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Canada-U.L. Law Institute Special Webinar on the 2020 U.S. Election – The 2020 U.S. Election: Implications for Canada

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CANADA-U.S. LAW INSTITUTE SPECIAL WEBINAR ON THE 2020 U.S. ELECTION – THE 2020 U.S. ELECTION: IMPLICATIONS FOR CANADA

NOVEMBER 10, 2020

Speakers: Dr. Christopher Sands & Chios Carmody

ASSOCIATE PROFESSOR CHIOS CARMODY: For those of you I haven't met, my name is Chi Carmody, and I'm an associate professor here at Western's Faculty of Law and the Canadian national director of the Canada-U.S. Law Institute. The institute was founded in 1976—that's forty-four years ago—as a joint creation of both Western Law and the Case Western Reserve University School of Law in Cleveland, Ohio. And it was founded by none other than our former dean, and later governor general, David Johnston, to examine legal issues of relevance in the Canada-U.S. context.

And we're here today in this webinar to welcome and hear from Professor Chris Sands. Chris is a senior research professor and director of the Center for Canadian Studies at the renowned Washington-based School of Advanced International Studies—also known as SAIS—at Johns Hopkins University. They're located in Baltimore but also have a Washington, D.C. campus, and that's where SAIS is located. And earlier this year, Chris also accepted a concurrent federal appointment as director of the Canada Institute at the [Woodrow] Wilson [International] Center for Scholars.

Now, from 1993 to 2007, Chris was a fellow and director of Canada projects at the Center for Strategic and International Studies. And from 2007 until 2016, he was a senior fellow and director of an Initiative on North American Competitiveness at the Hudson Institute, a well-known Washington, D.C. think tank.

In 2009, Chris was our Canada-U.S. Law Institute distinguished lecturer here at Western Law where he spoke, at that time, on the Obama opportunity for Canada. And for the last few years he's served very capably as a member of our institute's Executive Committee. His most recent book is *Canada-U.S. Relations: Sovereignty or Shared Institutions?*, and he's currently working on a book on the evolution of North America's political economy.

Chris is an American, but he's an American who knows a tremendous amount about Canada—more, I think, than probably most Canadians. But, I think it also stands to reason. Chris originally hails from Detroit where his dad, Gary Sands, taught for many years in the Department of Urban Studies at Wayne State University. So, Chris is therefore both a Red Wings and a Tigers fan. But, when nobody's looking, he also likes to root for the Caps, the Habs, the Canucks, and those ever-benighted Maple Leafs.

(Laughter.)

He's here today to speak to us about the 2020 election and its implications for Canada. And before passing the mic over to him, I'm going to thank both Susanna Eayrs, our Faculty of Law's communications officer, and Corey Meingarten, our systems administrator, for helping to make this event possible.

I'd also like to point out that, as with any webinar, Chris's remarks and some to-and-fro between us, we'll be taking questions from the audience, so please feel free to forward them via the "chat" function during our conversation or thereafter. So, Chris, welcome to this webinar.

DR. CHRISTOPHER SANDS: Thank you, Chi.

ASSOC. PROF. CARMODY: And what's your take on the 2020 election outcome?

DR. SANDS: Well, thank you very much, and I mentioned in one of my posts on social media that I had first given this lecture at the very beginning of the Obama administration, I called it the "The Obama Opportunity for Canada," and here we are now twelve years later and we're looking at Obama's vice president on his way to becoming president. So, it's fitting that I'm back. I don't know why you didn't invite me to give a Trump opportunity for Canada presentation—that would have been interesting.

(Laughter.)

ASSOC. PROF. CARMODY: Well, I was going to ask you Chris, if—and maybe we'll save it for later—there's a Biden opportunity for Canada and what that would be. But, I think in the to-and-fro that you and I have had before this conversation, we wanted to give you some time to maybe make some preliminary remarks. So please, go ahead.

DR. SANDS: Sure. Absolutely. So, let me start by talking about the election and what's happening in the United States, and then I'll talk a little bit about where the opportunity might lie, and I'd really be happy to have questions.

So first, what's happening. One of the fundamental changes that we're seeing in the United States is occurring because for almost forty, fifty years, we've had the baby boom generation as the largest cohort in the American electorate. And that cohort had fairly stable ideas of what a Republican or what a Democrat looked like. And so, the parties, which in the United States are sort of big tent parties that try to vacuum up as many votes as they possibly can, and are driven competitively to try to win elections, ideology being a secondary consideration—it's all about keeping everyone in the tent. And in that dynamic, as the baby boomers have gradually gotten older, they've come to all the senior jobs—they run the political parties.

But as of this election, we've seen the millennial generation become the dominant cohort in the electorate. And so, part of what you're seeing is the older generation trying to figure out how to win the younger generation over, and the younger generation being frustrated that their politics, their priorities, are not necessarily reflected in what they're seeing from the political parties. And if you know people on both sides of the border you can see that dynamic, which is frustrating to a lot of people, but is a necessary part of the change.

Now, one of the things that comes from that, which I think is very important to keep in mind for Canadians, is that the nature of the parties is also going to

change. Donald Trump's election was a kind of milestone historically, because for a long time the Republican Party was for strong national defense, free trade and balanced budgets, and low taxes, and a certain amount of social conservatism—opposition to abortion, and promoting prayer in schools, and other sorts of values. Whereas Democrats were the pro-union, labor union party that cared about the least fortunate and focused on identity politics issues for trying to champion minorities, whether they were African Americans, Hispanics, or LGBTQ. Any group that felt itself a minority was going to, they hoped, identify with the Democrats.

And that's the old system. And what Donald Trump did was respond to a famous book by Ruy Teixeira which argued the United States was, through immigration, going to become a majority-minority society. Having had White, Anglo-Saxon males as the—and women, men and women, I guess, both—as the majority for a long time, we were suddenly going to have a majority that you could assemble from African Americans, plus Latinos, plus Asians, plus a few other of these groups.

And that, for those Canadian viewers who think of, sort of, the old line about the Liberal Party—that it was the “natural governing party” of Canada because it was so centrist—the Democrats were preparing to be the natural governing party of the United States. That is, to run the U.S. forever.

While at the same time, Republicans were wondering if there was any future for them. And they kept trying. Compassionate conservatism under George W. Bush, Mitt Romney was going to be kind of an efficient businessman president, you even had John McCain running on a sort of a patriotic soldier who hates war kind of dynamic. All of those were attempts to try to retool the Republican Party and, although George W. Bush did get elected, the others didn't, and the Party was in some turmoil.

As a result, here in the Washington Beltway we had these rich discussions about, “What is a conservative?” Different magazines had their own brands. It was William F. Buckley, or it was libertarian conservatism. Lots of debates about neoconservatism, and all these varieties. Where Democrats looked much more comfortable, much more stable. They knew who they were, they were supporting the expansion of the welfare state—Obamacare being, or the Affordable Care Act being the latest brick in that wall that included social security, Medicare, Medicaid, and other programs. So, they were fine where they were. It was the Republicans who were in trouble.

And Donald Trump came at that very weak party like a freight train and pushed a lot of the speculative pretenders to leave the Republican Party aside, and instead substituted an idea, which is that the Republicans would be the workers' party. A party of blue-collar, hardworking people, including non-college educated and some college educated men but also women, against political correctness, for traditional values—because often the labor union contingent does have a certain amount of social conservatism, at least in terms of family and wanting to have some autonomy within the family. And he successfully built a majority using that in 2016.

And it should be remembered that, in this election, he had nearly half the electorate very much behind him. Not only did he not lose his base, but he was able actually to expand. And the 2020 election showed something very important, which was the proof of his concept.

In 2020, he showed that he was able to win significant numbers of African American men, Hispanic men, and suburbanites who saw in his appeal something for them which they didn't feel they were getting from the Democrats. And during the Obama years, of course the Democrats had changed, not intending to, but had become very much the party that spoke for Wall Street and for the big tech companies in Silicon Valley. They almost always gave their donations to the Democrats now, and the Republicans had really lost them. There was a bit of a Main Street versus Wall Street tension, where Republicans did better with small business, but this was a kind of dynamic that the Democrats found themselves in possession of. And so, in 2016—very anti-establishment year—Trump didn't want any of those people. He was happy to have them, you know, support the Democrats and he was able to paint Hillary Clinton as an establishment candidate, "more of the same," and he was something different.

So, the fascinating thing about the 2020 election in this particular context is that Donald Trump ran, having delivered on most of his promises to his base and having delivered a relatively good economy until the COVID pandemic threw the economy off track. And Democrats moved, first, to eliminate all of the candidates for the Democratic nomination who might have been identity politics candidates, or on the hard left, chose a centrist. And then not just a centrist, but someone [who] grew up in Scranton, Pennsylvania—that was where he got his start, even though he's a senator from Delaware. Someone who was traditionally successful in reaching blue-collar workers—kind of, the lunch pail crowd.

And this was the Biden promise: that he would be, in some ways, a return to normal—a return to the old Democratic Party trying to bring union members over. And it does look, although we don't have all the good data yet on this election, it does look that he did get a substantial number of union voters to come back to him, which may have been the crucial factor.

The problem though, that we now face, is different depending on which party you're looking at. The Republican Party, having come through this election with Donald Trump still dominant, is now going to become much more that workers' party appealing to a variety of working-class, blue-collar and lower-middle-class, middle-middle-class aspirational types. And the Democrats have to figure out, are they the party of Joe Biden, which is a kind of backward-looking formulation for them, or are they the party of the Black Lives Matter, LGBTQ movement—the activists in the party. And if you look at the Democrats today—and, of course, you can see this on social media but also on television—the energy in the Democratic Party is on the left. Not the center-left but the left. And Joe Biden comes in, as a sort of figure, basically imposed by the Democratic establishment on the party, who represents the center.

And how those two coexist is going to be the story of the next four years. Many of the people on the hard left of the Democratic Party are impatient. Now, why are they impatient? They waited eight years under Obama, who always said

what they wanted to hear but didn't deliver everything they wanted to get done. And then they were told, "Don't worry, we're putting Hillary Clinton up. We know you don't love her, but she will deliver on all of these progressive policy priorities. She'll say that she's for all of that . . ." which she did, ". . . but she is a more centrist figure, more comfortable for Middle America, so she can actually get elected, and you've got to get elected first or you can't do the things you want to do." So, they said, "Okay, Hillary Clinton." They went behind her, but ultimately lost the election.

And then it wasn't just that they got somebody they didn't like, they got somebody they hated. Donald Trump was pushing hard against them on everything.

So, they had four horrible years under Donald Trump, and they wanted another change. And what they got was not Pete Buttigieg, not Kamala Harris as the leader, not Elizabeth Warren, and not Bernie Sanders. What they got was Joe Biden, who brought Kamala Harris—interestingly, not Elizabeth Warren or one of the figures who might have been more popular with the progressive left. Kamala Harris is not that popular on the progressive left. She was a prosecutor, she threw people in jail, she has kind of a, you know, mean—well, I won't say mean—she has a tougher image, and she's not seen as a progressive bleeding heart by any stretch.

So, they were forced to accept her and now they think, and I think most of us agree, Joe Biden's probably not going to run for a second term. And the heir apparent, Kamala Harris, is not really their kind of candidate. So, the next four years will be about, for the left of the Democratic Party, getting as much done as possible. And there's no time to be patient, no time to wait. They want action today. That's hard because of the Congress that the American public elected.

Now, there's a huge debate in the literature of political science on strategic voting—do people actually do it? Well, it appears, one could make the argument, that the American people did strategic voting this year, particularly when you look at districts where Joe Biden, you know, outperformed all of the Democrats and actually Republicans were elected to a House or a Senate seat. There were a number of those.

ASSOC. PROF. CARMODY: Right. Yes.

DR. SANDS: It seems as though many voters wanted at least a Republican Senate and some Republicans in Congress, to be a check on Biden. Not because they didn't like Biden, but because they don't like the Left, and they didn't want to go to that Hard Left.

That's the best news for Joe Biden in a long time, because what it means is he can say to those pumped up factions that want action now, "I would help you, I'm all for you, I would do everything you want, but those rotten Republicans are in my way." And that will be helpful.

If we follow past patterns, two years from now, in 2022, there will be midterm elections that will go even more in favor of the Republicans, because that tends to be the midterm case. So, Joe Biden's term will be about centrism, and negotiating with Republicans to get things done.

Can it be done? Yes, I think it can be done. But maybe the question is, what do you care about in Canada? What is important in this particular environment for

Canada? And I've written a little bit about this. I hate to go back to my greatest hits. I could just send you a link and you could read that. But I will just give you a couple things.

I think what we're likely to see in this administration, and this is very important, are the things that get bipartisan support. You watched the renegotiation of NAFTA [North American Free Trade Agreement]. The renegotiation NAFTA gave us the USMCA [United States-Mexico-Canada Agreement], or CUSMA in Canada. It's maybe not everyone's dream agreement, but it does preserve Canadian market access. And although we had a snapback of aluminum tariffs earlier this year, they were snapped back from pre-USMCA. USMCA stipulates that all attempts to use section 232 tariffs—not that I think Biden's going to use them much—have to have a sixty-day cooling off period, an opportunity for diplomacy, to work them out before they're imposed. That's a huge protection for Canada.

In addition, that USMCA—maybe not the perfect agreement—won record support from Republicans and Democrats in both the House and the Senate. More Republicans and Democrats voted for this agreement than voted for NAFTA, no surprise, the Uruguay Round at the WTO, a bit more surprising, but even more support than for the Canada-U.S. Free Trade Agreement. And everybody loves Canada.

(Laughter.)

So, this is an indication that this was really a popular agreement.

And what does it boil down to? Well, getting into the details, I'm happy to do that in Q&A. What it boils down to is the U.S. wants to expand market access where it has a competitive advantage—high tech, pharmaceuticals, that sort of thing. But we want to reserve the right to protect our declining industries and protect those jobs. So, some room for old protectionism.

And you'll notice that it does also provide for “Buy American”—any domestic set-aside, as long as you're using taxpayer money, is allowed now. So, I think this is going to be a very durable guide to Canadians of what they're dealing with in the U.S.

And before you get too depressed, I would just add that most other countries didn't get a deal with the Trump administration. And the trade promotion authority under which that agreement was negotiated was actually won by Barack Obama in 2015, in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015. Trump didn't think he could get more permission than the Congress gave Obama. And the Congress gave Obama permission to negotiate with so many contingencies and strings attached. It was the most restrictive grant of trade promotion authority since the 1974 Trade Act, which was the, you probably all remember, the great achievement of the Gerald Ford administration. Okay, I'm from Michigan, I love Gerald Ford, but nobody else does.

(Laughter.)

So, that was their big achievement. So, you've got that agreement.

That trade negotiation authority had one extension allowed, which Trump asked for, which carried us through to June of 2021 . . . end of June, so July 1. There is a little bit of a chance for the Biden administration to, for example, rejoin

TPP [Trans-Pacific Partnership] using that trade promotion authority. But starting from scratch, whole new agreement? There's no time.

And so, I think, in that sense, where other countries now have to deal with a much more protectionist U.S., Canada and Mexico got in early. And I think this is something that, I know Trudeau got a lot of pressure on this and there were a lot of insults back and forth and Chrystia Freeland, you know, running in circles. But this was an accomplishment, and one that I think will bear Canada in good stead.

There are a couple other bipartisan priorities, I'll just mention a couple.

ASSOC. PROF. CARMODY: Sure.

DR. SANDS: First of all, we have a consensus on fiscal policy. It's not one that I love, but it is a consensus for spending more and taxing less. That's really a bad recipe, but it is very popular. And it's popular because the baby boomers still have a lot of control in the U.S. system right now. They're still around, and they're about to retire—some of them have—and if they retire, they want to make sure social security is there, they want to make sure Medicare is there for them.

It's also true that millennials share that agenda, and they share that agenda because they've had a hard start—some of you may be millennials also. Had a hard start, tough economy, they're still trying to figure out, like, "How do I get on the career ladder?", "How do I get a mortgage?", "How do I get myself started?" and they feel a little bit held back. And their parents, the baby boomers, are getting older. And the problem is that, as the baby boomers get older, their kids aren't financially well-off enough to necessarily have mom and dad move in with them.

And the other thing about the baby boomers—and I don't speak about anybody personally—but the baby boomers had a very high divorce rate and remarriage rate, and what that does to the inheritance of the kids is it basically spends it all before the baby boomer dies. There's not a lot of money coming. All the intergenerational wealth transfers came earlier, like help with college funds and that sort of thing, maybe even help with mortgage assistance. But the social programs are going to be kept going. And I fully predict, you can call me back in ten or twenty years . . .

(Laughter.)

. . . that the next step is going to be student loan forgiveness for the millennials, because they're a big enough generation to demand it. And you might not care about that much if you're in Canada, because you have much more reasonably priced college tuition, university tuition. Although, I will say Chi needs a raise, so it could go up a little bit.

(Laughter.)

But otherwise, it's very reasonable. But in American schools, it's so out of line that I think it's really crippling that generation. So, I think we'll socialize those debts and then pay them, like with taxes, on a progressive basis based on income. And that will help us move through the generation.

Another area where both parties seem to agree—and this won't shock you—COVID is bad, we have to do something. I know during the election there was a sort of blame game—who was more responsible, who realized it sooner—but you can look all over the world, there are some countries that did marginally better and marginally worse, but nobody had a magic wand to make this pandemic go away.

The U.S. has spent a lot of money already. \$2 trillion in the first stimulus. We tried to do \$1 trillion before the election. We failed. We've got another \$2 trillion promised by Joe Biden and it's probably not the last one. So, huge amounts of money, a lot of it going into research and development. I have great confidence in our university researchers, and not just because I teach at Johns Hopkins. They're going to find something. We already have positive news on Pfizer. But rolling out a new vaccine, new testing, and kind of learning to live with this threat is a bipartisan priority. You won't see people fail to vote for this.

And I think that will also extend to getting the economy going afterwards. We're all for what the Canadian American Business Council calls the North American Rebound. I mean, who's not for having the economy come back? So, that's another area where you'll see the two sides work together.

And there's one more, which I'm probably going to get—if there are any of my American friends on there they're going to be saying, “Well, we're going to call bullshit on this one”—but, I will say I actually think the other area where there is a broad consensus emerging is on climate change.

ASSOC. PROF. CARMODY: Hmm.

DR. SANDS: Now, you might not think that, but I think there actually is and there are a couple of elements of it. One, and this is where the American debate's a bit different than the Canadian debate, Donald Trump showed that going after coal, and going after fossil fuels, and having a sort of cavalier attitude like, “We're putting you guys out of business, and what you're doing is evil for the planet, and we're trying to shut you down” is not good politics, because those groups vote. And they know what they've been doing. On the other hand, not doing anything on climate change is not good politics either. So, the new consensus is, we're going to move forward on climate change.

If you look at our carbon intensity, even though we didn't sign the Paris accord, or we walked away from it, we're actually performing pretty well in the U.S. But it's all technology, it's all the movement away from coal to natural gas. There's more to be done. So, I think the answer is going to be a very pragmatic approach to reducing emissions any way you can, but without going after particular segments of society that are dependent on old sources. Just trying to transition them away from those old sources.

There is a great literature on energy poverty, and the inequity of dealing with energy prices. And just to give you a sample, you might say, “Okay, we've got to get rid of fossil fuels, so everybody needs to go and buy a Tesla.” Teslas are not that cheap. Even Priuses are not that cheap. And if you are a poor person, or maybe lower-middle-class, you are locked in, in your energy consumption, because of the car that you have. And over time, yeah, you'd be happy to upgrade if the price came down. But you have an inelasticity of demand because of your sunk cost in the car, and a lack of capital to make that transition.

You might not remember, not everybody will remember, we used to have these incandescent light bulbs?

ASSOC. PROF. CARMODY: Mmhm.

DR. SANDS: Apparently they're legal in the United States again now, but we were told we had to get rid of them. You could only buy those [CFL] light bulbs,

the little curlicue ones that were popular for a while. Now we're on LEDs, but for a while those curlicue ones were popular. But whereas the old light bulb cost a quarter, fifty cents, the new light bulbs cost five bucks. And when you have lamps and you need to have something to put in your lamp, that was a ten-time increase in one of your fixed costs. And that comes out—for, you know, working families—that comes out of, I don't know, the college fund or, you know, family vacation. The cumulative effect of a lot of environmental regulation has been to raise the costs on those least able to bear it.

And so, the consensus that's emerging in the U.S. is we have to get there together. And that means we all have to pay the costs of transition based on our ability to pay, and we can't expect people of limited means to be the ones making the big changes while, you know, wealthy people buy a Tesla and, you know, that's easy for them.

That, I think, sets up a very potentially important meeting in Glasgow in December of next year. The Glasgow UN [Climate Change] Conference was expected next month, but because of COVID they've postponed it by one year and Glasgow will still host. And I think it's a really important meeting because Joe Biden has the ability to make that one of his signature achievements in foreign policy. Pulling together an agreement that isn't just Paris, but is what I would say Paris plus—the new Glasgow agreement.

And what is that? What's the basis of that? Every agreement we have negotiated so far from the Kyoto accord, even the Montreal Protocols [Montreal Protocol on Substances that Deplete the Ozone Layer] frankly—although that was, you know, you sign up if you want—but the Kyoto accords all the way through Paris and with Copenhagen and some of the other agreements in place in the middle, was an agreement in which the West was expected to make major changes to reduce our carbon intensity and our carbon emissions. And, if and when we achieved certain targets, then China, India, other emerging markets would begin to make some cuts themselves.

And the underlying logic of that was geopolitical. Developing countries said, “You guys got rich destroying the environment, you get to clean it up. And we are going to get rich, and when we're rich enough, then we'll stop destroying the environment too.” And it just was a fairness argument, an equity argument. And it made a lot of sense to leaders, and that's why we never really argued against it. But, if you look now, what China, India and other major developing countries are doing on the environment—mostly because technology's advanced and there are affordable options for them—they are moving in a very good direction.

I fully expect at Glasgow that those countries will offer basically what they're doing already. They won't say they're going to do huge new things, but they will say, “We are also going to start cutting now, and you are cutting now.” That is a more equitable agreement.

And one, if there's equity on the home front by not putting people out of work and worry about costs, this is equity internationally. So, all countries are contributing, nobody's left out. If Trump were still around, I would say that's what Trump would call a “better deal.” It's certainly a deal that will have more durability and more political acceptability in a lot of countries.

And remember, we're coming out of the COVID recession. It's going to be a rough couple of years until we get back to where we are. The OECD [Organization for Economic Co-operation and Development] estimates—I feel bad saying this to students—the OECD estimated last month that, for the delay of the pandemic just that we've had so far, just for that period, people in K-12 education can expect to see a three percent reduction in lifetime earnings. Three percent, and that's for OECD countries. Imagine what it's like for developing countries. It's quite severe.

So, it's going to take us a while to get back to normal, and we are going to be a bit, I think, pragmatic. Still aspiring to do the good things that the millennials and people on a progressive side of the scale have asked us to do, tempered now in a bipartisan spirit by trying to make sure that everybody comes along, and nobody is disproportionately paying the cost of that transition. And I think the Biden administration is a step in that direction, but so too is the Congress which gives him the foil to be able to navigate and puts us on a track to a much more centrist policy going forward.

With that let me stop and take questions. Was that a good enough opening? Or do you want more, less?

ASSOC. PROF. CARMODY: Well, I think one thing that Canadians have questions about coming out of the Trump years is China, because Canada, as you know, was sideswiped. We were sort of kiboshed in the middle of what was going on between Washington and Beijing, and we've got the two Michaels who are still in detention in China. Are we going to see an end to this under President Biden? Or will there continue to be hardball tactics against China? And will China have some sort of incentive to continue not to cooperate with the United States, with Canada, with a lot of other countries? What's your view?

DR. SANDS: Well, some of the China confrontation, I think, will continue. Both parties—the establishment, but also a lot of people throughout the parties, like different members—have come to the conclusion that the hope of the Clinton administration, really the George H. W. Bush administration, that China's peaceful rise could be managed, that rather than having a disruptive, rising power that ends up leading to war—which arguably was the case with Germany in the twentieth century, and Japan—here we would accommodate the peaceful rise and China would join the great powers of the world, and if we did it right we'd avoid a major war. That was the prevailing attitude from Bill Clinton through to Donald Trump.

But even late Obama, the sort of idea behind the peaceful rise, the hypothesis of a peaceful rise, was starting to fall apart. And it started to fall apart because of what I think of as three traps that China perceived had been sprung on them, that limited their ability to rise. They saw it as hypocrisy from the West to say, "You can peacefully rise but only on our terms." And here are the three traps.

The first was what they called the "green" trap. We think of climate change as a science-based concern for the entire planet. Many Chinese leaders felt that climate change was a way for the West to put a negative characterization of Chinese growth and its industrial development. That we were going to stigmatize China to make it harder for them to develop and to suggest that their development was hurting everyone else, rather than that it was a positive thing that the world should admire—a developing country that went from amazingly high poverty to

actually becoming one of the second . . . well, now the second-largest economy in the world and, before long, the first. They felt that this was a soft power, you know, knife in the ribs and were quite angry about it, which is one of the reasons, going back to the earlier conversation, why they were very reluctant to sign on to global climate talks.

The second trap was what was called the “Belt and Road” trap. And here, they have a little bit more justice because there were a lot of American-influenced actors saying, you know, “The Belt and Road, the Asian Development Bank, these institutions that China is setting up in contrast, or as their own version of the IMF [International Monetary Fund] and the World Bank, these are dangerous. They come with strings attached. And if you take Chinese money they will, before long, send their ‘repo men’ and debt collectors to shake you down . . .”

(Laughter.)

“ . . . and soon they’ll own all your infrastructure, and they’ll corrupt all your politicians, and before long you’ll lose your independence, as China extends its empire.” Many Chinese felt that this was an attempt to take a good thing they were trying to do for the world and make it stink, because the U.S. didn’t want a competitor on this generosity, sort of, soft power . . .

ASSOC. PROF. CARMODY: Yeah, gravy train. Yeah.

DR. SANDS: And so, the Chinese were very angry about that, especially when countries like Sri Lanka, Pakistan, and others were pushing back against them. So, that was trap number two, and both of those really alienated a lot of the current Chinese leadership and helped Xi Jinping—who’s much more of a hard-liner than some of his predecessors, certainly than Deng Xiaoping—to really harden his stance, and see the U.S. in particular as being hostile to China’s future.

Then came the third trap, which is famously the “Thucydides” trap, which you’ve seen written about—there’s a book, soon to be a movie, I’m sure. And this was the idea that goes back to Thucydides’s [*The History of the Peloponnesian War*] that, when you have a rising power and declining power, there’s a high propensity for war unless the rising power can tranquilize the falling power so that it just kind of sinks below the waves without a major conflict. And so, as long as you do conflict avoidance, you’re fine.

The problem is that China came to see this as the U.S. attempt to box in China. So, they couldn’t pursue their interests in the South China Sea, they couldn’t pursue their disputes over islands with Japan, because immediately the U.S. would raise the stakes of a major war in order to get China to back down. And they felt very constrained by this. And Chinese military doctrine would chafe against this, like “We think we need to show strength, we think that the leadership will pull us back because they bought into this trap.” And the trap is you can’t go to war with the Americans at all costs, and it was causing problems in China.

So, those three traps set China on a collision course with the U.S. that was full spectrum. At the same time, in comes a populist and nationalist leader in Donald Trump, who then says it’s more than a strategic conflict—it’s an economic conflict, it’s a soft power conflict, it’s a global conflict. And he ups the ante across the board. That had broad support in both parties, and I think is going to endure the next administration, but let me talk about how.

So, the first problem is Joe Biden. The accusations that his son was involved in wheeling and dealing and making money in China will hurt him. They may hurt him to the extent that the Republicans are able to press that case, that's true. But there's enough there that it will be an embarrassment to the administration. And it will be hard for Joe Biden to be nice to China because everybody will say, "Oh you're only nice to them because they bought and paid for you." A little bit similar—and I hate to say it—to Trudeau scandals over the WE [Charity] Foundation, or, you know, vacationing with the Aga Khan. It may be that you have a lot of integrity and you're not going to be turned by this favor that was done, but people won't believe it.

And so, his credibility being nice to China will be diminished by the accusations, unless they can be successfully refuted. And in the middle of the election there wasn't anything. I mean, it's almost surprising. Vice President Biden denied nothing. Even didn't deny that the laptop with all Hunter Biden's embarrassing emails on it was real. So, I suspect that's because there's something there—maybe not everything you read in the papers, but something. And so, that will limit Biden's ability to be soft on China. He'll have to be somewhat tough.

But here's where I think there's an opportunity for Canada. Obviously, nobody wants a military conflict. The Trump administration shifted U.S. geostrategic strategy so that we were focused on great power competition and not on the savage wars of peace that we've been fighting in the Middle East. We're just going to focus on the big guys, and China is front and center. So, everything is in motion. A huge deterrence campaign, advanced technology—Biden inherits all that, so that's a good position that should let him avoid a war.

So, then it comes down to, "What's he really going to fight for?" And what many observers here, who follow China better than I do, suggest is that we're about to pivot in the United States, from a period in which we were focused on trade conflict and trade imbalance, and we wanted ourselves to get, you know, more sales from China and we wanted to equalize, you know, imports and exports and stop them from stealing technology, to a focus on human rights, because this is much more something that the Democrats have been comfortable with. Human rights as in the crackdown in Hong Kong and how far that goes, human rights as in the Uyghur population and the way that they've been treated in Xinjiang.

And also, significantly, Tibet. And Tibet's been off the radar. But I'm not telling you anything that isn't in the *New York Times*. The Dalai Lama is quite elderly, and there is going to be a struggle when he passes to name the new Dalai Lama, which Tibetan Buddhists believe is actually not a question of politics but something that comes from the heavens, and the Panchen Lama will emerge and that will be the future leader for the community. There is someone believed to be a Panchen Lama in India that the Dalai Lama looks after, but there's another rival candidate that China has put forward.

So, what happens in Tibet? This is one of those strange issues, there are an amazing number of American congresspeople who really care about Tibet—I mean, for a place that's far away. I don't know whether we blame, like, Ringo Starr, or any of the other people who really just, you know, champion Tibet, George Harrison . . .

(Laughter.)

ASSOC. PROF. CARMODY: Richard Gere.

DR. SANDS: Yeah, Ravi Shankar, you know, like who knows what it is, but they're very influential.

So, all of those things. That shift says less tariffs, more sanctions—and targeted sanctions. We already have some Magnitsky [Act] sanctions that are targeted at individuals in the Chinese Communist Party, and it's just probably the beginning because, for Democrats, this is an issue on which they will want to push because it's, in this sense, China's fault. They want to parameterize China's behavior and not have them crack down so much.

This shift is good news for Canada. And the reason I say so is two things. One, Canada has been skeptical of tariffs on China—although angry at the way that China has treated Canada in recent years—arguing that Canada has a lot to sell China, and these [tariffs] are self-defeating, and they're not going to condition a change in behavior. But sanctions, on the other hand, are something Canada can consider because of the focus on human rights and values in both Trudeau-era foreign policy, but also the same was true for Harper, who you may remember, before he got to hug a panda and bring one back for the Toronto Zoo, was briefly a human rights campaigner and critical of China until they made him back down. So, I think this would be a very comfortable shift in issues.

It should be remembered, and certainly this audience probably doesn't need reminding, there are about 365,000 residents of Hong Kong who are dual passport holders and have Canadian passports. That gives you a significant stake in Hong Kong. It certainly won't be hard for a Canadian prime minister to join with the U.S. if there is a crackdown in Hong Kong that leads to deaths. That will fit in perfectly.

And also, I think it clarifies the situation with regard to Meng Wanzhou and the Huawei case. Now, you're going to have to bear with me a little bit on this, but Canada was served a warrant to arrest Meng Wanzhou at her passing through Vancouver for one crime, principally, and that was setting up a series of shell corporations in order to sell Huawei products in Iran in contravention of U.S. sanctions. Now, they were U.S. sanctions because the U.S. was the one country in the Iran deal that we had—the JCPOA [Joint Comprehensive Plan of Action]—to reimpose sanctions, arguing that Iran had violated its behavior. Europeans did not, although under a lot of pressure from Trump to do so, and Canada did not.

Joe Biden is part of the administration that negotiated that Iran deal. He has said many times he thinks it was a mistake to walk away from it, and that it would be important to reinstate it. And if that happens, which he may or may not be able to do because there are a lot of critics of it in the Congress, and even if it doesn't, it's important to recognize that Joe Biden does not care about that issue. And if he's looking to establish a good dialogue with China—and I think he should start with some gestures to kind of let them know, like, “Mean old Trump is gone, this is the U.S. trying to be friendly”—one that would carry, I think, some weight in Beijing would be to withdraw the warrant and let Canada return Meng Wanzhou to China.

If the U.S. withdraws the warrant, there's no more case, so you don't need to worry about extradition hearings, that just drops. It is as easy as that. And why would he do it? Because he doesn't agree with the reason that she was arrested in the first place. So, he just withdraws the sanctions and we're fine. So that, if you will, is the sort of, is the thing.

Now, what does that mean for Canada? Well, if Meng Wanzhou is returned to China, then we would expect the two Michaels to be returned to Canada. But that doesn't necessarily automatically happen. That's a connection most of us make between the two cases, but it's not necessarily an explicit linkage. And so, for that to happen, there has to be a coordination between Washington and Ottawa so that when one thing happens, the signal goes to Beijing, "We will proceed with this, but you have to do that, and this is a *quid pro quo*." I think Biden would win a lot of fans in Canada for doing it that way, but I just stress it's not automatic.

Having done that, I think you will have lowered some of the pressures and the tensions between the U.S. and China, and started the new sort of relationship for this administration and Beijing on a better footing. It will also hopefully lead to the withdrawal of some of the sanctions, or some of the tariffs slammed on Canada over canola and other products by the Chinese.

And it will probably lead to the end of the phase one deal. And this is something that some of the trade policy analysts have pointed out, I'm sorry to say. The U.S. phase one deal with China that Trump negotiated in 2019 was premised on China buying \$250 billion more from the United States in a year. And they didn't, they made pretty sad progress towards it. But what we put in that deal was, the only thing that would qualify towards that \$250 billion target were primary products—agricultural products, energy, construction products like cement and steel, and of course energy, but also softwood lumber. And because of that deal, more than the tensions with Canada, China switched away from buying those things from Canada to buying those things from the United States because they had to.

If Joe Biden also walks away from the tariffs and the phase one deal is no longer necessary, this is another bit of good news for Canada because it will take a while for, you know, feelings to heal, but Canada has the potential of going back to selling some of those things to China. And I would argue as an American that is a good thing, because it makes China more dependent on the West, and that is a way in which we will encourage them to remain a peaceful neighbor. If not peacefully rising at least a constrained rise with, as Reagan says, trust but also with us verifying that they're behaving nicely.

ASSOC. PROF. CARMODY: Right. Trust but verify.

DR. SANDS: Yes.

ASSOC. PROF. CARMODY: Yeah. So, we have some time for questions now from the audience, I have . . .

DR. SANDS: And there's one in the box.

ASSOC. PROF. CARMODY: And there is one in the box. So, this is a question that maybe follows up from the comments that you just made on alleged Chinese influence and the corruption of foreign politicians. Any thoughts on that?

DR. SANDS: Yes. So, first of all, I don't think the Chinese have a good answer for this. Of course, they deny that the Confucius Institutes and others have been involved in influence. But we're finding out more and more about their attempts to turn research professors, Chinese grad students, or students in our schools, and others, to gather intelligence for China. It's been going on for a long time. But one of the things that has happened, just in the last couple years, is that the U.S. FBI, through its counter-espionage efforts, and the Canadian Security Intelligence Service have been doing monitoring. They have been gaining the right to, sort of, wiretap and monitor emails, and they've been making arrests. And there are quite a few people who have been arrested already in the U.S.

This is a rolling up of a network of agents, some of whom are nice people, they just needed research grants and took it with strings attached, which is sort of the Chinese MO [*modus operandi*] on some of these things. But I don't think they have an effective answer to it. The most likely resolution of this is that we find as much of it as we can, and we send those individuals back to China or we prosecute them under the law.

That, by itself, won't stop the problem because a good proportion of Chinese espionage on the West is done through cyberattacks. And you've seen hacking of the Office of Personnel Management database here in the United States with information from the security clearances of federal employees, a wide number of whom have had their personal information—including stuff that was given in confidence to the government—hacked. We have major corporations that have been hacked for trade secrets. And the only effective response is to create countermeasures, defenses but also the ability to attack on our own.

I think what we need to recognize is that China has a great capability in these areas, and we've underestimated it for a long time. We probably can't stop it, but we could deter it. And if we make it clear that the price of China continuing to do this is going to be an effective pushback—maybe the deportation or quick arrest of individuals, maybe some sort of economic sanctions, *et cetera*—then China will stop. But that's the logic of deterrence. They're too self-interested in doing it to stop, I think, of their own volition, until we make them realize that it's not in their interest to continue. They'll still do so in other countries.

One of the parts of the question was corruption of politicians, and yes, absolutely. You saw this report from the Canadian Security Intelligence Service that they were aware as early as 2010 of Chinese influence operations and money given to Canadian politicians. And they had the list, and it was well known, or at least they knew who they were, and they were keeping an eye on all of this. So, it's not something we have to wonder. We know that that's gone on.

I think, in some ways, the Meng Wanzhou case was extremely important in that regard for the United States. We watched as Chinese influence turned politicians in Australia and politicians in New Zealand. We saw them attempt to subvert politics in India. India is a tough country, you can bribe a few politicians and there's a million more, so there was always, kind of, a less successful operation there. But we saw their attempt to turn politicians in European countries. And then countries that are sort of leaning towards China anyway, like Singapore—which

is kind of caught in the middle—we know certain politicians had been corrupted, and in developing countries even more.

So, we had this picture that had emerged. And the U.S. intelligence community believed there was nothing we could do if corrupted politicians wanted to protect that corruption. So, if we had a partner like Australia that said, “We’ve heard some of our politicians been bought off,” or Great Britain, okay that’s fine, they’ll help us, we’ll deal with it. But we weren’t so confident without that commitment, without that recognition in country. So, we were doing a lot of briefings in those countries—“Here’s what we know about the attempts to corrupt your politicians”—and some of them would be in denial, and some would say, “Okay, we’ll look at it.”

Canada, by making the arrest of Meng Wanzhou, proved something very important, which is that the security services of the United States and Canada are closely tied. Note that that warrant was served while Justin Trudeau and many of his cabinet members were at a G20 meeting in Argentina. It was not briefed to the Prime Minister before the arrest was made. In fact, the warrant was given the morning of to officials in Vancouver, didn’t go through Ottawa, to make sure that, as rapidly as possible—it was a legal executable warrant—and that the arrest would be made, that they thought they could defend.

When that happened, some of the people who complained in Canadian politics were some of the people we suspect were involved in taking money from the Chinese. And you had this huge debate, “Well let’s just send her back, we don’t want to fight with China.” Some of this, rumored to be bought and paid for by Beijing.

The result, though, that was important was that the Canadian security services were reliable, that the Canadian military was reliable, and ultimately, even if there were some Canadian politicians who grumbled about it, Canada stood on the American side.

Those kinds of tests are acid tests. That’s when you realize that your ally is true blue. Not to say they weren’t tempted or there weren’t individual Canadians who weren’t tempted. But in the main, Canada stuck by the U.S.’ side. And I think that has really strengthened our partnership in looking at Asia and other parts of the world in ways that I think most Canadians wouldn’t have even known it happened. But it’s a really important development. And we’ll never stop it but maybe we’ll deter it, and I think the good cooperation between U.S. and Canadian security services in trying to roll up those espionage networks and secure our electronic networks is a very good sign going forward.

ASSOC. PROF. CARMODY: Now, I have two questions that have come up here from our audience and I’ll roll them together, but they seem to follow from this train of withdrawals that happened under the Trump administration. Train of blockages, train of unsettling events that took place. One of these events was the decision by the United States to block appointments to the WTO’s, the World Trade Organization’s, Appellate Body—its court of appeal. And as a result of that, last December the Appellate Body lacked quorum and ultimately had to go lights out.

So, its work is now suspended. There is a lot of question about this for its implications for the trading system. Very briefly, Chris, what are your thoughts about Biden maybe trying to move to reactivate this and other international fora that the United States has played a little tough with recently?

DR. SANDS: I think it's a very good question. The good thing about Joe Biden, or one of his good qualities, is he is a very traditional centrist Democrat. We know a lot about his views about international affairs because he spent so long on the Senate Foreign Relations Committee, chaired it for a number of years. So, a lot of senators do a lot of domestic work, we don't always know how senators and presidential candidates feel about the world. He's someone who's not only traveled quite a bit around the world, including Canada, but he's someone whose thoughts about that world are, you know, easy to know about, and he's been very consistent over his many years.

So, he is a multilateralist, and he will embrace multilateral institutions as a reflex. However, the Trump administration had a different plan, which was one for reform of multilateral institutions so that they were offering a better deal for American taxpayers. And, while I think Joe Biden will reengage, that reform agenda has broad support. Maybe not the Trump style of going about it, but the reform agenda.

I'll pick on one that's easy because it wasn't in the question, but that is the NATO Alliance. You can go back as far as, gosh I think Richard Nixon, and every president without exception has given the same speech: "The allies need to spend more on national defense. You can't rely on the U.S. to pay all the bills. This is unfair." And that has been around forever, is a bipartisan concern, Joe Biden will also take that same line. That's just fundamental.

However, Donald Trump actually got results. Not great ones from Canada, but from a number of countries in Europe, we've seen increases toward achieving the 2 percent Wales commitment of 2 percent of GDP spent on defense. And that's an encouraging sign, especially with countries like Germany. We'll see who replaces Angela Merkel, if they stay on that track, but certainly Britain and France are moving in those directions. Poland's already there. A lot of the frontline states near Russia have done so out of self-interest.

But that movement is really a positive movement, and it allows Joe Biden to come in and say, "Great what you're doing, keep it up." But he doesn't have to be the bad guy, he can be the good cop now just praise everybody for making those steps.

So, let's talk about some of the other institutions. The WTO comes up first because we always talk about trade in Canada and the U.S. And the WTO Appellate Body—obviously the WTO still exists, there is its initial Review Body and then the Appellate Body, which is where you take a case you lose. This is an area that's been a contentious point for the U.S. ever since the establishment of the WTO with its Appellate Body, in part, because those panelists are not accountable to the governments that appoint them. And the U.S. has made the argument, going back to the previous question, that China has subverted a lot of these individuals, and that they are giving rulings with, sort of, window dressing arguments in favor

of the Chinese because the Chinese are spending a lot of money enriching individual Appellate Body members.

At the beginning of the Trump administration, we all expected that Trump was going to come hard against the WTO. But also, in Argentina in December of 2017, we had a speech by Robert Lighthizer, who I think deserved a lot of the credit for USMCA. He was a very interesting, very intellectual, and kind of obnoxious guy but he had Trump's number, and he had good Trump support. He called for a reform of the WTO on four points. And those four points remain, I think, very mainstream. There needs to be a graduation for developing country status. China, among other countries, second-largest economy in the world, still claims developing country status and therefore does not accept all the disciplines of the WTO. U.S. claim that's ridiculous—they've got to accept those claims, and they can't just self-decide when they're developed or not. You know, you have these high-speed trains, you look at Hong Kong . . .

ASSOC. PROF. CARMODY: Right.

DR. SANDS: . . . you look at Shanghai—how is this a developing country? I mean, it has developing regions but, hey, so does the U.S., a lot of poor areas. So, that is probably the biggest piece.

You know, there's fewer plurilateral agreements, like the Government Procurement Agreement [Agreement on Government Procurement], which only includes a handful of states. There are a number of agreements like the General Agreement on Trade in Services, the TiSA [Trade in Services Agreement], which are only a few states. The argument is, the WTO should be advancing broad liberalization not narrow communities of interest or coalitions of the willing. That's not an unreasonable thing.

Reform of the Appellate Body, so that judges have greater accountability. There are a couple proposals out there. These are the sort of things that the U.S. look for.

Canada, to tremendous great credit in my book, undertook to build a group—a ginger group as they say in Britain—to think about how WTO reform could be addressed. In particular, how a new WTO round could be organized.

Now, this is a critical question because the last WTO round was the Uruguay Round. There was, for about a weekend, a Seattle Round and that died. And then there was going to be the Doha Round, which went on for a number of years, but ended inconclusively. There were some things that came out of it but not a broad liberalization.

So, we have been, since 1996, stuck without a major reform. It is hard to argue, just like it was hard to argue that NAFTA didn't need an update, it's hard to argue the WTO doesn't need an update. And I think that Robert Lighthizer, had the election gone Trump's way—and who knows maybe it still will—but had it gone that way, Lighthizer would have now focused on WTO as probably his principal target.

I think Biden is much more likely to focus on TPP. But the question remains, can we do a WTO round? And Canada's interest as a classic middle power is, how can we get the U.S. and China to resolve their economic differences, not with the trade war, but with a WTO round? And if China agrees, or is at least open to having

a WTO round, Canada will get a lot of the credit, and the European Union—Canada, European Union put that group together.

If that happens, that is the one thing I think that would help Joe Biden get trade promotion authority out of the Congress, to go in. Because it would have China in it, and if we can resolve our . . . without a huge trade fight, I think partly because Trump's been the bad cop already, this is another area where there's an easy win waiting for Joe Biden.

And I'll just make one last comment on that. I think Joe Biden has to spend a lot of his time on foreign policy, for two reasons. One, he thinks a lot about it. It's his whole record, like he cares about diplomacy *et cetera*. Two, presidents have more freedom of action in foreign policy than they do in domestic policy. And his domestic policy agenda is going to be tough because Congress is tightly divided. He'll have a lot of great announcements, but he'll have to fight for every penny. It's going to be exhausting. It'll mean a lot of compromises. He'll have all these, sort of, Hard Left progressives yelling at him. It'll be frustrating. So, presidents in that situation, they want to do lots of foreign policy because then they can feel good about accomplishing things. And I think that'll be a great temptation for Joe Biden.

And on the UN system—WHO, some of the other organizations the U.S. has walked away from—I think a Biden administration will engage. However, I wouldn't have great hope, because the view of the UN in the eyes of Americans is so low. We've seen it as corrupted and problematic for a long time. I'm not sure UN reform or a reform of UN institutions is going to be a priority for Biden. He'll still rejoin the WHO. But probably he'll say, "Yes, we'll rejoin, but here are all our conditions, and here's how we're going to, you know, make sure it works more effectively." So, I suspect that'll be part of it too.

ASSOC. PROF. CARMODY: Well, thank you very much. We're out of time. We have just about exhausted our questions, but I think we've also exhausted you, Chris, so thank you very much and . . .

DR. SANDS: We could've had more questions if I had shorter answers.

ASSOC. PROF. CARMODY: From the great white north, which is not so white—at least not here in London, Ontario today it's a beautiful sunny day—I wanted to thank you very much, and to thank our audience. You guys and gals and everybody in between has been great. We look forward to continuing this conversation. Thank you very much, Chris, and good luck in the months and years ahead.

DR. SANDS: Thank you very much, and if I can just add for your viewers, I'm not hard to find on Google. If you had a question that you didn't get an answer for today, or there's something that comes up as you're having breakfast tomorrow, send me an email or reach out, I'd be happy to try to answer questions one-on-one the best I can, because I didn't give you a lot of time for Q&A.

ASSOC. PROF. CARMODY: Thanks again.

DR. SANDS: You're welcome. Thank you, Chi. Bye bye.

ASSOC. PROF. CARMODY: Bye now.