the European Union, not in good standing, so we will have some discussions with them. The Japanese really, really, really would prefer that we don't come across the Pacific and talk to them because they are afraid we will say, well, a little more rice, a little more beef, a little more this and that, and they like TPP as did I; spent a lot of time on it. And then, the list gets pretty thin in terms of who you have to deal with. There were talks with Vietnam that were not for Free Trade Agreement at this point but sort of, why don't you live up to TPP, and we will see what we can do later kind of discussion.

So then, we come to NAFTA and what should be in it. And I had a whole series of things I would have said about what I thought would be in it, but then along came—because we had to wake up in the morning, and two days ago we didn't know what would be in it in terms of the U.S. objectives, but now to a substantial degree we do. And it is an interesting letter. It is an eight-page letter available online, and the first paragraph was sort of interesting because they acted, the U.S. Trade Representative Steven Vaughn notes that he has the authority delegated by him to notify the Congress under the Trade Act, the past trade promotion authority to give this notice. And so it is not a letter from Wilbur Ross who was Secretary of Commerce, who was designated to lead this thing. It is from USTR, and the finance committee is quite intent upon USTR leading, and it has in it I found interesting things compared with the rhetoric making an objective, making it more profitable to manufacture within the trading block. That's North American integration. That's sort of an interesting thing to say given the fact that it was, you know, that's not exactly 'America First' language.

Then it talks about a trade deficit with Canada and Mexico lumped in together, which is interesting because Canada, I think, would like to think of itself as having a deficit with us rather than—or at least in balance, but take out the oil and raw materials that U.S. has a surplus. It recognizes global value chains. That's sort of interesting because actually that's not where this administration has, I think, where its head has been in terms of what the rollback is. Mr. Trump is saying don't have your plant to Mexico and to several others. That's very interesting. Seek to level the playing field on tax treatment. Now, that could be about Mexico's bat. It could be about the U.S. border adjustability,

sort of insulating the United States in a NAFTA agreement that we could put on a border of vegetables, of a measure in our tax system. And then you get to some other things like rules of origin, support production for jobs in the United States. Not the block.

Now, maybe I am reading too much into this, but we slip back into America First. This antidumping and Canada enforcement, I assume Terry wrote that, and it is sensible stuff, protection of intellectual property, cross-border data flows, could be open to fixing something that was wrong in TPP in terms of financial services.

Now, when we get to government procurement a defensive trench is dug in that it says that seek to establish rules that require government procurement to be conducted in a manner that is consistent with U.S. law and the Administration's policy on domestic procurement preferences. That would seem to say Canada don't bother. We are going to keep our Buy America. There are elements of TPP that come in anticorruption, competition policy, state-owned enterprises. There are safeguard mechanisms, not too exciting. It is a snapback to existing law, and there are things on labor and the environment that actually NGOs should like. So—oh, get rid of Chapter 19, which is the appellate process instead of U.S. courts for antidumping and countervailing, and one of the interesting things is Lindsey Graham, who is still around, was one of seven senators who wrote an amicus brief that said Chapter 19 was unconstitutional.

So that's bound to come back. The right to regulate is in here, which is another NGO sort of thing that the protection of health, safety, and environment, essential security and consumer interest will be safe guarded. It is not revolutionary. It is very interesting. What isn't here? When Lighthizer was before—the USGO designate was before the Senate Finance Committee, they actually didn't talk about these things. What they talked about was dairy. Seven senators said Canadian dairy. By the way, all the complaints I think were all Canada, not about Mexico.

MR. WEEKES: Yes. This is the difference between the grand rhetoric and the nitty-gritty that the trade negotiations are actually about.

MR. WOLFF: Right. So open dairy, and by the way, I don't think that Canada really would like a totally open market. Trudeau seems to have some base in Quebec and Ontario and probably would like to remain Prime Minister for a bit, and they wouldn't fit. We wouldn't have a totally open market, and Canada certainly wouldn't, so I don't think we are headed there.

And they said Senator Hatch, the chairman, said—and by the way, there is a patent utility doctrine in Canada that really has to go. Canada would perhaps find that difficult, some pharmaceuticals. Very largely this has been practiced. Well, there are a series of things that were mentioned. Lighthizer can't come back, USTR can't come back from the negotiations and say, by the way, we did none of the things that you asked; didn't touch a single one of them. We modernized the agreement, but we didn't get into it.

So lastly, the question of timing, which John has touched upon, before this letter came out there was the illusion that there were two choices. One is what we shall call technically a quickie, just modernize it, get a bunch of stuff out of TPP,

throw it in, four months we are done. Mexico very much wants this. It is the position of Mexico. Canada would really like that, but along comes an eight-page letter, which doesn't look like a quickie and doesn't include the things that we are actually going to ask for or that Canada is going to ask for. Canada would like Buy America to be waived pretty much with respect to Canada. We are supposed to have a trillion-dollar infrastructure bill. They'd really, really like to participate fully in that infrastructure build out. Canada would like freer movement of people across the border for services. Congress seems to think they have the role, the lead role on immigration, which they don't exercise, but they would like to hold on to it. So the things that Canada wants were very unlikely to find easy. The things that we want, Canada will find it very difficult.

And then, you get, just really lastly, what do we do with the WTO I mentioned? Who is going to lead? We have Xi Jinping coming out as the Davos man, and the track record has not be grand with respect to China leading, I think for a variety of reasons. They have their own domestic problems. Going to Geneva and China, saying we want totally open trade actually probably will not sell very well with 163 other members. So they are not really able to lead; just Canada, Australia, Lee Kuan Yew of his generation, you know, who gets up there and says the U.S. is sitting back, and who is going to go for the multilateral trading system?

MR. WEEKES: Angela.

MR. WOLFF: Who?

MR. WEEKES: Angela.

MR. WOLFF: Ah, yes. Well, she has some issues, too, and does Mr. Trump fall under Merkel? Not very willingly. And the EU, actually they have some internal issues of their own right now. So things don't look all that good for the ministerial in December. They never do. But I think it is a little bit worse off right now.

I will stop there. Thank you.

MR. SANDS: That was a very good panel so far, but one of the great things about the Canada-U.S. Law Institute is that we have a very learned and sharp audience with some outstanding up and comers amongst the students, so we will take what was a great start and make it great again by getting all of you again involved in conversation.

So I am going to turn to you for questions, and I will keep looking for you and just flag it. I see Larry Herman is quick off the mark.

MR. HERMAN: First of all, I want to thank the panel. I thought that was absolutely fantastic, very high level, and I might say it is the sort of thing that CUSLI does very well. We are all grateful for the thoughtfulness of each of you.

MR. ROBINSON: Here, here.

MR. HERMAN: When we look at the eight-page letter, whether it is tweaked or not in final form, I think it is probably something we can take as setting out the U.S. negotiating agenda. I have a couple questions. First of all, everything is on the table when it comes to NAFTA renegotiation. I think that's

quite clear. You can parse this any way you want, but basically, it is saying everything is on the table.

So my question, sir, one narrow one and one a broader one, the first question is, wouldn't it be in Canada's interest to put something like this out from the Canadian perspective? I think that there is a loss of leverage if you wait for the other guy to come back with specifics. So the question is, from a negotiating dynamic, shouldn't Canada say what Canada wants? And by the way, going back to the FTA, Canada paid for that binational panel system, Chapter 19. We paid for it, by and large, by giving you guys free trade and energy products. Maybe Canada should say something about what it is prepared to put on the table.

But my broader question is, this is for each of you: This is an aggressive negotiating agenda. We have seen statements from the President during the campaign and in his inaugural address, and so my question is this: How much tension can the system take in terms of Canada-US relations? What do you think this is going to lead to in the process before the system, if I can put it that way, breaks down in broad political and diplomatic terms?

MR. SANDS: Who would like to jump in on that?

MR. WEEKES: Well, all right. I will start because part of it is about the Canadian list, and I think it would be interesting, too, to hear the other panelists here about what they think the effect of a Canadian list would be in the United States, because I think that's one of the considerations that the Canadian government should have in mind when they are thinking whether to prepare such a list. The other problem is the one that is the difference in my experience between sort of how Americans go about making policy for a trade negotiation, how Canadians do, and Americans are much more forthright about figuring out how they are going to get those damn foreigners. And so, you know, they fashion proposals to get the foreigners that don't really think in the first instance about, oh, you mean we are going to have to agree to that, too? And so I have seen a number of times where Americans don't have any—it doesn't bother them really at all to sort of get part way through a negotiation and say "oh, by the way, we are withdrawing that proposal," or "we are amending it to read as follows."

With Canadians, the first thing Canadian ministers want to know when officials come forward with a proposal for a negotiating mandate is, what we are going to ask for that; what are they going to ask in return? Or do we really want to suggest that we are actually willing to get into that discussion like about dairy, for instance, would be put on a list that we want, you know, what we would like to see in terms of reform of the U.S. dairy sector or, at least, that that part of what we would want the negotiation to be about, because that would really make it clear that we were prepared to negotiate in that space. Now, I would say I think that the political consequence of doing something on dairy is greatly overestimated in a lot of political circles in Canada. Martha Hall Findlay was a Member of Parliament and actually ran for the leadership of the Liberal Party of Canada, did a very interesting study on what would be the political consequences of reforming, substantially reforming dairy policy? And her conclusion was, there was only one constituency in the country in which that might be the determining factor in the election.

So you know, I suspect the Canadian government could look at how to reform dairy policy. Maybe they would rather not have to get into that, but a lot of it might be in terms of how it was presented, but it certainly couldn't be reformed without reform on the American side of the border as well. How much tension can the system take? That's a very good question, and I don't think the Canadian government would like to answer that question. Maybe they will have to think about that internally because we are going to . . .

MR. HERMAN: It is a question for the American side.

MR. WEEKES: Sorry?

MR. HERMAN: It is a question for the American side. In other words, our friends need it or not?

MR. WEEKES: Well, all right. I won't attempt to answer it any further.

MR. WOLFF: Well, we used to be friends with Australia. (Laughter.)

So there is a little bit of respectability in the system. I would say there is going to be a line at the door when the government says, well, we are going to negotiate, and they are going to have some public process, and everyone will come in who has an axe to grind, and they are going to come in. Today—and I don't have it yet, maybe Terry knows—but the national trade estimate is coming out from USTR. That's going to be part of our negotiating list, the Canada chapter of it, which is every complaint that we have with respect to every other country listed. The Mexicans are already in the public process, so I think that, you know, there will be something of a Canadian list. The free trade and energy, Chapter 19, I thought Canada wanted to export a few things through a Keystone pipeline. Otherwise, what was all that about?

In terms of tension, besides unpredictability, there is a very, very strong constituency for Canada in the U.S. Congress. Generally speaking in the bureaucracy and the American people as a whole, Canada is not considered a country with which we ought to have serious problems. So reality creeps in.

One of the things that is going to shape the negotiation is reality. All of American business with very few exceptions, if there are any, want to have good relations with Canada. The Canadian Embassy has screamed in Washington on the wall that talks about the amount of trade that goes across one bridge, Windsor and Detroit is equal to whatever. A couple of weeks of trade in one day, it is the same as a month or two of trade with Japan. There is a strong constituency for maintaining that relationship, and I don't think a tweet is going to destroy that, and I certainly don't think this negotiation—this is a very interesting document that came out, the eight pages. It is not an attack on Canada. It is not even an attack on Mexico.

So you know, I think that there will be traditional negotiation, and we will come out of it still with some shreds of our friendship intact across the board.

MR. STEWART: Let me just add, I have a couple thoughts: I agree that the while the list may be a starting point, I think, in fact, it will be fairly significantly modified, both for the reasons that Alan reviewed— that none of the issues or a few of the issues that were actually raised by the Senate Finance Committee and the confirmation hearing for Bob Lighthizer are picked up. And you already had

a significant opposition come after the Democrats for what hasn't been included in the list, so I think that you will see a compilation of other things that go through.

At the end of the day, at the moment, U.S. agriculture is in a four-year slump because U.S. agriculture is, some would say, overrepresented but certainly prominently represented in the Senate Finance Committee, and there is keen interest in seeing that markets are open, further open for agriculture. And that will be a key break, I think, in terms of how aggressive the U.S. is in terms of pushing past the tension points simply because the U.S. does not want to find itself in a situation where significant market access is lost because people start to pull out of agreements, and I would say one of the issues that isn't on the list but I would expect to be there by the time the list is finished is geographical indications and the wonderful deal that you all have cut with the Europeans.

MR. SANDS: Governor Blanchard?

GOVERNOR-AMBASSADOR BLANCHARD: This has really been really helpful.

Terry, you mentioned about the popular attitude on trade. I think it is important for our audience to recall that even in 2008 Hillary [Clinton] called for renegotiating NAFTA in a debate with Barack Obama in Ohio, and he finally consented to that as well. All the candidates came out against TPP. I did notice in the rallies in Michigan that Bernie Sanders, who carried Michigan as well, the rallies were all mostly young people all having driven to the rallies, the cars imported from Japan. So the young people were not exactly there because of trade; they were there because he was giving a finger to the system, big banks to Wall Street, to whatever, the corrupt politicians that he claimed had ruined our country.

What I want to mention was, I think the Buy America provisions are really much more significant. There was a Buy America provision in the stimulus bill, and it got there—the big lobbyist for it was Leo Gerard, the Canadian, steel. He didn't think—I guess he didn't think it was going to apply to Canadian steel. Well, it turned out it did, even though we had a procurement agreement. The procurement didn't include subnational entities because at the time Canada didn't want to ask its provinces to assent to the agreement. So I don't know how—when I talked to Sander Levin, he didn't think it was going to apply to Canada. Well, it did. Now, it got finessed, but I think that's a big one, and I don't know whether there is going to be a way to exempt Canada from Buy America or not. Ambassador Heyman mentioned that Governor Cuomo has already got Buy New York, and that has already triggered friction with the Premier of Ontario.

So these are all things swimming around, but I think it is going to be a huge issue, maybe bigger than dairy and some of the others, I really do. My question though—that was my speech; now my question. (Laughter.)

You guys have enormous experience at this. Who are the people that you feel have the best kind of judgment and knowledge in Congress or any administration? I understand Lighthizer is a very talented guy and will do a good mainstream job is what I hear, but who are the people, Alan, over the years or

Terry, at least, in the U.S. that you trust to handle these things wisely and with some depth in terms of politics?

MR. WOLFF: Well, you know, Ways and Means and Finance leadership are really pretty solid, and the occasional issue with Ron Wyden, he might care a little bit about lumber, but you know, generally speaking, there is a center of gravity in the two committees that is, I think, very helpful. Paul Ryan is not at odds where Ken Brady is. An issue will come up over the border of adjustability if that comes through the House, and that's going to be a big issue for Canada, super big issue I would think, maybe more than government procurement but at least a rival.

MR. WEEKES: Certainly more than government procurement actually.

MR. WOLFF: Yeah. But as we know.

MR. WEEKES: I was going to say it might be bigger than NAFTA, probably is.

MR. WOLFF: It is going to be interesting. My proposal for that is if U.S. did it, that there be—if we adopt border adjustability, what we would have is an international conference of finance ministers and trade ministers with tax folks and with economic experts and work through how our various tax structures affect each other. But putting that aside, government procurement, I think you are quite right is going to be a major issue, and yeah, what does Canada want to ask of the United States? That is I would think going to be number one. First of all, you have to have been in the steel business to be in this administration. Wilbur Ross was. Lighthizer was.

MR. WEEKES: Or in the military.

MR. WOLFF: The two deputies. Well, there is another thing: You know, the number one—the number one competitor in all of this is China, which has been going silent. We will see what comes out of the Xi Jinping meeting, if anything. Trump has already said it is going to be a very difficult meeting, and we will see how that is managed. I would think the generals care a lot about whether nuclear missiles come in our direction. And it is difficult to have a very contentious trade relationship and solve really the major problems we have, and on top of that, I do wish Chrystia Freeland luck with an agreement with China. There is nothing like a Free Trade Agreement with China to do wonders for your economy, especially if they are having a lot of natural resources dug out of the ground by Chinese and shipped back home. It is . . .

MR. WEEKES: Are you lecturing us?

MR. WOLFF: Yes. (Laughter.)

MR. STEWART: Let me just add to Alan's comment. I think that there is a tension between the Congress and the Administration in terms of trade that has largely been kept below the surface at this point. For exactly the reason that Alan went through, you have, I think, a very traditional view of trade policy in both of the core committees, which will drive most of the process, and there has been pushback on a range of issues that the Administration, at least, talked about, the press talked about during the campaign in terms of unilateral tariffs, and those sorts of things.

That being said, because we are still at the stage where the Congress is trying to work with the Administration, I do think that they will perhaps accept some of the issues that are important to the Administration and the trade policy modification arena than they would have, and of course, it has been the Congress and not the Administration that has teed up on border adjustability, which is really an issue, as Alan reviewed in his opening statements, but out there for the U.S. for 50 years, direct and indirect taxes we foolishly accepted back in the '50s as part of the gap, and there was a very interesting piece in the New York Times on March 7th that Keith Archer put out, that kind of took a look . . .

MR. WEEKES: Somebody got to him. That was my conclusion when I read that.

MR. STEWART: Well, all you have to do is look at the two charts he has. The first chart takes a look at the average tariffs, and the second chart takes a look at the combination of tariffs and indirect taxes that countries have, and we are—the problem that the U.S. identified back in the '60s when we tried to start working with our trading partners to get the issue resolved is in bold relief in terms of those two charts. So we either can find a bilateral approach that deals with some of the discrimination or distortions because we have been unwilling or unable to adopt a value added tax system ourselves. All right. Or we will end up with these kind of half steps like the border adjustability that is out there, which tries to do much of that.

But the only reason that it is in the Republican bill is, it pays for a significant part of the tax relief so that you are not driving even larger budget deficits for the United States.

MR. SANDS: Stephen Petras.

MR. PETRAS: Thanks again to the panel. Outstanding. This question will be directed first to Terry, and then the rest of the panel can chime in, but it seems that Trump's approach is, at least to get elected, was focused on jobs, creating jobs, big jobs. And he blamed trade agreements, and then the reality is like Governor Blanchard mentioned, that's one thing maybe, but it is not the biggest.

You have to know, there is technology, there is automation, there is all these other pressures on jobs. In the analysis that is being done is the Trump Administration, and it may be behind closed doors looking at that issue, looking at what is technology going to do to employment as we go forward, and what are the ways to deal with that?

MR. STEWART: Well, I guess my own view is that we have so many gaps still existing in the personnel that I am sure it is an issue that is of concern within the Administration, but I don't know that it is receiving a high priority at this point in time. I think most of the people who have complained about trade and job loss, the argument that technology is the main driver of reduction of jobs has never been an issue that has been contested by folks who are concerned who we are, the only nation on the face of the earth that runs a three quarter of a trillion dollar a year trade deficit in goods, the only nation. It is not due to development because Germany runs a large surplus. Japan fluctuates between surplus and small deficit, and so the fact that neither party has been knowing, to try to figure

out why it is we had shifted into such a large trade deficit structure over the last 40 years is really, in my view, what drives the concern.

The fact that the Administration puts out a figure here is how many jobs we get from a billion dollars of exports, but you can never find a figure that says here is how many jobs we lose from a billion dollars of imports; only adds to the concern that the people inside the Beltway care about their policy and don't care about what the effect is on lives of people out in the business community and the smoke stack industries or high tech industries or agriculture who are not seeing the benefit. So sure, technology is an issue.

There are some automation issues that are out there, that will affect a lot of people going forward, but those are not—you know, the steel industry doesn't complain because they went from having tens of thousands of people at plants to a few hundred or a thousand people at a plant. That was all part of the modernization that they have done. They are concerned when we run a large trade deficit in steel or the steel that comes in seriously undermines the prices of domestic steel and puts the companies on the ropes and results in large layoffs. And those are the issues, I think, the Trump Administration cares about because those are the issues they heard at the town meetings when they were in Ohio or Michigan or Wisconsin or Pennsylvania or North Carolina where people were saying nobody listens to us.

The real reason in my view that NAFTA is viewed so negatively by so many working people in America doesn't have much to do with the trade deficit; it has everything to do with the fact that virtually every company in the country uses the ability to move jobs to Mexico or China as a justification for not increasing wages or having very marginally increased the wages. I have been in businesses. I have seen the negotiations, and I can tell you it is a constant beat-over-the-head. "If you seek a pay increase that would keep you even with inflation or ahead of inflation, we are going to move these jobs, whether it be to Mexico," and Mexico is usually used because it is a neighboring country, and it is obvious or China, which is another example. That is kind of the gray elephant in the room that never gets talked about in terms of why there is so much angst about NAFTA.

MR. WEEKES: Well, you can go first. Then I really will be able to attack both of you.

MR. WOLFF: Okay. The trade policy agenda, the March 1 trade policy agenda of the President of the United States for 2017 ends on the following: It says "we are going to have domestic measures in terms of lower taxes, less regulation and spending on infrastructure," and then it says "and we will negotiate better trade agreements." It is a trade document that talks about economic or broader issues.

Now, how does that play through in the budget? Not so much because there is nothing on worker training except cuts. There is basically [research and development ("R & D")] is cut, which I think is really terrible. What hasn't come up by the way in all of this is a little more on steel.

By the way, being in this Administration, you either work for Goldman Sachs, or you litigate steel. It is binary, the only two choices that are going to be

involved in trade, so I think with China you probably say maybe voluntary export restraints come back because capacity reduction isn't going to do it. Whether Xi Jinping can sacrifice jobs to do that is a question, and we didn't touch upon it, I don't think, is currency. It is not in the letter, and . . .

MR. STEWART: Raised by the Democrats.

MR. WOLFF: And it has been raised as something missing. My own view is that the fact that constant manipulation, which is called for, you should not defeat trade concessions through manipulation of currency, is in the GATT, it is in the IMF Articles of Agreement, and that will come back, I think. And that will be an added element.

But it is not that the Administration has totally ignored the subject, but there are other things going on, but they are not headed, I think, in the right direction with respect to—other than the tax side of things in terms of growing the corporate rate and potentially some less regulation. They are not tending to those issues in the same way, but it is not forgotten. Those elements are out there. John?

MR. WEEKES: Very good comments, both of you. I think one of the problems here is that, although manufacturing output in the United States is going up, and as I think larger now than it ever has been, employment in manufacturing has obviously been going down, and I think to some extent we are witnessing—and this is true in probably all three NAFTA countries—we are witnessing something that was—what happened a century ago in terms of agriculture. I mean, in 1800, what percent of the American population was employed in agriculture? And now whatever it was then, I am sure it was probably around 80 percent of people who were employed. Now it is down under two percent, I believe, and yet, agricultural production is much higher.

So I come back to this because this is really about technology and what's happening in technology, and I think that probably in Canada but certainly in the United States, I think the political leadership has been somewhat dishonest in not coming out with the public and saying the reason, you know, these people are sitting at home, that lies behind the malaise described in Hillbilly Elegy is caused by the major disrupter being technological change and innovation.

But it is pretty hard to say what if you are a political leader and you acknowledge this is the problem, so what do you do about it? So we are going to ban the internet, smash everybody's computer, and tell them it is illegal to have a Smartphone. This is how we could fix this because then there would be a lot more people employed. No, it is much easier to blame foreigners and foreign goods, foreign workers and come at it that way, and there has been almost no political constituency in the United States for people who would stand up in an election campaign and say, well, actually, that's not the way it is. It is, you know, the tendency has been to get on the bandwagon, whether you are Hillary Clinton or Barack Obama and blame foreigners and say that the trade agreement is bad, and I will fix it when I am elected.

And I think that, you know, the ultimate bankruptcy of that is now evident as a policy approach, and I think—another problem in this in terms of trade related adjustment assistance, the whole concept of that kind of suggests to the common

person that it is trade that is causing the dislocation that requires adjustment assistance. I mean, in Canada our policies aren't perfect, but we have tried to design policies that deal with the problem of dislocation of the work force rather than ascribing it to a particular cost and then looking at what you do to address that.

So I think you touched on something that is very important and that has become central in the trade debate but isn't really be part of the trade debate.

MR. SANDS: Question over here.

MR. LOWE: Thanks. Bruce Lowe from Taft [Stettinius & Hollister LLP]. One thing that—one element that perhaps has been completely overlooked in this equation is something that I was reminded of when I was listening to a National Public Radio program a few weeks ago, and they were interviewing a chap from Rexnord, which is a big Indianapolis based outfit. And they were interviewing a chap who had just been laid off after about 25 or 30 years, an assembly line manufacturing type job, and he was being laid off because his job had been moved or was going to be moved to Mexico. I don't know where they were building the new plant. He said, well, it is not my preference, but I am sort of near the end of my time, working career, and at least, I have got something put away so I am not in terribly bad shape, and most important of all, both of my two kids have just gotten through college. That reminded me of the fact that, you know, we have been sending our [children] — for the past several generations, we have been sending most of our children whenever we could to college in the U.S. to do things, to learn, to get a degree, to supposedly do something other than working on an assembly line or in a manufacturing job at the lower level.

The population, therefore, the working population it seems to me in succeeding generations has significantly changed, and it is something that it seems to me is very often overlooked by politicians. Hopefully, politicians on both sides of the border in increasing numbers in the next few years will more and more recognize this and deal not with lambasting free trade and trade deals but find ways to find full employment for the changed labor force. Could you comment on that, please? Thanks.

MR. SANDS: Gentlemen, what about that?

MR. WOLFF: Yeah, I would agree that that's very much the case and a lot of folks in academia working on the issue of worker training for the needs that are coming forward, and just one element that came out earlier, trade adjustment assistance being the wrong answer. Lots of folks understood that, that it shouldn't just be trade adjustment assistance. It is a matter of cost. George Schultz said we should have unemployment insurance and other programs, and we couldn't afford it we thought, so we didn't do it, and we still don't do it.

I think that the community colleges, for example, and National Foreign Trade Council started a new project with respect to worker training. A lot of companies are very good at working with local institutions to come up with worker training that suits their needs, so it is possible. If you look at upstate New York, which was pretty much—had a little bit of wine of dubious quality you could say, but it—I represented Kodak for a while. They went away, technology

and a little bit of trade, too, to be sure there was dumping film, helped them go under, but it was technology. But outside of Albany in Malta, a town probably no one had heard of other than those who live there, the development authority had a—not shuttle ready but permanent ready and infrastructure ready location for [a] semiconductor fabrication facility. They put in some money, someone from Abu Dhabi put in a lot of money, and it was because there are universities there and colleges that formed a consortium to train workers that are needed for that sort of activity.

If you look around the world where plants are located they are located where there is the infrastructure that is needed for semiconductor production. If you look around the world where R & D is taking place, it is where there is a pool of engineering talent, and it turns out—and rule of law. So it is not so much in China, but it is a lot in Eastern Europe and Israel, in the United States where IP will be protected and where there is a pool of workers, engineers that can design these chips.

I think business is getting pretty smart about locating where there is human talent, and that's one of the futures of our country, so your points are well taken.

MR. SANDS: Jump in. Terry?

MR. STEWART: I guess my only—my kind of macro point, I agree there has been, obviously, a tremendous change in terms of the type of work that is available, and the United States has done a great job over time of orchestrating so that people can take advantage of where the opportunities are. But to simply say that there are no issues because there is a smaller percentage of people that are going into manufacturing than there used to be is to ignore the disparity of income that has arisen and the stagnation of that has been going on for over 40 years in the United States, and that is the genesis of the movement of the Trump Administration.

MR. SANDS: John, do you want to say one more word? Is this the same in Canada?

MR. WEEKES: Well, I think so. I mean, I think this is a key point. You know, the jobs that our grandchildren are going to be doing are going to be quite different from the jobs our grandparents were doing, and this change is going to continue, and it is going to accelerate. And so we need to be doing a better job of identifying where are these requirements? You know, a university degree may be a fine degree, but it is not necessarily going to put you in the marketplace of tomorrow.

So we need to have a more hands-on approach to how we approach these issues, plus I think the other problem is there needs to be some—I thought both answers were good, and I like your description of what business is actually doing and then looking at how businesses are locating near centers where they can have the intellectual expertise they need to do the things that are now important. But you don't get much recognition of that in the public space. I mean, you have got this populous backlash.

MR. LOWE: Well, that's my point.

MR. WEEKES: I mean, of course, there is a problem there, and too many politicians weren't prepared to say I acknowledge your hurt. I mean, that's what

Trump did. He formed that link with those people and then sold them on the rest of the message that I think wasn't really quite an accurate diagnosis of what the real problem was.

MR. SANDS: Speaking of acknowledging hurt, I have been very nice about the lawyers. College degrees are still worthwhile says the professor to the students. Don't give up on that. John?

MR. WEEKES: It depends which degree.

MR. WOLFF: And just one on unemployment . . .

MR. WEEKES: By the way, this is going to be terrific for lawyers.

MR. WOLFF: Yes, that's my point. That's exactly it, if you want to go into trade law, trade negotiations.

MR. WEEKES: Can I be retrained?

MR. WOLFF: It is going to be great, so it is a good career path.

MR. SANDS: Last word to Jim Blanchard.

GOVERNOR-AMBASSADOR BLANCHARD: This has been great. I wanted to mention about talent. All governors spend their time recruiting business, and I never had a problem. It might sound crazy, but we never had a problem recruiting businesses to Michigan. As long as we had the talent pool, the research universities, the community colleges and a reasonable infrastructure, that was more important than actual cost. Our costs were about average with most states, but it was the talent, the training, the research, the brainpower. Talent is where the economy was going to be.

I want to back up because what you said was so simple, yet so profound, Terry. And you reminded me of something which is, regardless of what the facts are and how many jobs have been lost and how many have been gained, we always overstate the benefits of trade deals. You know that. Politicians—and I used to be one—always overstate the benefits, but you are right when you said when there are negotiations going on, the elephant in the room, it is always the threat of moving jobs overseas, and I think every bargaining committee of every union has that facing them. And I think that probably leads more to the angst than anything, and I am glad that you reminded me of it.

MR. SANDS: Ladies and gentlemen, please join me in thanking a really terrific panel. (Applause.)

ASSOCIATE PROFESSOR PARRAN: Thanks for your time and attention. We will take a brief break, try and keep it to ten minutes, and we will come back with another great panel here. Thank you. (Recess had.) - - - (Watersheds: System-Wide Opportunity in the Great-Lakes St. Lawrence)

ASSOCIATE PROFESSOR PARRAN: Thank you all, again, for your time and attention. At this point, we will be turning to an issue concerning national security. So without further ado, I will give you professor Avi Cover of Case, and I will let him take over.

PROFESSOR COVER: Good morning. We will be spilling into the afternoon today. I am thrilled. My name is Avi Cover. I am a professor here at Case Western. I am thrilled to be moderating, which means as much as possible I

will merge into the shrubbery here and allow our panelists to run the conversation.

You know, we have heard a lot of talk of geopolitical nature and in some cases about the ramifications and diplomacy and trade, and as opposed to in anyway talking at a 30,000 feet level or even a 10,000 feet level, we are going to get down to a water level and talk about how government agencies from different countries can work together seamlessly. So just as we can take some comfort that the rule of law is, at least, embraced by the vice president, and the Constitution as well, government agencies are flourishing and working together seamlessly, ensuring safe rescue operations are taken care of, commerce functions. So I am going to let our three panelists really educate us all on the system wide opportunity in the Great Lakes and St. Lawrence Seaway, and you are going to hear from three terrific panelists who, as they have related to me, have each other on speed dial. They work with each other all the time, holler at each other all the time, and I think you are going to see that that's evident of their camaraderie and collegiality today.

So we will hear first from Julie Gascon, who is the Assistant Commissioner of the Central and Arctic Region for the Canadian Coast Guard. We will then hear from Betty Sutton, former administrator of the St. Lawrence Seaway Development Corporation, and finally Rear Admiral June Ryan, Commander of the U.S. Coast Guard of the Ninth District. They will each present a little, again, from this seamless slide presentation, and then we will have a bit of conversation and allow you also to have some questions as well. So I will turn it over to Julie.

ASST. COMMISSIONER GASCON: Thank you very much. Good morning. I am thrilled to be here. We will go right into the slide, which is to give you a bit of background on myself. I am responsible for the Central and Arctic Region for the Canadian Coast Guard, and I will show you a bit what it looks like in terms of this territory. But I have a maritime background. I finished my captain's ticket in 2005, my master mariner. I was at sea. A lot of people don't realize this. I don't have a beard or a big belly so I go . . . (Laughter.) I go incognito. So, no, I am very happy to be here, and I hope you will find my presentation interesting.

Okay. So the Canadian Coast Guard, as Canada's only national civilian fleet, it is actually one of the largest civilian fleets if you compare it to the other industry. It covers, of course, the entire territory, and it provides a wide range of program and services for Canadians. Of course, it provides a wide range of program and search and rescue, environmental response, but also icebreaking aids to navigation, maritime security, and we also are a platform for all our science, for our fishery partners and fisheries management. So we do support many other government agencies, whether it is Transport Canada, regulators often come on board, Royal Canadian Mounted Police [{"RCMP"}], our Fisheries [and Oceans Canada] colleagues, and other colleagues that may need us as to a platform to reach all waters that are within our territory. Here we go, it works.

So we provide to the Coast Guard and how it is divided. So in 2012, the Government of Canada entered into the deficit reduction action plan initiative, and many departments had to really look at how we are doing programs and how

we are delivering our services and how to do it more efficiently and more economically. So the Canadian Coast Guard was originally five regions, and it went down to three, and I am the region in the middle. So on the western side, it covers the Pacific Ocean, Great Slave Lake and Mackenzie River and Lake Winnipeg. The Central and Arctic Region, for which I am responsible, covers the Hudson Bay, the Great Lakes, the St. Lawrence River, the Gulf of St. Lawrence north area, and the Arctic Ocean, both east side and west side.

So I have the privilege to work with two Admirals, Admiral June Ryan, [who] I love to work with and, of course, Admiral McCallister, who replaced Admiral Abel in Alaska. So I get that opportunity, so that's great. The Arctic Region, it is my colleague on the eastern side, he covers the Atlantic Ocean, the Gulf of St. Lawrence, and the Bay of Fundy.

So if we look at the assets that we have in our region, we have got quite a bit. We have ten operational bases. We have 39 vessels, 15 life boat stations, and during the summer, they are going to be starting very soon, we have got our students that provide in-service rescue boats, and this comes at the southern end of our forces, of our Coast Guard to cover a busy summer season in search and rescue. We have got two air cushioned vehicles. I have them both on the East Coast. We have eight helicopters from our region, lots of navigational aids, whether they are floating or fixed.

There are not many people that notice, but we are a huge construction company, too. So we own a lot of land. We have a lot of lights on them, and we provide all the maintenance of those fixed lights. Like you have on the streets, you have to have lights and stop signs on the water, and you have got a similar system, all kinds of different systems that helps navigators find their way through, and we have five traffic service centers. So just like air traffic there is sea traffic, and I have five marine communication traffic services in my region. One is seasonal. I have also got two on the St. Lawrence side, and I have got, of course, Sarnia and Prescott.

So we talked a little bit about the program. This is a great slide. It provides you really a big overview of all the stuff we do. We do waterways management. I had forgotten to say this. And while I am driving to a response, it is pretty obvious an icebreaking operation, marine aids to navigation, communication traffic, and of course, search and rescue. For the purpose of this presentation, I am going to delve in more to the Marine Security Enforcement Team and the program we do there. This is not necessarily the biggest program for the Canadian Coast Guard. As I said, it is a civilian fleet, but it is going to showcase how we work with our other federal departments that are responsible for security to deliver on this very important program. The Marine Security Enforcement Team is a joint Coast Guard-RCMP program, which provides dedicated on-water enforcement and response capacity on the Great Lakes and the St. Lawrence Seaway area. So there are five dedicated ships, the mid-shore patrol vessel, and these are specifically built for that enforcement portion of our program, and what's interesting is that we have the colors of the Canadian Coast Guard on the ship but also the colors of the RCMP, so they have their logo and their banner. It

is quite a nice paint job, and it works well with the colors so it makes it very evident as well. It is not really good undercover, but we do have onboard [Mid-Shore Patrol Vessels] (“MSPVs”), the FRCs, the fast rescue craft for the RCMP, which allows [the] RCMP to move around. It is, I would say, navigated but driven by Coast Guard officers, and the repairs, we are kind of the taxi service for them, but they are black so that’s great. So that doesn’t work well, though when we use the same repairs to do search and rescues, we have something that we put on the pontoon that brings back all the bright colors of search and rescue at the forefront. So we work very closely with them to deliver them that program.

So as I said, maritime security in Canada, it is really a collaboration deal, so we are bordered by three oceans, and we have the world’s largest coastline, which measures 243,000 kilometers. We have a relatively small population and a few on-water assets relative to the enormous geographic size and area of responsibility that we have to cover. So in order to be able to do the security portion of our portfolio, we have to collaborate, and it is key on delivering on that. So there is no single federal department or agency—and we will get to what that means in real terms—that is responsible for marine security or maritime security in Canada. So we use a multiagency approach and interface[] information sharing, and of course, collaboration. So you will see there is a Department of National Defense; there is the Canadian Coast Guard; there is a Canada Border Service Agency, the Royal Canadian Mounted Police, as well as Transport Canada.

So the Coast Guard and the Canadian force are the primary generator[s] of maritime domain awareness [(“MDA”)], because together we have 95 percent of the maritime sensor and system information to provide to our other colleagues, which form parts of this multiagency, the main awareness system. Our security and enforcement partners like the Royal Canadian Mounted Police and the Canadian Border Service Agency rely on Coast Guard to enforce for maritime domain awareness and information to help fill their mandates. So we, in turn, rely on them. So the Canadian Border Service Agency would have a lot of information on cargo and ships that are coming into our waters, so they would provide that information for Coast Guard since it is really important to know when there is dangerous cargoes circulating and potential traps in the environment that this can cause. So this information sharing provides us the ability to be more efficient in our response capacity.

So a key take away for us in Canada is that the Canadian experience, that MDA is not achieved through one organization on that information alone; it is very much really a collaborative effort. So how do we pull it together? So for us, data is collected, analyzed through a combination of computer integration and human expertise. In Canada, most of this fusion, especially as it pertains to security, takes place within Canada’s three interagency marine security operation centers, and we have called them the MSOCs, which are located on Atlantic, Pacific Coasts, and Great Lakes. These centers see the location of those five department agencies that I have showed you and again, the Coast Guard Canadian force provides 24-7, 365 days a year capacity. So no single department

or agency owns or directs the activities; rather, each department operates according to its own mandate, and that looks very beautiful in foreign language, but in terms of governing sometimes, you know, the tire hits the road, and the rubber is burning a little bit. Information sharing, according to mandate, yeah, in theory works well, but you have to want to play ball with each other in order for it to work. And when you don't have a leader in an MSOC, it is dependent on the people that are there, whether the information gets out or not out. So there is still in my view—and I hope I am not going to burn any bridges with my partners in other agencies—but in my view, we need to figure out maybe a better approach, the leadership situation in the MSOC. We achieved it through the [Joint Rescue Coordination Centre (“JRCC”)] because it is managed and owned by Department of National Defense, and we had the Maritime Safety portion, but we do report through that group, through the military, and it provides a clear structure in terms of governance.

The MSOCs are new. It is well intentioned. It works well, but it is long in coming and governance is something I think we will need to work on for it to be more efficient. So each partner brings its information and expertise to the table to provide, and sharing is key but at times can be difficult. So the responsibility to ask and respond to an identified issue rests with the department or agency with the appropriate mandate.

So right off the bat you can see where this can cause an issue. For example, you have got a boat that is filled with an illegal immigrant that arrives on our coast. It is a search and rescue, potentially an environmental response, but it could also be security. So there are so many different agencies that need to work together and share that information. It could be also health. We had boats that came in on the West Coast where [tuberculosis] was present. So it is so multifaceted, and in terms of the security, security, old security agencies like the one that had done that for a living for years and years because we're pretty much a new kid on the block in the security family, they tend to really keep that information, which is normally secret level, top secret level, and critical information that is necessary for search and rescue. Or an environmental response may at times not be shared and could put our own Coast Guard members at risk when we do those, that work.

So again, the agencies in the government already need to improve in the years to come. So the MSOC leverage to resources and expertise are partnered to generate allies and share what is happening in Canadian waters, and that's done 24-7. So something I am much more familiar with, search and rescue collaboration is not only limited to maritime security. Of course, it is also at the heart of many of our programs, including search and rescue, icebreaking, and aids to navigation. So the Coast Guard is a lead agency for maritime search and rescue within Canada, and we have, of course, 15 search stations, and the onshore station with our student[s], and we collaborate with the Royal Canadian Navy. This is on our military side to provide some crew numbers who are in rescue for both teams. There is seamless coordination between JRCC Trenton, and they are relevant, so that's a Joint Rescue Command Center, and we have

three in Canada, one in Victoria, one in Trenton, and one in Halifax. I am responsible for the one in Trenton. Of course, under our military governs and [J]RCC Cleveland for [search and rescue (“SAR”)] cases in such areas as the Detroit River, St. Clair River, St. Mary’s River where responders can originate from either country, and as—there are not many slides left, but as we go through the slides, I will show you how much the collaboration between Canada and the United States is essential in areas where we have shared borders in areas like the Great Lakes.

So there [are] some interesting stats that I want to showcase to you; that really highlights a collaboration between our two countries, for example, search and rescue case[s]. So I am going to give you just an outline. So the number of search and rescue cases that JRCC Trenton, [that is] the Canadian Joint Rescue Coordination Center, assisted on the U.S. Coast Guard side. So in 2015 that was 213. In 2016, it was 223. So that’s where a case may be occurring, initiated, or occurring in U.S. waters but where it is coordinated in terms of tasking, whether a Canadian asset or a U.S. asset by a Canadian center. And the number of search and rescue cases where the U.S. Coast Guard—and I don’t have the reverse. I am sorry about that—but where the U.S. Coast Guard [assisted] JRCC Trenton by sending us some assets to help us out. So in 2015, there were 20 times that the U.S. sent us an air asset and 30 times where they sent us a vessel, and in 2016, 35 times they sent us an air asset and 42 times where they sent a vessel.

So you can see it doesn’t matter where, often on the Great Lakes. If we need to assist, we assist, or if the U.S. needs to assist, they assist, and it is truly a collaborative effort for all search and rescue. Icebreaking is another big one where we collaborate extensively. Again, the Coast Guard is responsible for providing icebreaking services throughout the Great Lakes. So we have two vessels, the Griffon [and] the Samuel Risley, that [are] above the locks. The Martha [L.] Black, the Pierre Radisson, the Des Groseilliers, and the Amundsen are below the lock[s], but at times we saw in 2015, ‘14 or ‘15, we came into White Fish Bay, and there was a huge plug. Everybody was stuck there, and the Radisson came in and got everybody out. So we worked really, really together, whether you are a U.S. ship or Canadian ship, it doesn’t matter. When there is an icebreaker, at times it could be a Canadian icebreaker or a U.S. icebreaker, we work together to get it done.

And we work together, and I know it may not mean much to some of you in the room, but we work together for all the flushing operation[s]. That’s literally what it sounds like, so we flushed the ice out from the St. Clair Lake, the Detroit River, the St. Clair River, so we will position our asset to break ice. There are other assets, U.S. or Canadian, that are at the bottom or the top, and we literally flush the ice out of the system, so its vessels can transit more easily, and to do this, we have what we call coordination calls. So there is a call that is mostly by the U.S. Coast Guard, and we do it jointly with the Canadian Coast Guard, and all the industry comes in every morning during ice season in the Great Lakes, and then we provide where are the assets, where is it planned for today, and where we intend to be tomorrow. And the industry can then chime in and say, for example, well, I am going to be longer, maybe we will need an icebreaker faster

so people can actually collaborate and work more effectively to dispatch a resource where they are needed.

We do the same thing below the locks. We have an ice call with my colleague on the East Coast, and soon, in June, I am going to be starting the ice call for the Arctic season because I covered two ice seasons, one in the Arctic and one south. I always have ice. Mind you, it is warming up a little bit, so I am getting less and less. So it is really a zonal approach to service provision, so we are dispatching the best asset to do the job at the best time, and that can be on the Great Lakes—U.S. or Canadian asset—where we work together on that.

So just two more slides. Aids to navigation. So we are responsible for providing and maintaining aids [to] navigation services throughout the Great Lakes. Literally speaking, you will find, again, the same vessels that I talked about, and it is really a collaborative approach to service provision. It is coordinated as well again between the U.S. and Canadian because some buoys may be placed on U.S. water or Canadian water. Ships normally leaving from each of our countries, place their own, but, for example, I had a lot of breakdowns this year. I called my favorite admiral, and I just say “could I please have some help to place some of our buoys?” And the U.S. Coast Guard came to the rescue and is helping us out placing our buoys in the water. So it is really a collaborative effort when one or the other is running into issue, we call each other, and we work together very, very closely pretty much on everything we do in the Great Lakes.

So last slide I want to talk to you about is safety and security through collaboration waterways management. So [trade on] the Great Lakes can really only occur through the St. Lawrence Seaway. A lot of the trade goes through the Seaway and into the Great Lakes, and because I cover the St. Lawrence River as well, I look at it as a complete continuum. So it needs to all work together. A lot of “salties” (i.e. Ocean-Going Vessels) come in the Great Lakes and go out, and they bring goods and access the port more easily going through that system. So when you are looking at it—and I hope in the future we will be able to really push on this—if you look at it as the backdrop that is Ontario and all the Great Lakes, it makes a whole continuum of a corridor that can be used efficiently, to move goods and cargo in and out of the United States, but also of Canada when it comes to Quebec and Ontario.

So dredging is key in the St. Lawrence River. It is all one water column. If you are missing water, you can't bring the cargo in, so dredging is extremely important. We have an aging infrastructure that we need to refurbish, mainly rivers, for example, that keep water levels up. So waterways management is a big, big component of our program, but it is not well, necessarily, understood, even in my own town. So I will be presenting [to] senior level of the Canadian Coast Guard because what we do on the St. Lawrence River has impact, huge impact on the Great Lakes and on the economies.

Of course, there are many shoals and with construction they are removed, and the canal remains wide enough to accommodate vessels passing one another, and there is a bigger vessel coming in now through the waterway, so we need to

make sure the dredging is done as well for us in the Seaway and the Great Lakes. Last year we dredged 3,179,132 cubic feet. Looks big on paper. Nothing compared to the amount of dredging on the U.S. side, which is in the billions of tons, but we do try to do our best on our side as well. The budget is significant on the U.S. side. On the Canadian side, it is probably nowhere near as much.

So there was a picture I think—there it is. This is how dredging looks like, so it is basically how it looks from the bottom. So that works well when you have a soft bottom. Of course, though, there's a lot of push right now on our organization to do specific dredging and to really blast rocky shoals so we can have a better even bottom so the vessels can transit. So that pretty much covers it.

CONGRESSWOMAN SUTTON: Thank you very much, Ms. Gascon. I am Betty Sutton, and I am the former Administrator of the St. Lawrence Seaway Development Corporation. I just want to make it clear, I think somebody else earlier might have said they were here as a citizen. I am here as a citizen. But I held this job until January 20th, and I am delighted to be able to be here with my two former partners to share with you the way that we collaborate and make things work on the St. Lawrence Seaway and in the Great Lakes for the entire region in both of our nations.

What is the St. Lawrence Seaway Development Corporation or the SLSDC? It is a wholly-owned government corporation, so it is a bit unique unlike many government agencies. It has much greater flexibilities. We are charged, or they are charged, with operating and maintaining the U.S. infrastructure and the waters of the St. Lawrence Seaway, the U.S. portion. As a corporation, as I indicated, there is greater flexibility for the SLSDC than you might find in other agencies. For example, we can deal directly with our partners in Canada, in many cases outside of the State Department. So there is some level of diplomacy and partnership in which we engage. We work hand in hand with the St. Lawrence Seaway Management Corporation, which is responsible for operating the infrastructure in the Canadian portion of the Seaway.

Now, when you look[ed] at some of the slides before about the geography that we are dealing with, but our primary responsibilities are for the lock operations, vessel traffic control. We do trade promotion and economic development, and we are also engaged in a capital investment renewal program. All of these things are done on the U.S. side, and they are done together in many cases with our Canadian partners. We operate two locks in Messina, New York, on the U.S. side. The Canadian corporation operates thirteen locks. You would think that that is a big responsibility, and yes, it is. It takes 24 hours a day, seven days a week cooperation. The Seaway never ever sleeps. I can attest to that, believe me. Those calls come in at all times. But it really is an amazing thing because that coordination is required, because if something stops in one of the Canadian locks, we have to know immediately. We work very closely with our partners in both Coast Guards on both sides of the border as well as other federal agencies, both on the U.S. side and the Canadian side of the border.

The St. Lawrence Seaway Development Corporation is not a mirror image of the St. Lawrence Seaway Management Corporation, which exists on the

Canadian side of the border. So they actually manage the locks and the operations on the Canadian side under a contract with Transport Canada. So that makes it—another partner is Transport Canada who we sometimes will deal with as well. Not only do we operate promotional or operationally with the Canadian Seaway, we are a model of international partnership in many dimensions.

The Seaway was created by an exchange of diplomatic notes that had the effect of a treaty way back in the 1950s. And frankly, it has continued to operate in many ways on that same basis with exchanges of notes and constant cooperation. It is certainly a testament to the shared values of our countries. It is a testament to the shared vision for economic opportunities into the heartland of North America, and as you see displayed here on this panel today, our shared concern for security, for both of our nations. So when you take a look at the geography, you can see the importance that binational cooperation is essential just due to the geographic and physical characteristics.

Here we have two nations, eight states, two Canadian provinces, tribal lands, and local governments, and that makes for an interesting mix of making things work. But yet, we do. You probably don't hear a lot about the St. Lawrence Seaway Development Corporation, do you? Yeah. That's because it is operating so well. You cross the border 27 times when you come to this system, and our goal is that you will not feel like you are crossing the border 27 times or even once, quite frankly. We like to work in sync that well, and it is imperative. These characteristics of geography make it—binational cooperation—not just desirable but required.

On the ease of maritime commerce from Europe and other destinations to capable Great Lakes borders provides [sic] us with a real opportunity right here in North America, and we service about 33 major ports, and in those ports they are all different. They all have unique merits, and part of our job at the St. Lawrence Seaway Development Corporation is not just to operate the waterway for the sake of operating it; it is so that we can support economic activity in the Great Lakes region and in both of our nations. So we have, in fact, established at the St. Lawrence Seaway Development Corporation an outreach initiative with an office right here in Cleveland. That's something that I am proud of as the former administrator, because when I entered the position, we had operations, the locks that I mentioned, that we were operating in Messina, New York. We were headquartered in Washington, D.C., but I said, who do we have in the [Great] Lakes? We didn't have anyone in the Lakes. So now we have an office right here in Cleveland where our representative goes out and works with the ports, [to] try and help them achieve their vision for their communities.

When you look at our seaway locks, as I mentioned, there are 15 in total. This is a deep draft waterway, certainly a vital economic waterway. There are restrictions on the size of the vessels that can come into the Seaway. The dimensions are 740 feet long and 80 feet wide, so you are not going to see those great, great big ships coming into the waterway. Each lock empties and fills 22 million gallons of water and takes a vessel [sic] about ten minutes to raise and lower a vessel. We are open—last year tied the longest season on record—we are

open almost ten months a year, and we do have to be very conservative with making sure we are looking at what weather we can see coming, as well as the environmental implications that might arise, either at the beginning or the end of a season.

In addition to the locks, the St. Lawrence Seaway Development Corporation also owns other property and has other responsibilities. We care for a tunnel as well as have an interest in the Seaway International Bridge. So that makes, again, us a little bit different.

So why is it important? And I think Ms. Gascon put it very well when she was talking about the need to look at the Great Lakes Region as a region and as a regional power. If the region was viewed as a country, we would be the third largest economy in the world behind only the U.S. and China. That's significant, and I don't think that we always look at ourselves that way.

One of the things that has always bothered me is that we refer to this magnificent part of the country as the "Rust Belt." That just doesn't do justice for our communities. It doesn't do justice for the size of this economy or the potential that we have to offer. So that's one of the things that I certainly want to change, both as the former administrator in every dimension because we have a tremendous amount of opportunity and a unique endowment in the Great Lakes and the St. Lawrence Seaway, not only as a waterway for commerce but sitting along the shores of one-fifth of the world's fresh water. So "Opportunity Belt" is what I think we should call this part of the country. We are home to more than a hundred million people, nearly 25 percent of North America's population. The Seaway supports the manufacturing and the agricultural hub of North America. We produce two-thirds of Canada's industrial outlet in this region. We grow almost half the soybean and corn in the U.S. in this region. We account for some 40 percent of the U.S. manufacturing in this region, so half of the Fortune 500 industrial companies are headquartered here. So again, I think it is time to retire the term "Rust Belt." I say we don't call the South the "Sun Belt." I don't think we should because I don't think it would do them justice any more than the term "Rust Belt" does our community or our state or our people justice.

When you look at the benefits of Great Lakes Seaway commercial shipping, I think it is really important to realize that we are also the environmental gatekeepers to the Great Lakes from the Atlantic side. And so we take that very seriously, and I know Admiral Ryan is going to talk about one of the programs that we do in conjunction with both of the Coast Guards related to invasive species and ballast water. But just looking at it, we are called to provide a safe, efficient, reliable waterway in our mission at the SLSDC, and certainly, that is accomplished. The safety record on ships is extraordinary. It by far outpaces other modes of transport, but when you look even further than that commercial shipping on the Great Lakes Seaway system provides approximately \$4 billion dollars in annual transportation cost savings, and the Great Lakes Seaway fleet is nearly seven times more fuel efficient than trucks and 1.14 times more fuel efficient than rail. It would take 3 million rail cars or 7.1 million trucks to carry the total cargo transported by the Great Lakes Seaway fleet.

So if you think about that, you think about not only the environmental advantages of shipping, we also, through the Seaway, have 50 percent more capacity that we could handle without additional investments in the waterways. So think about that in terms of getting some of our overcrowded highways and some of the congestion there taken off of our roadways and, frankly, the infrastructure costs that go with that. So I think a lot of people don't realize the environmental advantages of the St. Lawrence Seaway Development Corporation.

With that, that's just a little introduction to who we are and what we do, a model agency with big international responsibilities, and we are honored to be here and partner with the Coast Guard once again.

REAR ADMIRAL RYAN: Okay. So my name is Admiral June Ryan, and I am the regional commander, if you will, for the Great Lakes, all Great Lakes from Messina, New York, all the way to Lake of the Woods, North Dakota. And I am going to abbreviate mine because one good thing about being third is that much of our shared economy is also our shared gap. So I will not repeat all that, but first of all, I just want to say thank you so much for inviting the three of us to come in and brag a little bit about what we do every day and what I know our people do every day for both economies.

So they already talked about this. We call it "shared, saltless, seasonal, and system," and so what I like to also show, a lot of people don't realize how very large the Great Lakes are. So traveling from Duluth, Minnesota, over to the St. Mary's River, over to [Sault Ste. Marie ("the Soo")] is like traveling from Miami to the middle of South Carolina—and you see Lake Michigan—over to Lake Michigan and takes all the way up to the Eastern Seaboard. And so a lot of times when you see it in the graphic of where it is, it doesn't look that large, but we are larger than the entire Eastern Seaboard.

We have already talked about the importance of the trade, and so I really won't speak to this, other than to say that over 270 treaties drive our international relationship, and that also includes our recreational. So we talked a little bit about the joint search and rescue that we have, and that's very important when you consider that one quarter of all the recreational boats in the United States are here on the Great Lakes. So when you are in the search and rescue agency that is responsible for that, that tends to be a very busy part of our lives. Last year we saved about 600 people, assisted over 7,000, and twelve million dollars' worth of property.

We also have a Coast Guard auxiliary similar to the Canadian Coast Guard that helps. That's our volunteer armed Coast Guard.

So this is kind of our force laid down. The green dots are stations. These stations were established back, many of them back in the 1800s when we were rowing boats, and it is very difficult to sometimes close a station just like it is very difficult to close a post office or a firehouse. So although we ha[ve] motorboats that can actually travel much quicker, much faster, we have been challenged to do that. The yellow dots are where our air stations are. We have two of them that are seasonal and then two that are permanent—in Traverse City,

which is up here and then down in Detroit. The star, of course, is my headquarters. I am headquartered here in Cleveland, and then the red triangles are where our ships are located. So these are some of the boats that you might see on the water as we interact with the recreational boating as well as the commercial boating.

Those same people that run the search and rescue stations also run our ice rescue. We in the Ninth District have the only ice rescue school for the United States. We actually train and travel internationally to teach people in Finland and up in Alaska how to also do ice rescue. So we use airboats—we use our cutters, as well as literally people right on the ice. Our helicopters are also a major asset. As we talked about, we do not have any fixed wing assets on the U.S. side in the Great Lakes, so we do 100 percent of the time rely on the Canadian Coast Guard to launch a fixed wing asset when we need it and vice versa. When they need a helicopter, we will launch our helicopters. The biggest disadvantage of our helicopters is they cannot work in icy conditions. That's a huge pain when you have a big winter. So we are actually converting air station Traverse City. This year they will get 60s, which are like Blackhawks. And we will get them this summer. So not only do they have an increased range, but they are also able to operate in icy conditions.

We also have a very active commercial vessel side as we talked about, the Seaway and all of the commercial vessels. We make sure when—I tell everybody if you have ever been on a cruise ship, if you have ever been on a dinner cruise, the Coast Guard has been there first. So we are the agency that makes sure people are licensed; that they are able to do their—launch their rescue boats if something happens, and if they need to do a man overboard, all of those things—we are the ones that run them through all of those drills.

We also do, as Betty Sutton mentioned, the ballast water inspection. So, in Montreal, we have U.S. Coast Guard and Canadians both go aboard salties that are coming in, and we make sure that the ballast water is salt water and not fresh water. So when a ship travels the world, right, they go into a river system, and they have to take on ballast water, that is fresh water. If that then gets dumped into the Great Lakes, you would have sometimes aquatic species that get [] introduced into the Great Lakes. So we make sure that they do what is called a “ballast water exchange” as they are coming through the Seaway. If they get all the way to Montreal and they have fresh water on board, they have two choices: They can go all the way back out the Seaway, which is really economically not the best thing that they would like to do, or we can padlock it, and they will padlock it. And the whole time [the ship is] in the Great Lakes they cannot exchange ballast water until they come back out.

So last year we inspected over 8,000 ballast tanks on 466 ships. We had a 99 percent compliance rate and 100 percent of the ones that we padlocked came back out the Seaway and still had them padlocked, and we do check the salinity and everything and the chemical compounds, make sure they didn't, you know, un-padlock it and dump it and bring back [sic]. So we have all the chemical means and fingerprinting to make sure that doesn't happen. So it is a really successful program. We have been doing that for eleven years and very proud to

say in eleven years not one new aquatic species has been introduced to the Great Lakes since we have been doing that joint venture between all three of our agencies.

We have already mentioned the joint collaborations in icebreaking. Two billion dollars of economy does still move on the Great Lakes during icebreaking. We do that with our cutters. And of course, it is an important part of the economy; and it doesn't matter. As Ms. Gascon already described, we escort Canadian ships. We will escort salties. We will escort U.S. ships and vice versa. So we are flag-lined. She already mentioned the aids to navigation, and we also have many aids to navigation that we apply.

One thing I wanted to mention is—something that is very unique—is called Shiprider Program. On the law enforcement side, it is still an international brotherhood. You cannot cross an international brotherhood. Bad guys don't necessarily listen to rules, right? And so they can basically exploit the [international boundary] lines. So if you are in a small boat and you are trying to smuggle or trying to do something illegal, all you have to do is cross over the line, and I, as a law enforcement person carrying a weapon, have to stop at that imaginary line. That is until our countries signed a joint agreement, and we now have Shiprider. So a Royal Canadian Mounted Police will ride a small Coast Guard cutter, and then if a small boat tries to cross the line, we can follow that over to the Canadian side, and the Royal Canadian Mounted Police will then execute all of the Canadian laws and vice versa. We will send a Coast Guard person over to a Royal Canadian Mounted Police station. They will ride the Royal Canadian Mounted Police small boat. They will do a patrol, and if a small boat tries to exploit the line, they come over, and the U.S. Coast Guard then executes all of our law enforcement.

And so I just wanted to set out and describe a little bit, we have already described so much of what we do. Together we also do pollution, a lot of pollution responses together. When a ship goes aground and spills oil, it is not just a Canadian problem, and it is not just a U.S. problem, if it is on the side because, obviously, the oil is going to be everywhere, and so we do that. Aids navigation, icebreaking, law enforcement, border protection, we already talked about the ballast water and the aquatic nuisance species, and we are also working together as it relates to the Asian carp, which, of course, does not come in to ballast water, ships or through the Seaway, coming up through the river system, but it just gives you some idea of our operations as it relates to how we operate. Thank you.

PROFESSOR COVER: Terrific. Thank you all so much. I am wondering if we might talk a little bit about here we have this thirty-five billion dollar revenue at stake in this coordinated economy, what you see as some of both the advantages of this region for commerce but also some of the challenges.

CONGRESSWOMAN SUTTON: Well, a couple of things. I should say this: 227,000 jobs in the U.S. and Canada rely on Great Lakes Seaway shipping, and that's just directly, you know, involved with the shipping aspect. But I think one of the great challenges and the great opportunities is that is our vision and

whether or not we look at ourselves regionally as the agricultural hub, as the manufacturing hub of North America. I went to a meeting—just as a little anecdote—not all that long ago right here in Cleveland where a major manufacturer said, well, you know, somebody wanted to build something here, manufacture something here, but we don't have water access. And I said yes, yes, yes, we do have water access. So I think it is opening up the minds about the potential and the opportunity that this region has and thinking of the Seaway and the system in a new way.

One of the things that is happening right here locally is the Port Authority, and Cuyahoga County, has established a liner service that is scheduled, that goes from Cleveland to Antwerp every few weeks. So now manufacturers can rely on that if they want to export goods in containers. So now containers are on the Great Lakes, which is something very new, and that's a very missionary thing that the Port is engaged in. Bulk commodities moving on the Great Lakes and in the Seaway are still the bread and butter of the system. But the challenge and the opportunity is to diversify cargoes, not just with that liner service, but also cruising on the Great Lakes is a burgeoning opportunity that many communities are trying to avail themselves of, and some of the work that the Coast Guard and the border patrol officials do will have a big interplay on how successful we are at being able to do that given the geography and the boundary.

So I think it is just opening ourselves up to the idea that the way we have always done things isn't all that we can do. We can do more, and so we are just exploring that and grabbing for that potential.

PROFESSOR COVER: Julie, do you have . . .

ASST. COMMISSIONER GASCON: I am sorry. From our part is that how do we support and respond to growth and opportunities as Betty has described it. So there is aging infrastructure, assets also are aged, but it is to bring people to realize if, for example, you had a light that goes off and you are driving and one of the lights doesn't work and the cop is doing the traffic, there is a huge backup. So if you don't have the proper aids to navigation, that is also what happens. If you have on a highway like a sinkhole and people stop the highway to go through, well, if you have not dredged appropriately, you can't get the ships through. So all this works together. If you don't have a snowplow on a highway, the highway closes. If you don't have an icebreaker in the river or in the lakes, the trade stops, right? And everybody gets clogged out, the same way it is on the highway, and that dialogue or that understanding of the importance of the Coast Guard and Corps of Engineers and U.S. Coast Guard, of course, in ensuring that we can respond to this opportunity and this growth that I think the Great Lakes will bring to reduce issues such as congestion, we as an agency have to be ready to respond to that, and it is going really, really fast.

People are understanding more and more of the opportunities, the corridors that can be created with the St. Lawrence River, the Seaway and the Great Lakes, and we need to position ourselves to be able to respond to the demand. That's my biggest fear. The biggest issues that I am facing every day, weather—and I had a big issue in deciding about ice this year— and other issues. Right at the opening of the Seaway, we had issues all the way till Sunday, and we will be able to

support and open in time, but this is my day to day, and I respond to meetings and Corps and everything--"How about when am I going to get new icebreakers? Why do you have a vessel that is down? Why were you not able to respond to that service," and trying to always, always keep up with the demand that just keeps on going.

So for us, it is going to be the challenge for the Coast Guard. We are always setting ourselves up with the Oceans Protection Plan that our Prime Minister announced, \$1.5 billion of investment. I think that we are on the right path. Hopefully, it will be fast enough, but that dialogue, convincing people, making people understand that an icebreaker equals big snow plow, [is] not really in the dialogue of everybody.

PROFESSOR COVER: Admiral Ryan?

REAR ADMIRAL RYAN: I think the other thing—and I recently did a calculation—Ms. Sutton put up the diagram about one ship equals so many rail cars, equals so many trucks. If you think about it, one ship equals an 18-wheeler from here to Vermilion in a line with no space in between. And we had thousands and thousands of transits on the Great Lakes every day that keep all of those trucks off of the highway. So think about it, if something goes down and we can no longer move grain by ship and now we have to move it by truck, it will equal from here to Vermilion a continuous line, right, a caravan of those.

Think about it also in terms of pipeline. You know, you hear about some of the pipeline that would also be, but then you reverse that with what Betty is talking about, the opportunity. How many could we take off the roads if we just put one more ship with all the commodities that those 18-wheelers are carrying? And so I think that's where it kind of plays both sides, and it does take investment.

PROFESSOR COVER: How do we overcome—I think you mentioned 27 border crossings occur. How does one deal—I imagine—with the bureaucracy that comes with that?

CONGRESSWOMAN SUTTON: Well, I think a good way to look at that is in the cruising kind of a component. When we were actively trying to get folks to come in to the Great Lakes to cruise, certainly when people are crossing the border 27 times, they are not going to want to be checked by a custom border patrol 27 times or even a few times when they drove into port, right? So we worked out a program that enabled us, once they come into the system, to treat them a little bit differently.

I won't get into too much specifics, but we had some of the programs that had been described by our Coast Guard officials explained how we do that, too. The joint partnership, the ability to secure the border that they engage in with the Shiprider Program, all of those things are aimed at finding ways in this unique partnership that we have with our neighbor to the north, that enable us to do that and capitalize on the potential.

REAR ADMIRAL RYAN: You had a question over here. Did you want to go the other way?

PROFESSOR COVER: Sure, we will go up. Yes, please?

AUDIENCE MEMEBER: So yeah, we heard a lot of negative things about climate change. I am just wondering if climate change is a positive opportunity for the Seaway and how that might be working into considerations about maybe an all-season operation.

CONGRESSWOMAN SUTTON: Well, I think those are two different questions, but I would say absolutely on the first part of your question. This is an environmentally sound mode of transportation that, as we become more concerned with CO2 emissions, you have to look at water transport as an alternative.

To the question about looking at what are our opportunities and our challenges, we are using just the profile and benefits of maritime shipping, it's a challenge. It's kind of an old industry. It's kind of like trying to keep your head down when you are maritime. You don't want anyone to notice you, but we can't do that now. I do think it offers maritime a great opportunity if you are concerned about CO2, and as I said, it's also very safe by comparison to the other modes of transportation.

In terms of all-season operation through the locks, during the winter when the Seaway is closed, and it is usually, we can't control the weather, there is also work that is done on the last-end infrastructure. We are in the middle [of] a renewal program, a multiyear asset renewal program, which, frankly, there is a lot of investment being made on both sides of the border. That's a testament to the vitality of the waterway and its potential and how our policymakers see that potential. So we would need that time, some of that time for winter work, but there are a lot of factors that go into when the waterway opens and closes, environmental considerations, considerations and discussions with others who, as I said, you can imagine the complications of governance when you have all of the jurisdictions that are involved in bordering the waterway. But we have extended the length of the season. I think that those discussions are always going on, and if it can be done environmentally sound in a way as well as allow for the infrastructure to be maintained as it should be, it's an open question for the future.

REAR ADMIRAL RYAN: I would say also, just to add, icebreaking is not always positive to most people. An ice fisherman does not like to see an icebreaker coming up. (Laughter.)

So people actually wait for the waterway to freeze over so they can actually go across back and forth and use it as a roadway. It's very interesting.

GOVERNOR-AMBASSADOR BLANCHARD: Regarding locks, the current governor of Michigan, Rick Snyder, and our two senators, as Senators Stabenow and Peters are very worried about the need for an additional lock at the Soo lock. The current Poe lock, P-o-e, handles [the] Nader ships, but if something happened to that, we wouldn't be able to accommodate iron ore, and about two-thirds of the steel industry in the United States would shut down. What are the costs? I mean, this is a long-term thing, and I know it involves the Corps of Engineers, but what are the prospects for getting this new additional lock to avoid a potential catastrophe?

ADMIRAL RYAN: I am probably best to answer that. So I have, I wish my Army Corps of Engineer[s] colleague was here, but I will say, as you know, one of the priorities for the new administration for President Trump has been increased infrastructure, and the Soo lock is on that priority list. And so we finally have raised it. I know Betty had for multiple years. Many of the admirals in Canada have had this discussion for ten or twenty years. The fact that it is on a presidential list and on a priority list and is on the Army Corps of Engineers study to hopefully begin construction within five to ten years is a positive move forward.

GOVERNOR-AMBASSADOR BLANCHARD: Is that list real, or is that a real list?

REAR ADMIRAL RYAN: I understand it to be real. I know it is real on the Army Corps' side. It's very real on the Army Corps' side.

GOVERNOR-AMBASSADOR BLANCHARD: Good.

CONGRESSWOMAN SUTTON: If I might just augment that, before I was administ[rator], I was a member of Congress, and Congress is obviously very interested in this. I knew this was going to come up. When the U.S. Department of Homeland Security looked at it, it painted a pretty dire picture should that lock go down. Eleven million jobs lost, a crippled auto industry from lack of steel, as the former governor there tells us, and a likely economic recession in 2018. That's a big deal, and I think this goes to the discussion up here about how if we act as a region on the political level, that's likely to help us get to where we're going.

So this idea, and Congress has started to look at the Great Lakes Seaway system as a region, is beneficial not only to the waterway, but certainly to the ability to access successfully the kind of support for infrastructure that we need, because there is more political clout together than there is individually. So it's on the right track.

MINISTER JIM PETERSON: You mentioned that there is one container ship that went through the locks. Am I assuming that all the other ships that work in the waterway are modal carriers? What kind of cargo is that, and where is most of the traffic? How much of that would originate up to the far western end, and where does it go? And do they unload for transatlantic, put it through another ship for transatlantic, or other type of carriage?

CONGRESSWOMAN SUTTON: The container ships, there is more than one ship that is in this system with containers, but it's a scheduled liner service, so I don't know if they're operating. Since I left, I mean. There are three that are operating sort of monthly, and that is a new and growing, hopefully, venture.

With respect to major commodities that come through the system, iron ore, grain, break bulk cargo, mining products, including stone and sand and gravel, dry bulk cargoes, and there are a lot, there is also a growing general cargo kind of commodity as well as project cargo, but they transport both traditional energy as well as new energy, like wind turbines. There is talk, for example, here in Cleveland about LEEDCo developing some wind energy perhaps off the shores

of Lake Erie. That would create a whole new industry to be serviced by moving it on the Great Lakes and through the Seaway.

So it's a mix of things, but certainly bulk and break bulk cargo are the bread and butter of what Great Lakes shipping has been in the past. It's important, as certain commodities tend to fall off due to whatever reasons, sometimes intentional policies, sometimes market conditions, that we find ways to capitalize on this, our unique endowment in utilizing our waterway and our responsibility way into the future. So there's kind of a moment of creativity that is happening on the Great Lakes, and success breeds success, so that liner services have really set off a spark for people to look at new ways to use the waterway and the system.

PROFESSOR COVER: Another question?

AUDIENCE MEMBER: So I apologize for a very easy question, but being a law student, I don't have much time for the generalities of life. (Laughter.)

So I know, and I appreciate Admiral Ryan's opinion as well, the Transport Canada report on the Coast Guard, I think that came out 2016, was not terribly complementary, at least in my reading of it. And one of the major issues and inefficiencies they pointed at was the lack of a law enforcement mandate to the Coast Guard and the fact that, in order for the Coast Guard to enforce, the Canadian Coast Guard to enforce sovereignty, there needs to be a law enforcement officer aboard. I'm just curious how would that help or hinder the collaboration that you have with the U.S. Coast Guard? I mean, what's it like, the fact that the U.S. Coast Guard is being our armed service and a civilian fleet interacting with an international police force and all those issues you were chatting about earlier? I'm just curious if Parliament were give the Coast Guard that mandate, what would that look like going forward, or is it worth giving it that mandate?

ASST COMMISSIONER GASCON: It's a good question. I won't be able to answer your question directly. The Canadian Coast Guard is truly a civilian fleet. As I said, the security role of the Coast Guard really came into play after 9/11. So when that security portfolio started coming in, marine security was created as well as Transport Canada. So for us, I call ourselves the new kids on the block of security when it comes to that arena in Canada.

But one thing that I have to say is that when I meet with Admiral Ryan or Admiral McAllister, if I would like to meet with them and have all the different things that the U.S. Coast Guard do in the same room. So, for example, we are going to be having the Coast Guard Summit this year, we have to bring to the table Transport Canada and the RCMP, and potentially CBSA as well, at the same table in order to be able to speak on all facets of what the U.S. Coast Guard mandate is.

So in terms of our relationship, I think our relationship will always be very strong, but what we have done, when I look at the Shiprider, when I look at our major patrol vessel, which carries our RCMP, is that we do also provide a conduit because we have a very, very strong bond. But we also bring the other agency as kind of a conduit to say, okay, well, this would be this agency, and here we are introducing those folks and providing that relationship. So we have

been working that way for decades and have always been that way. The U.S. Coast Guard welcomed us onto the security portfolio and has provided a lot of support through a shipriding program and all kinds of different programs.

I don't know that it would change anything in the relationship. It could make it easier because instead of speaking to 40, we speak to one, but we have made do with it, and we have done it well. And our U.S. Coast Guard colleagues understand exactly the structure that we have because we are so close. So it has never been an issue. With regards to that report, this is always on the table. It always come[s] back on the table: Should the Coast Guard be military? Many of the world's Coast Guards are militarized, but this is not the model that we currently have in Canada, and I am not sure whether it will ever change.

PROFESSOR COVER: Admiral, do you have anything to add?

REAR ADMIRAL RYAN: I would just say we on the U.S. side, and I speak for my members, we appreciate the fact that we are both a police agency, we are a regulating issue as she discussed with Transport Canada, we are also an armed service and all of those things collectively. So we can go globally, for example, to interdict pirates off the coast of Africa, and we serve under the theater commander, the [Department of Defense ("DoD")] theater commander when we are in theater. We can actually shoot and take out the pirates, and then we immediately shift to our law enforcement mode because, of course, the next thing we want to do is take those to justice that are either still alive or the organizers. We immediately go into law enforcement mode. We don't need another set of orders unlike our Department of Defense counter parts. We don't need a different mandate. We go on board. We are now a law enforcement investigating agency.

We put the case package together, and I give it to Ted Fowles, my Judge Advocate General, my lawyer, and then he determines at what point I shifted from being a theater commander from my Department of Defense authorities to my law enforcement authorities. That's for the lawyers to all work out at the end of the day, and the good thing for members, we don't have to do any of that.

CONGRESSWOMAN SUTTON: That's great.

REAR ADMIRAL RYAN: So for us, we enjoy that as a spectrum. That's how we look at it.

MR. HERMAN: Thank you very much for the wonderful panel. It is very impressive, the three of you up there talking about the Great Lakes. We really appreciate it. You mentioned a staggering number of treaties and international agreements that you operate under to do the things that you have to do. Is that tough to manage and negotiate? Does it take a lot of effort to figure out what you are allowed to do when and who you need to talk to? And if you had a wish list on how to coordinate all that or, you know, distill it down to one agreement, what would that be?

REAR ADMIRAL RYAN: I will start and then hand it over to Ms. Gascon. I would say for me, as an operator, it's seamless. For example, the bilateral agreement that put shiprider into play, it's out there, and there is an authority out there by which we execute under, but I don't think about that authority, and I

don't think about the treaty, and I don't reference it at all. When I'm on the water, I know that if I have an RCMP officer, I can go on either side of the border, and if they have a Coast Guard person, they can go on either side of the border.

So perhaps that's back up to the 50,000 level that you talked about as opposed to the water level, and so for us, of course, we need to have all that authority and background behind it, but on a day-to-day basis. Ted, did you want to talk about that on the legal side at all?

COMMANDER FOWLES: Well, for the lawyers in the room, the good news is in the construct we provide legal advice, and if they are on the water and they have a legal question, there's always a lawyer 24/7. So I think that gives them a comfort level that they're operating within the bounds of the law.

Then, since we're talking about Shiprider, one of the unique things you have to do is send people to train down at the Maritime Law Enforcement Center in Charleston, South Carolina. If you haven't gone to that training, you cannot get on the platform, which includes very important people on both sides of the border, so we have had Ministers and Congressional representatives that want to do a ride-along, they can't get on there. So both countries have really implemented a pretty strict regime to make sure that they appreciate and recognize and comply with laws on both sides of the border. Hopefully, that answers your question, and I can talk to you offline.

REAR ADMIRAL RYAN: Julie?

ASST COMMISSIONER GASCON: Just to echo what Admiral Ryan is saying, like on the environmental side, we have an agreement for environmental response, and our response capacity, this would allow us, when the [Roger] Blough went aground, the bow was in Canada, and the steering was in the United States. Okay. How do you manage that? I called June, and June called me, "who is taking this one?" Whoever takes the lead, the other sends a resource to support. Especially when we had issues with buoys and Admiral Ryan came to support us, and it's vice versa. It's always together, so under those agreements, I don't think about it when we're in operations. I just know that if I call, I can have those discussions, and we can manage the incident together without any issues. Perhaps I think one big agreement could help put that altogether, but in our view, a lot of those agreements are negotiated agency to agency, from Canadian Coast Guard and U.S. Coast Guard, so it doesn't involve the big boys of international affairs, I guess. I don't know how to describe it, and it goes a little faster. (Laughter.)

I am sure the Minister has been there. Sorry about that, Minister, but it does go a lot faster, and it does keep it simple. And it does keep it really operational, and that's what allows us to work efficiently. When the treaty involves more resources and everything, of course, international affairs is to be involved in that, but those operational agreements and traditional memorandums of understanding, whatever you call them, allow us to be able to collaborate seamlessly on the Lakes anyway.

MR. WEEKES: To what extent does the Regulatory Cooperation Council factor into this?

ASST COMMISSIONER GASCON: If I may, I used to be with Transport Canada on the regulatory side, so I was often on a [sic] various RCC Task Force[s]. I found that the Regulatory Council, Cooperation Council, what it brought to bear is that when both agencies don't have a regulation, the opportunity to have something that is similar to be drafted or something that is seamless between the two nations, really it's a great approach. I was on various equipment, all kinds of different regulatory projects in my former job. The Regulatory Cooperation Council becomes harder when each of us already have a regulation in place that differs. So it allows us to see, okay, where are the gaps? Where does it differ, and if we had to renegotiate those regulations, where should we focus? But that's harder to do than if you have no regulations at all, and then you want to put something new in place. That's a great opportunity to put something new that is more aligned. So I've found that it works great, but it works better in an environment where there is a lack of regulation and when you are building together as opposed to trying to figure out a way to align something that already exists.

PROFESSOR COVER: Yes.

CONGRESSWOMAN SUTTON: And if I might just add, on the issuance of regulations, at the Seaway part of the flexibility that we have as a corporation is that we issue joint regulations with our Canadian counterpart. It's sort of a model that can be looked at as extremely efficient and highly effective, I think, but it works in many ways like what we heard described here with the Coast Guard, because we are in constant interaction with our partners on the other side of the border. We have joint strategic meetings; we have a lot of cooperation going on.

To the question of treaties, though, per se, the Boundary Waters Treaty, you know, when that is sort of implicated in some kind of proposed changing action, it can be complicated. We just watched, or we just experienced, a situation where the International Joint Commission, which has members from both sides of the border, looked at issues that impact the countries and the waters, and there has been a study and attempts to change certain things for, I think, all of fifteen years related to water levels for example.

So it can be complicated because you not only have the two nations, but you have multiple agencies within each nation trying to work out how it impacts their mission as an agency. I used to joke with the deputy at the St. Lawrence Seaway Development Corporation whose son was, I believe, in kindergarten when it first started, and he's now a junior in high school, but it's done. So sometimes it takes a while to work out, but always in a cooperative fashion.

REAR ADMIRAL RYAN: I mean, it's not insignificant where 20 percent of the planet's fresh water is in the Great Lakes. So we're also very attractive for things like the West Coast who would like to have one big long straw right into Lake Superior and pull all the water out, and then you start talking about lake levels.

To Ms. Gascon's point, you know, obviously, the lower the water, the less commodities you can move, and it makes a [sic] safety and shipping and all kinds of implications.

PROFESSOR COVER: Well, I know we could talk so much longer, but I am also mindful that we are pushing up against the lunch hour. So please join me in thanking them, and then we are going to hear about the lunch hour.

ASSOCIATE PROFESSOR PARRAN: Thank you all, for your insight and your time and attention. We'll take about 25 minutes or so for lunch. Lunch is just out these doors across the hallway. Box lunches are available, and then we will reconvene back here to hear from Peter Bates from NORAD. Thank you so much. (Luncheon recess taken.)

AFTERNOON SESSION (Afternoon Keynote - Peter G. Bates, Canadian Political Advisor to the Commander, NORAD & U.S. Northern Command ("USNORTHCOM"))

ASSOCIATE PROFESSOR PARRAN: At this point, we will get the afternoon started, so without any further ado, I present Dan Ujczko of Dickinson Wright, one of our big supporters. Dan?

MR. UJCZO: Well, good afternoon again. I am Dan Ujczko, attorney, as Ted said, with Dickinson Wright, and just very quickly, on behalf of my 500 closest friends at Dickinson Wright located in 17 offices throughout the United States and Canada, including right here in Ohio, it is our privilege to sponsor CUSLI. I think it has been nine years running, if not more at this point, of the firm sponsoring, and you know, the reasons are quite obvious. When you look at this morning's presentation, we find that the Canada-U.S. Law Institute, there is really nothing like CUSLI, particularly at the moment. He left, but I was going to say it's also because Governor Blanchard tells us to sponsor, and when Governor Blanchard says it, you do it; in the same way, when Jim Peterson and others come here, and you spend your time and resources.

I will note just very quickly before introducing our keynote speaker that while there are a handful of Canada-U.S. law firms out there, including some of our great friends in the room, that we are one of the only ones that has been headquartered in Detroit since the 1870s, has been in Ontario on Bay Street since Confederation and places like Ohio, Kentucky, Tennessee, Florida, and the NAFTA corridor down to Texas, Arizona, and Nevada. And the reason why I raise that isn't just because at our conference you hear of process, process, y'all, y'ins, those types of things. (Laughter.)

In fact, all of our southern offices, it's our Kentucky one where you kind of hear hee-haw, because I don't know what it is about there, but that should be interesting when our next ambassador to Canada, who hails from Lexington, Kentucky, goes up there, you are going to hear a little bit different accent, I think, than we have been used to with Bruce Heyman.

But most importantly, it means that we live and work in the communities affected by the Canada-U.S. relationship, and we take that relationship quite seriously. We not only support CUSLI, but we run a number of the Canada-U.S. business associations located throughout the U.S. in places like Detroit, North Carolina, Arizona, et cetera. And what we did in partnership with CUSLI last year, and people like Chris Sands, Katie Friedman, and a number of others is, we recognized that while our Canada-U.S. role is pretty incestuous, there is only about 200 of us that run. We don't really talk to each other that much. We aren't

very coordinated, and we knew whether a Republican or Democrat was in the White House that we needed to get our act together, so we convened last June under the banner of the U.S.-Canada Stage Group. Again, CUSLI was a proud member of that. And all of the organizations started getting their act together. We have been meeting monthly to prepare for this very contingency. Our next phase right now is to do what we have talked about all morning, is the messaging on the Canada-U.S. relationship because we have this cross-continental footprint. We have more than 500 Canada-U.S. organizations and the U.S. Chamber of Commerce, Canadian Chamber, et cetera, et cetera, involved in this activity.

We envisioned in very short order that not only will there be, you know, one-stop NAFTA workshops where members of Congress and the Canadian government have members, the Mexican government will come and speak to all of our members. But also, that we will be launching an all-trade personnel initiative, that when Congress is in recess cross-continent, same-day, same-time everybody, consistent messaging. Member U.S. and Canadian companies can talk to their respective members of Congress in district about the importance of the North American trade and Canada-U.S. in an effort to really change the dynamic of what we heard today. And a key feature of discussion in the Canada-U.S. relationship as we saw in the earlier panel with our great example of our United States Coast Guard and Canadian Coast Guard is the security relationship between our two partners, and it starts with NAFTA and our keynote speaker this luncheon session.

And there is perhaps nobody better than the political advisor to the commander of NORAD and USNORTHCOM, Peter Bates. Peter has more than two-and-a-half decades of service in the Canadian Foreign Service at the entity formerly known as [the Department of External Affairs] now Global Affairs Canada. He has served, prior to his most recent posting as the Deputy Director for South Asia, India, and its neighbors; before that at embassies in Washington, Moscow, Kiev, Cairo and was participant of the last team, one of the last remaining folks that moved the Canadian embassy out of Tehran, was it about 2012? About that time, senior postings in Ottawa dealing with non-proliferation, including Canada's first deputy director for counterterrorism after 9/11, highly regarded as part of the delegation in NATO among others on non-proliferation issues, University of Toronto graduate as well as a graduate of the armor. And I think perhaps most—where we thank you the most—is your service as a Canadian Forces Reserve and decorated at that. So without further ado, I turn it over to you, Peter, so we can hear about NAFTA. (Applause.)

MR. BATES: Thank you, all. Can you all hear me? Okay. First of all, I would say I'm delighted to be here this afternoon to speak to you all and, frankly, how surprised I was when I got the invitation. So I'd like to thank the organizers for inviting me. When I first got the invitation, I thought, really? You want me? Having heard the panels this morning, my question still remains. You want me? (Laughter.)

But for the next little while, I am what you have, so thank you. Next year, May 12, 2018, we will celebrate the 60th anniversary of the North American

Aerospace Defense Command [NORAD] where I currently work, a unique and enduring part of our international partnership and a unique and essential part of our binational defense partnership. No other two countries on earth have ever done what Canada and the United States have done, which is to say through NORAD we've placed the defense and protection of our own citizens in our own territory into the hands of another country.

On 9/11, America's worst day, the commander who directed the air defense effort, restored the security of American air space. Following those terrorist attacks was a Canadian general officer in Colorado Springs, Major General Rick Finland. At the time, General Finland was the director of operations of NORAD, and today his name adorns the headquarters building at the Peterson Air Force base along with his U.S. boss, the commander of NORAD at the time, General Eberhart.

But we didn't just establish NORAD to ensure our aerospace defense at home putting a roof over a gated and insulated community here in North America. What's really cool about working at NORAD and USNORTHCOM is when we created it, we did it to provide security at home so that together both the United States and Canada could go out in the world and do what was needed, as we did in World War II and Korea, as we did in the Balkans in the '90s and Afghanistan more recently, and as we are today in Iraq and Syria. Two elements have been key to NORAD's continued success: the unshakeable partnership between our two countries, United States and Canada, and NORAD's continuing to evolve and modernize in response to new opportunities.

I would like to speak first about that partnership. It's often said that NORAD is symbolic of the U.S.-Canada partnership, and we've heard about that today, vital and enduring but invisible to most Canadians and Americans except on Christmas Eve when we, at NORAD, track Santa, a vital function for children around the world and is even more vital to their parents. Rather, I would contend that NORAD is foundational to our defense and security partnership, and that our defense partnership is fundamental to our relationship overall. Without the experience of that decade-long defense partnership, I don't see how we could have advanced to the partnership that we have today that supports our beyond-the-border efforts and our continued share in prosperity, tomorrow and into the future, as we have more than \$2 billion dollars of goods and services across our shared borders every day—how much more depending on which dollar you're counting on.

As Ambassador Heyman told us last night, Canada is the number one trading partner for 35 American states directly supporting the employment of over nine million Americans. We enjoy the most integrated, and secure continental economy on earth, and the wealth generated by that economy directly supports our defense and security, not only at home, but around the world. But it really didn't have to be that way. The unique relationship that our two countries shared was neither inevitable nor was it preordained nor was it destined to last forever without work. It's far richer and more complex than that.

We have already seen reference this morning to perhaps the most famous quotation on our bilateral relationship from President Kennedy's address to the

Parliament of Canada in 1961. These are probably the most quoted comments on Canada-U.S. relations, but they are usually quoted in the short form. I would like to take a few minutes today to give you the longer form of those remarks. President Kennedy then said: "We share more than a common border. We share a common heritage traced back to those early settlers who traveled from the beachheads of the Maritime Provinces and New England to the far reaches of the Pacific Coast We share common values from the past, a common defense line at present, and common aspirations in the future, our future, and, indeed, the future of all mankind. Geography has made us neighbors; history made us friends; economics has made us partners; and necessity has made us allies. Those who nature hath so joined together, let no man put assunder."

He then went on to say: "What unites us is far greater than what divides us. The issues and irritants that inevitably affect all neighbors are a small deed in comparison with the issues that we face together. Above all, the somber threat now posed to the whole neighborhood of this continent, in fact, to the whole community of nations. But our alliances born, not out of fear, but of hope. It is an alliance that advances what we are for, as well as opposes what we are against."

A decade later on April 14th, 1972, another president, President Richard Nixon, also referred to here this morning, also addressed the Canadian Parliament. What he said in his address was somewhat different. He said: "It's time for Canadians and Americans to move beyond the sentimental rhetoric from the past. It's time for us to recognize: that we have very separate identities; that we have significant differences; and that nobody's interests are furthered when these realities are obscured." Both of these observations about their relationship are accurate. More importantly, both of them are, indeed, true.

What's also true, it's less remembered, is that President Kennedy and Prime Minister Diefenbaker detested one another. President Nixon and Prime Minister Trudeau didn't have a better relationship. But again, the relationship between our two countries is more important to both than these differences, even differences between our leaders, a point to be remembered especially in turbulent and tumultuous times.

I have already spoken about the long history of our men and women in uniform serving and fighting together as allies around the world. I do also note that individual Canadians and Americans have an even longer [history] serving in each other's wars. For example, in the 1960s and '70s, as thousands of young American men moved to Canada to avoid service in Vietnam, an estimated 30,000 Canadian citizens crossed the border to volunteer for service with the United States military in Southeast Asia.

But until the 20th century, Canadians and Americans mostly served on opposite sides in our wars, the American Revolution, the War of 1812 or on both sides in the American Civil War. It is interesting that the United States can honestly claim victory in both the American Revolution and the War of 1812 by successfully asserting and then defending our independence from each other. If either of our countries had failed, then there would be no need to discuss the Canadian-American relations today.

The fundamental importance of our defense relationship highlights another paradoxical aspect of our overall bilateral relationship. Americans do not generally spend a lot of time or effort thinking about Canada, but you do spend a lot of time thinking about defense. For our part, Canadians spend an inordinate amount of time thinking and worrying, talking about the U.S. but very little time worrying about defense. But it's our common defense and NORAD's role in that common defense that's so important for the relationship overall, because it demonstrates 24/7, 365 unequalled—if unconscious—a level of trust and confidence in each other. I have said to my uniform Canadian forces colleagues in Colorado, much to their consternation and bewilderment, that even if NORAD had no practical role, and let me assure you that we still do, it would still be worth preserving as the embodiment of that trust and confidence between our two countries.

But trust and confidence aren't enough to sustain the relationship like the one between Canada and the United States. Like any relationship, it also requires a continuing commitment and attention from both sides. So let me turn now to NORAD's evolution and the evolution of North American defense.

When NORAD was first established in 1958, the primary aerospace threat to America came from Soviet long-range bombers carrying nuclear gravity bombs to drop in American and Canadian cities. The air defense battle then would have been fought over the Great Lakes and just north of the Canada-U.S. border. So from the outset, NORAD, Canada and the United States together have endeavored to push that threat farther away, farther north, and farther from our shores. To do this, we built systems of air defense radar across Canada and into the Arctic.

In the 1980s, a threat of bombs was replaced by long-range cruise missiles, still carried by the same long-range Soviet bombers. In response, in 1985, Canada and the United States agreed on the North American Air Defense Modernization Initiative, and through that program together constructed the North Warning System, a new line of radar across the Arctic coast of Alaska and Canada. Construction to 15 long-range and 39 short-range radars that make up the North Warning System was completed in 1993. In addition to these new radars, five new forward operating locations across the Canadian north were established for NORAD fighters. These radars and these forward operating locations, are still operating today. In 1991, the end of the Cold War seemed to dispel the end of the NORAD aerospace defense mission, but while economies were made and NORAD forces in readiness in both Canadian and the United States were reduced, NORAD itself was retained like insurance just in case.

On September 11th, 2001, NORAD was forced to change our focus from looking out at potential military threats to U.S. and Canada to looking in at the terrorist threat to civil aviation. Today through Operation Noble Eagle, NORAD remains prepared to respond to either threat from within or without, and that is a mission that we, at NORAD, practice every day, Canadian and American airmen flying together seamlessly across our borders over both our countries. In fact, NORAD established and pioneered a level of operation integration that has spread throughout the joint forces. 1996 was the first time in a modern period a

foreign warship was fully integrated into a U.S. carrier battle group. That warship was a Canadian frigate, HMCS Regina. When she served with the task group, she became known as the USS Regina, the USS part being obvious, and the Regina because, frankly, the task force commander thought “vagina” sounded dirty. (Laughter.)

The original 1958 NORAD agreement went for ten years with a possibility to extend it further. Between 1968 and 2000, the agreement was reviewed, revised, and renewed nine times. In 2006, Canada and the United States agreed to finally commit to this relationship, and we renewed the NORAD agreement in perpetuity. At that time, we also agreed to the three NORAD missions that continue to this day: aerospace warning, surveillance, and warning of aerospace threats to Canada and the United States, including from ballistic missiles from anywhere in the world; aerospace controls, the active defense of North American air space when attacked by aircraft or cruise missiles; and finally, maritime warning, surveillance, and warning [of] maritime threats to Canada and the United States.

Unfortunately, the end of the Cold War didn’t actually mean the end of history, and the new century has brought with it new and renewed challenges. The spread of terrorism by violent extremism, the proliferation of cruise and ballistic missile capabilities, increased competition among major powers and reduced respect for international norms and international values and international order.

It has also brought with it the return of an old dispute in a new form. Russia today still possesses the unique ability to threaten our attack of North America with both ballistic and cruise missiles from air and sea. Since 2008, Russia has also adopted a much more belligerent attitude towards the United States and its allies, including Canada. Well, Russia today is still flying the same long-range “Bear” bombers that NORAD was created to counter. Today’s TU-95 bombers are more modernized and much improved. Additionally, they are now equipped to carry extremely long-range and load servable nuclear and conventional Cruise missiles. They’re flown by evermore competent and experienced air crews.

Even more troubling, in Georgia, Ukraine, and Syria, Russia has demonstrated both the capability and a propensity to deploy military force and to deploy in new and unexpected ways. The little green men who seized Crimea, for example, or more critically from the NORAD perspective the use of long-range bombers to conduct strikes with long-range cruise missiles into Syria. NORAD’s days have all been to meet these and other challenges and to position ourselves to take advantage of new opportunities and new technologies. We’re experimenting with new plans, new strategies, and new organizational concepts.

In last year’s Vigilant Shield, our annual war fighting exercise, we sent NORAD aircraft to Thule, Greenland, for the first time to test what contribution that might make to air surveillance and control in the high north. Last night, Ambassador Heyman proposed joint work on replacing the North Warning System, and I’m pleased to tell you all here today that that work has already begun. The United States and Canada have already established a binational

steering group to manage the eventual replacement of the North Warning System, our network of surveillance radar across the Alaska coast and northern Canada. The North American Air Defense Modernization Program in the 1980s and 1990s that gave us the end of the U.S. North Warning System was our last major capital binational investment in NORAD infrastructure. That investment has served us well, but the North Warning System is getting old, and in a new century both demands and will provide new capabilities.

For the first time ever, the United States has agreed to undertake a binational analysis of alternatives with Canada to explore surveillance systems for all domain situational awareness of the northern approaches to North America. They've never done that with any other ally. This analysis will inform decisions both in Washington and Ottawa on appropriate technology investments to make, to give NORAD that system of systems for next generation all domain surveillance capabilities. The North Warning System needs to be replaced, but it can't be replaced one for one. There are new ways, space bay sensors, other technologies that will have to be employed, one, for reasons of cost and, two, for reasons of capability.

Since its creation in 1958, NORAD has always been paired with a partner U.S. Command, an initiative that was Continental Air Defense Command, which became Air Defense Command. Later it was U.S. Space Command, which merged with Strike Command, and since 2002, our partner has been USNORTHCOM. Like NORAD, NORTHCOM has three missions: homeland defense to the United States; defense support for civil authorities, responding to disasters, both natural and manmade; and third, theater security cooperation with the Bahamas, Canada, and Mexico. While NORAD and NORTHCOM missions are complementary, they are distinct and different and based on very different authorities.

But one of the issues we face within the headquarters is since 2002 that NORAD and NORTHCOM have become increasingly integrated. Today we have only one operational director that is separate. We have a J-3 operations director for NORAD and an operations director for NORTHCOM. All of the other directors inside of the headquarters are fully integrated. What that means, effectively, is there are Canadians in NORAD billets and common directorates that are doing some of NORTHCOM's work, and we are happy to do it. It is covered by the agreement. But at the same time, it is important to maintain the distinctions from what we agreed to do bi-nationally through NORAD and what we need to do bilaterally, and that involves NORTHCOM's cooperation with Canadian drug operations command.

So for example, in my two-and-a-half years in headquarters the question of support across the border often comes up. There's the U.S. military that come to the support of Canada across our shared border. I've had the commander look at me, point and say, "so we're good. Do we go?" And I go, "No, sir, we got this. We're good with this one." I've heard senior members of the staff, actually much to my chagrin, with the best will in the world, say you know, from a NORTHCOM perspective responding to these types of disasters, there is no

border. I have to go up to the general officer actually, sir, there is a border. It's there for a reason, and it's serving both of us very, very well.

For while Canada and the United States have agreed to a combined defense over North American airspace, but not to a common ballistic missile defense, maritime home and defense and land defense, for example, remain conducted bilaterally. One challenge in working together for our common defense is not limiting the freedom of action of Canada or the United States to taking battle action if they consider it necessary.

Another challenge, particularly today, is how do you manage a coordinated multi-domain defense of North America between Canada and the United States of inner land, sea, space, and cyber, if required? We have a basic defense document, we have a combined defense plan, but we do not have a single comprehensive binational command scheme or organization. There's no single headquarters in Canada or the United States responsible for the overall defense of our two countries. Instead, that mission is shared by NORAD, USNORTHCOM, and our Canadian partner command Canadian Joint Operations Command in Colorado Springs.

Across NORAD American and Canadian servicemen and women take pride in serving together on one team, regardless of uniform, military service, or nationality. We have the watch, and with our colleagues in USNORTHCOM, we truly are two commands with a common privilege. We're preparing new innovative plans for an even more effective combined defense of our nations involving NORAD, USNORTHCOM, Canadian Joint Operations Command, and U.S. partner commands and allies outside of North America.

The first objective of these plans in the first instance is to deter attack against Canada or the United States from whatever direction and where necessary to successfully defend our nations and our fellow citizens. What we can't deter, we can't defend. This is an exciting time at NORAD and USNORTHCOM as we face these challenges together. What's more, this spirit of partnership extends across the defense and security relationship, and it views our bilateral relationship as a whole. We literally have each other's backs. Some years ago when I was working on the job, I heard a story about our border service agents. Before we chose to arm our Canadian service agents on the border, an inebriate and somewhat belligerent American citizen presented himself at the entry points. He was refused admission to Canada. He returned to his truck, somewhat irked, picked up an axe, and headed back to the border. The U.S. customs and border protection agent who was on duty, and was armed, stepped out of his office, saw the citizen coming up the road and said, "Excuse me, sir. Where do you think you are going?" And he said, "Well, I am going to go and teach that Canadian a lesson." The American border officer smiled and gentlemanly said, "No, you are not. Go home and sleep it off."

It's said that we can't choose our family. We can only choose our friends. Canada and the United States are family, literally. There are hundreds of thousands of people who moved back and forth across our border over the centuries. It is estimated today that more than a million Canadians live here in

the United States and between one and two million Americans live in Canada. I would like to offer another personal example from my time at USNORTHCOM and NORAD. When I joined the command in 2007, the NORTHCOM deputy commander was a U.S. lieutenant general from the State of Vermont, General Michael Dubie. General Dubie's family had moved from Canada some years previously, well before his birth. He still had family in Quebec where they are known as "Doob-ay."

Together, as I said before, we have built the most integrated and innovative secure continental countries on the planet. We have the most intimate and effective military relationship of any two nations on earth, but let me repeat, it didn't have to be that way. It requires constant work and attention. External factors have encouraged our defense cooperation, but they have not demanded. Instead, as friends, we have chosen deliberately to pursue it, and as friends, we must continue to consciously work at it.

That's why I am so pleased to be at this conference today, because it is very clear what we're doing in this room. What you have been doing through this forum is contributing overall to that relationship. Each of us, Canadian and American, contributes to a relationship, to a partnership between the United States and Canada that is unique and valuable in the world, not just to ourselves, but it is a relationship that was never inevitable, and it should never be taken for granted. That said, we shouldn't shy away from our disagreements. We have disagreed before on nuclear weapons, on antipersonnel land mines, on ballistic missile defense, on the war in Vietnam, and on the war in Iraq. We will disagree again as friends.

So where is the defense relationship going? Sometime later this year the Canadian government will issue its defense policy review. Sometime after that, the U.S. Government is expected to release a strategic defense review. In the mandate letter that was received from the Prime Minister, one of the key items for his attention was the bilateral defense relationship with the United States, which is so essential to both of our countries. It's a relation which has extended beyond defense and into security but at the same time would be balancing both sovereignties and the separate legal jurisdictions that we have on both sides of our shared border. I would like to think that up until the 20th century borders were the lines that separated sovereignty.

What 9/11 has demonstrated and what our experience shows is that borders are increasingly the place where countries have to plug in most effectively as we heard in the presentations from U.S. Coast Guard and Canadian Coast Guard. The border now is where we have to work effectively together to protect both of our populations and our economies, and quite frankly, it is an area which Canada and the United States present an example to the world, and again, it is not just a benefit to ourselves but a benefit to others.

On that note, I would like to thank you for your attention. And I would be happy to take any questions for any time remaining. (Applause.)

MR. BATES: Please.

MR. HORNBY: You noted that there will be a defense review that will be released sometime in the coming months. Do you think that Canada is going to

review the decision to participate in the ballistic missile defense in North America, particularly [because] the times have changed considerably from the era of Star Wars when president Reagan was in power, and there are new threats such as North Korea?

MR. BATES: I actually know for a fact that a review of the decisions with regard to ballistic missile defense is inside the [Defense Policy Review (“DPR”)]. As of now, a decision hasn’t been made as of which way to go. A lot of people say that the ballistic missile defense in Canada has always been political. That’s why we said no in 2005.

Reviewing the record, I would like to go further back and point out we actually said no to North American ballistic missile defense multiple times since 1968, and that our objections to missile defense have always rested on three components. One, we weren’t sure the technology would work in ‘05 when we made the decision the technology was new. I can tell you that my colleagues in NORTHCOM are quite confident in the ability in the existing system to deal with the threat that it was designed to deal with. So the technology is proven, but thankfully so, not proven for actual use. The second was: Was it worth the money? Our American colleagues have already spent over \$50 billion dollars in a ground-based interceptor, and from a Canadian defense perspective, that’s a huge amount of money. Do we in Canada think that our defense dollars will go into that or go into an exhibition, expanding special-forces capability? So that’s going to be part of the debate. The third part of the question for Canadians has always been what will be the effect of U.S. ballistic missile defense on other countries, particularly Russia and China. I would argue that Chinese force modernization and force expansion was a direct response to the deployment of the BPIs after ‘05. That, however, has already happened, so that’s in the past.

So I would say it is the, it’s one of the big reasons why I can only say that the DPR will come out later this year. I understand it is one of the big points that is still being debated in Ottawa, and we are waiting to see how that comes out. I can say, however, in the current circumstances NORAD does the ballistic missile warning function. We tell both the United States and Canada whether there is ballistic missiles north [of] North America, so when the Koreans are testing their missiles as they have been more frequently this year, NORAD will make a determination as to whether that poses a threat to North America. If it did, we would then hand over the active defense machine of NORTHCOM, and that happens seamlessly, and my colleagues at NORTHCOM will take the shot.

We have a good relationship, the system works the way it is right now, so that the last possible outcome will be one in which we complicate the situation in that we already have a situation that works for both countries. Sir?

AUDIENCE MEMBER: Can you speak a little bit more to the cyber—where you are now, and how involved you have to be? That’s a new threat.

MR. BATES: I can speak to cyber. A previous commander was very interested in NORAD taking over a cyber-warning machine. However, insofar as the manner in which cyber has evolved in both the Canadian forces and U.S. services, you have [U.S. Cyber Command (“CYBERCOM”)]. Canadian forces,

we are establishing our own cyber organization as well, so for right now, the NORAD mission and the NORTHCOM mission is defined by my commander, General [Lori J.] Robinson. We are responsible for defending our own networks. That's all we are required to do, and frankly, that is all we are resourced to do. The rest of it we leave to CYBERCOM.

Now, that said, when I spoke about the partners that we have, [U.S. Strategic Command ("USSTRATCOM")], [U.S. Transportation Command ("USTRANSCOM")], [U.S. Utility Command ("USUTCOM")], [U.S. Cyber Command ("USCYBERCOM")] is going to be one of our partners in defense in North America if we ever actually have to execute that mission. We have a very close relationship with CYBERCOM on some of these aspects. We have an even closer relationship with Canadian forces in USCYBERCOM.

One of the great things about our relationship, the quality of our relationship, the defense partnership is we have led the way for other acts. One of the questions I heard asked this morning was: Does the U.S. want friends and allies or not? I mean, that's a big question. The Secretary of War has been talking about a third offset strategy to maintain American military friends around the world, looking at technology. I've argued, and will continue to argue, the major advantage the United States has with respect to any potential adversary, whether it is Russia, China, or somebody else is the United States is the only major power that actually has allies. Despite the enormous amounts of money the United States has invested in defense, you can't do everything. So allies like Canada, one, we provide capabilities that are needed; we can provide access and ability in countries where it is harder for America to operate such as places in Africa, for example, and the folks that we bring in on the cyber side and on the space side. We're doing the same thing on the space side, coming up with a new, finalized capability to manage space defense, cyber defense in a coordinated way across our allied partnership, which is going to be so important, not just to the United States and Canada, but for all of us.

ASSOCIATE PROFESSOR PARRAN: Thank you so much. At this point, can we just give Peter another hand? (Applause.)

We're running a little late, so if we can just take a five-minute break, stretch the legs, restroom, and reconvene back here for our next panel. Thank you. (Recess had.)