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Deconstructing the Summit – Journalistic Insights and Analysis

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DECONSTRUCTING THE SUMMIT – JOURNALISTIC INSIGHTS AND ANALYSIS

STEPHEN PETRAS: Thank you very much, Colin. We greatly appreciate those remarks. Our first panel today is titled *Deconstructing the Summit: Journalistic Insight and Analysis*. And we are very pleased to have Diane Francis as the moderator of this panel. Diane is a member of our Executive Committee [and] is an award-winning journalist and columnist. She is very well known in Canada and the United States. If you're not reading her columns, you really should. They're insightful, extremely well researched, and provocative. In addition to that, Diane is known as the editor-at-large of the National Post. So, Diane, over to you to introduce your panel.

DIANE FRANCIS: Okay, thank you very much. And I'm looking forward to this discussion. To my fellow journalists here, we do have a different way of looking at the world. And that's for sure. So, I'm going to just say a few brief comments. I think what Ambassador Jacobson did last night really set the table and the tone for the whole conference this year. I really particularly enjoyed the analysis that if you get the big stuff right, the little stuff will sort it out itself out, or it won't be that important. With that in mind, and we have had big disagreements before, but we don't seem to have very many rights now with the exception of what to spend on NATO commitment. We'll get into that in a bit. What I wanted to say was that I've been a journalist for 50 years. I was a teenage immigrant to Canada, and the changes in the two countries are really quite interesting [since there appears to be] a cultural merger. Yes, there's polarization in both countries, but there's like-mindedness when it comes to basic values. I think thrust of policy has never been closer, and it gets closer and closer. So, we're sort of like siblings, not neighbors. We have our little fights once in a while, but that's part of being a sibling. It's a great partnership.

Let me introduce our two panelists. James McCarten is with Canadian Press in Washington DC, and he is an esteemed journalist and is a Canadian, from Alberta, who is covering the United States from a Canadian viewpoint. So, he will have some interesting insights that I will ask him to discuss. He will be followed by Robert Sean Berger, who is the editor-in-chief of Industry Week. So, he's a business writer like I am, but he has a different slant on things. And he will also probably lend a little bit more of his attention, as I do, to the economic partnership whereas James will, being in Washington, be caught up in the political stuff to a certain extent more than the others. So, I'll start with you, James, and give you about 10 minutes. We also, by the way, have a nice virtual audience for this session. And for the conference, I just wanted to mention that they're online. What we're going to do here is I'm going to ask them to deconstruct from their unique viewpoints and their perspectives as journalists, the last summit between Biden and Trudeau, which took place in Canada, including on body language, the statements, the whole protocol around it. If there were any digressions or any hints as to things and sort of how important that is. Then more broadly, from the summit, what they see the state of the two nations. James, over to you.

JAMES MCCARTEN: Well, thanks, Diane, and thank you to everyone for having me here. I feel like I want to say off the top to a room full of people who are such experts in this area. Those of us who are kind of in this field couldn't do what we do without the expertise in this room. We're not by any means experts, we're documentarians, if anything. We rely on folks like you and the expertise that's gathered here today to understand a lot of these issues, and we couldn't do what we do without you guys. I'm thinking back to the shell shock from 2017 and 2018, and the renegotiation of NAFTA. We'd have been lost if it hadn't been for a lot of the expertise in this room. So, thank you for that.

We heard a lot of last night, certainly and always when these topics are discussed, we hear a lot of these sort of quotes from former presidents and diplomats, and I tend to run on a slightly lower tier. So, for me, certainly since getting to DC in 2018, the quote that's been running through my mind almost on a regular basis, certainly consistently, is from a different American philosopher and scholar by the name of Homer Simpson, who, in a conversation about reading maps, once said, "Oh, Marge, anyone could miss Canada all tucked away down there." It really, to me, is such a brilliant joke, because it proves I think that there were Canadians on the writing staff, because it works, obviously, for an American audience. But it's a very, very sharp commentary for a Canadian audience, which, of course, is well steeped in the lore that Americans don't often pay a lot of attention to Canada.

To see this summit come together in the way that it did, and admittedly, I think there was a great deal of build-up, it was delayed for a couple of years. Of course, there was a four-year period prior to that when Canada-US relations were nothing like they are now or had ever been before, I think it's safe to say. So, I think that was a big, a big sort of driver of a lot the emotions around it. It wasn't Barack Obama, but it was close. I think that's one of the things that struck me the most, particularly from that US perspective, which, in the course of the last four years, I've come to realize, and this is not something that you necessarily glean working in Canada. But working in DC, you find out very quickly that as important as Canada is to the US, there are a lot of other things going on the US agenda. It is not at all surprising that from time to time, Canada's concerns might not necessarily be top of that list. For me, even though it was a brief Summit, it was only 24 hours, there was a lot of discussion. I think too, there were also perceptions. There were expectations in the Prime Minister's office that it would be more than it was. We were getting indications in the weeks leading up that they were planning on multiple days, they were planning maybe on some off-site visits to maybe go look at some critical minerals, mining projects and things like that it became very truncated. I don't think that's particularly surprising. Nonetheless, there was a real sort of triumphant feeling around it. I've been sort of obsessed with why that is. And I think it is probably because it was a bit of a relief valve for a lot of these tensions that had existed prior.

There were open questions about the US commitment to Canada, certainly the Biden Administration's commitment to Canada going in. Day One, of course, we had the Keystone Pipeline decision. There have been lingering issues around a number of different files, certainly energy files, [Enbridge] Line 5 comes to mind. First of all, the Safe Third Country Agreement Amendment was the big headline. That really kind of drove the tone because the expectations had been that the US had absolutely no

sort of stake in making that change. And yet, they did, and not only did they did they announce it at the Summit, but we found out that it had been in place for quite some time.

To me it was an indication that, for at least this 24-hour period, Canada had a certain amount of muscle. Canada had some pull in this relationship because it is always framed as Canada sort of on the American doorstep looking for things and hoping that the door gets opened and getting in and all of that type of thing. This felt a lot like, for at least that period of time, the US was allowing this pivot to take place where a lot of Canada's needs and desires would be addressed, which I thought was striking. I do think that a lot of that has to do with a kind of across the administration perception. Even two years after the fact, two years after the President's inauguration, that they were still doing cleanup; they were still trying to rehabilitate Canada-US relations, rehabilitate US relations with countries all around the world as a result of the previous four years. It has to be looked at through that lens. I think we have to temper our excitement, a little bit about it. But really, across the board, there were very few indications that Canada wasn't getting a lot of what it needed. I think we all understand that the Safe Third Country Agreement, the amendments that were made there. For those who maybe don't understand, now the agreement extends across the border, it doesn't simply apply at ports of entry. So, anybody who is trying to cross between those ports of entry and claim asylum in either country will be sent back. It was an enormous political victory for the Prime Minister, one [that] I think had been in the works for a while.

[I think] Part Two of this summit was that it was it was engineered as a big political win for the Prime Minister. The Safe Third Country Agreement renewal had been negotiated back in the spring of 2022. Prior to the Summit of the Americas, when we saw, a fairly unremarkable commitment from Canada on dealing with the issue of irregular migration, which was surprising to those of us who were there. We were expecting Canada to make more of a commitment. Now we understand why they didn't, because they already had. We just didn't know about it yet.

The question persists as to why it is that that deal wasn't announced at the time. There's some reporting out there to suggest that the logistics of getting that put in place in the US are going to take some time. The more conspiratorial side of me says that they wanted to make a splash with the Biden visit, which you will remember was delayed multiple times. So, I think that's part of it as well. Bottom line is, from a Canadian perspective, it was, I think, very successful. There are a number of different things that we probably need to talk about that didn't get addressed, or at least, didn't get publicly addressed. I think we will. Line 5 is one of those as well. There were expectations in Ottawa that the two sides would at least discuss that. They probably did, but we didn't hear about it. There were expectations that there would be more pressure put on Canada to agree to a joint reference under the International Joint Commission concerning Elk River Valley pollution. They have agreed in principle to reach a deal. It's an agreement to agree. But it stopped short of the joint reference that a lot of critics have been looking for. And there's a lot of mystery around what's going on there as well. There are certainly some issues. I do think that the victory, the sense of a big win for Canada should probably be seen through that lens that the US felt it needed to give Canada a certain amount of traction in that regard. Then, of

course as we'll talk about these reports about what the Prime Minister reportedly said about spending on NATO. We can talk about that in a minute.

DIANE FRANCIS: What was the chemistry like?

JAMES MCCARTEN: Well, it's funny, because I had always assumed, and we would often see evidence of this and some of the other summits and some of the virtual discussions that would take place, that there would be a generation gap. Right, that this Prime Minister and this President would maybe have a bit of trouble connecting. But by all accounts, the affection that is there is genuine affection. To me when I look at Joe Biden, I think again that you have to temper your expectations a little bit. Everybody that I've spoken to who's been in the room, when the two of them are together and talking tells me that there is an authentic genuine affection between the two men, which I think is incredibly important. I don't think you can necessarily get a lot done if you're not necessarily going to be able to see eye to eye. We see these types of stories all the time where anyone in with any kind of experience in the diplomatic corps will tell you that it's always easier to get things done when the two leaders get along. And I think that they genuinely do. So, in that respect, I don't want to underplay the true sort of affection and success of the particular summit. But there's no doubt that the relationship between two leaders, I think, really does suggest a genuine, meaningful affection both between the two leaders and between the two countries. In that respect, I think it's authentic. I think it's real.

Ambassador Jacobson spoke last night about [these] reports in *The Washington Post* and whether or not they are going to potentially have a lasting effect on the relationship. I'm hopeful they won't. Because I think at the end of the day, we're not necessarily talking about anything that hasn't already been talked about, right? This wasn't a real revelation in many respects. I think the chemistry is good. I think we're going to see it manifest itself going forward in a way.

The other thing Diane that's important is Ukraine. The fact that it almost felt like the war in Ukraine was a pivot point, right? When Canada was able to demonstrate its solidarity with the US, it felt like everything changed after that. It felt like a lot of the issues sort of went away; they all kind of disappeared; everybody was focused on this one collective goal. It put everything else in perspective.

On the point that the Ambassador made last night, that it is a big thing. That is important to both sides, it's incredibly important to the United States. I think that has kind of lowered the temperature across the board on just about everything else. In that sense, I almost feel like it's a sort of a bit of a panacea for a lot of these issues. It's made everybody understand that maybe we don't need to have these fights. As long as we can kind of keep this coalition together, we're going to be okay. Which is why the NATO spending story is so significant. As the Ambassador pointed out, it does have the potential down the road to erode what is already, I think, pretty fragile public support for the idea of multilateral and multinational operations overseas. Regardless of who's involved and regardless of what the stakes are, there is still a strong sentiment in this country that they don't want to do it anymore. I think that's the biggest danger. It'll be interesting to see how that plays out.

DIANE FRANCIS: That's excellent, pretty interesting. We'll revisit some of those ideas in a bit. Robert, you can talk about the summit. You can talk about it from

an economic and business perspective or by an America viewpoint or any other viewpoint you want to. Over to you.

ROBERT SCHOENBERGER: Thank you for inviting me today. Just a little bit of background, I've been here in the Cleveland area for about sixteen years, with The Plain Dealer for most of that. Then for roughly the past two years I've been with Industry Week. I was the Automotive Reporter here in Cleveland for most of that time. Most of my understanding of the U.S.-Canadian relationship comes through Windsor.

The ongoing joke that anyone who spends any time in Detroit knows the Journey song is a lie. There is no such thing as South Detroit. That *is* Windsor; that is the only place where you can go south from the United States into Canada. So, it's a wonderful relationship and that corridor from Windsor all the way to Toronto is littered with car plants and supplier plants. I find it fascinating that Cleveland-Cliffs is one of the primary sponsors today because they represent the old, very historical model of Great Lakes, U.S.-Canadian economic relationships. You would mine iron ore in Canada, send it down to the U.S., treat it, turn it into steel, and send it around the country.

It's also representative of how much that relationship has changed. The work that Cleveland-Cliffs is doing in Canada right now is no longer just mineral extraction, it is compacting the iron into much more usable forms. It is a very high-tech operation. One of the most expensive operations that was put into the steel industry in the past fifty years happened about three years ago through Cleveland-Cliffs up in Canada. So, you're seeing a very mature relationship.

If you look at the bilateral trade between the two countries, half of it is cars and minerals, including oil. About 25% of that is motor vehicles going back and forth and about 25% of that is on the mineral side. One of the things I think we've seen, over about a year and half ago is exactly how vital that relationship is, especially when the protests shut down some of those bridges between Canada and the United States and completely shuttered not just the auto industry, but several others.

NAFTA—now the USMCA—has created this very interdependent relationship between the United States, Canada, and Mexico that cannot be easily taken apart at this point. Anyone who thinks they drive a U.S.-built car, a Canadian-built car or a Mexican-built car is not. Every single component in your car has crossed the border at least ten times before getting into the final assembly. Ford does not make any of its own engine blocks anymore. Most of them come from Nemaq, a supplier in Windsor, with other plants in Canada as well. Without Canada, Ford cannot produce an F-150 pickup.

These are just the standards of the industry right now. We are completely and utterly dependent on each other in very good ways. It has benefited both countries greatly and benefited the industry to a large degree. When I look at the Summit and what came out of it, the fact that it did not dominate U.S. headlines is very good news. It is a very stable relationship. It is a relationship that most Americans take for granted. We only tend to notice risks to the Canadian-U.S. relationship when we're forced to, such as the shutdowns of the border or when there were some actual back-and-forth trade tariff fights a few years ago.

For the most part, this is a relationship that is a bedrock piece of the American economy. The idea that "geography makes us neighbors; economics makes us

partners,” there’s no way of separating that at this point. If you think Brexit was messy, you can’t even imagine what something like a “Canexit” or a “Mexit” would look like from this relationship. We are completely interdependent countries and that has really benefited all parties and accelerated the growth and development of all industries.

The Consul General mentioned how Detroit fits into this and the importance of that Detroit relationship. I think we really saw that this past Monday, with the release by the Environmental Protection Agency of standards for electric vehicle tax credits. There was very strong “Made in America” and “Made in the U.S.A.” language put into the Inflation Reduction Act last year to encourage American car buyers to buy electric, mostly in the form of \$7,500 tax credits. Lo and behold, by the time the actual final rules came out, Canadian-built Chrysler Pacificas qualified for the full \$7,500 tax credits, as do just about every other vehicle using Canadian parts, Canadian assembly, or Canadian minerals in those systems.

The idea that “Made in the U.S.A.” could somehow be just the U.S.A. and not Canada did not even survive language that was very specifically written to do so. The relationship, the diplomatic work being done on all sides to ensure that our interests remain in lockstep were absolutely brilliant to the fact that it didn’t even surprise anyone by the time that the final numbers came out. The only major mass market vehicle that lost any significant amount of tax credit was the entry-level Tesla with the batteries that come from China. Even that one will likely get a full tax credit later this year when they make some changes to sourcing on that.

When we look at how closely tied these countries are, where they go, and where we’re heading forward, I see nothing but a tightening of this relationship. We are seeing a big retrenchment in American industry to onshoring—moving things back from Asia into the United States because the COVID supply chain disruptions really proved exactly how vulnerable we are. But that is not a retrenchment back into a few cities within the United States, it is to North America. Some of the biggest beneficiaries have been Canada and Mexico from that movement. We’ve already seen Ford recently announce a massive reinvestment into Ontario for its electric vehicles there. I think you’ve seen some similar work from General Motors [in Ontario], and Toyota has been investing into Ontario to increase its capacity for hybrids and electric vehicles. If we were really seeing a more isolationist United States, that clearly does not apply to our neighbors to the north [and south].

My main sense is that we still have a very stable relationship and a relationship that continues to only become more tightly entwined. I have not seen a single major industrial investment in the past four or five years that did not have some benefit to Canada. We’re very much seeing that in the electrical vehicle transition that we’re having in the United States. Some of the major supply chemical agreements with Canadian suppliers have shown the value of the lithium production and some of the rare earth mineral production. The United States is really relying on Canada to wean itself off of Asian supplies and to shorten supply chains to lower the cost of producing things by working more closely with our geographic neighbors.

DIANE FRANCIS: Interesting. Were there any business headlines that came out or arose from the Summit?

ROBERT SCHOENBERGER: I think one of the main things that I saw coming out of the Summit was the lack of immediate concern. There was none of this, “Well, softwood timber is going to jump up in price again, and we’re going to see housing start to plummet again,” like they did in 2020 when there were big spikes in the price. Most of the coverage I saw coming out of the Summit was, “Nothing really bad happened this time, so we don’t have to worry about short term price hikes.” That tends to be the predominant American concern when these types of summits happen—something could go wrong with the relationship.

DIANE FRANCIS: No news is good news.

ROBERT SCHOENBERGER: Exactly.

JAMES McCARTEN: Except in my line of work.

DIANE FRANCIS: No news is unemployment. What are the red flags for each of you? Robert, maybe you can kick this off. What are the potential red flags or, the old expression, what should “keep people up at night” and prevent them from sleeping, vis-a-vis the relationship, from your perspective?

ROBERT SCHOENBERGER: I think probably the biggest red flag I see right now is Canadians getting involved in American politics and vice versa. By this I mean, in 2021, for the first time ever, I saw Canadian flags flying around this country in a way that was a protest. I never imagined ever seeing that before, given the stereotypes that we have this polite country to the north, where everyone says thank you much more than we do. Obviously, it’s a diverse culture and a very diverse country, and these things are stereotypes. But when the trucker protest started happening, the sympathetic voices in this country who were upset with COVID restrictions started flying Canadian flags as a form of protest. I saw something dangerous and ugly there in the sense that we’re going to start amplifying each other’s loudest and most extreme voices.

I think we have seen a little bit of that going on over the past year and a half to two years, where some of the anger seems to cross borders as easily as our goods and services do. I think that’s going to start having impacts on things like the energy pipelines and some of these debates going forward.

We could see people trying to make political points in this country by claiming kinship to their Canadian partners because we see people claiming kinship to people all the time in American politics to amplify their voices.

DIANE FRANCIS: How could this play out in terms of infrastructure, [Enbridge] Line 5? Line 5 is the fact that Canadian oil and gas from Alberta and Saskatchewan (for the most part) is sold mostly to the United States, but also sold across Canada via U.S. territory. In other words, because Canadians have not built a coast-to-coast pipeline system for oil and gas for themselves—because of vetoes from Quebec and others—the pipelines enter the United States in Minnesota and Saskatchewan and other locations, they dip down. So, it’s not an all-Canadian delivery system, which is pretty foolish if you’re a sovereign nation, to be dependent on that. What’s worse, it is pretty decrepit and needs replacement – there is a choke point, which is on Line 5, on the Straits of Mackinac.

It’s that exact pipe that takes Canadian oil and gas to Canada, as well as to Ohio and parts of the United States. The threat that that choke point could be stopped, impeded, or even a protest, is going to mean millions of people and industries are

going to freeze in the dark, in the heartland here, as well as in Ontario. That's on us because we haven't had the political smarts to keep a pipeline carrying important products like that inside our country and have it run properly, without dippy-doodling around like this.

That is an extreme concern. It actually is the line that props up Canada's petrochemical industry and Sarnia completely, as well as heats our homes. This is an area that I think is fine now, it works okay, but could be a real problem going forward. Particularly due to the extreme support by American environmentalist movements and foundations to sabotage and strand our oil sands and our oil industry, that is another issue, which is not political, but it's a concern when it comes to this, too. I'd like you both to comment on that.

AUDIENCE MEMBER: Artificially, our government has said if that line shuts down, it would have catastrophic effects on energy supply, both in Michigan and the Midwest, as well as Canada.

JAMES McCARTEN: Just prior to the Summit, the U.S. Army Corps of Engineers delayed their environmental assessment of the project that is at the core of this, which is to reinforce the tunnel underneath the Straits, adding on another two or three years to that whole process, which was part of the impetus for the conversation about it at the Summit, and let's see if we can't do something. Obviously, it's in the courts. It's in the courts in Wisconsin, it's in the courts in Michigan. Michigan is appealing now. It's rather esoteric, but Michigan is now appealing a component of the case in the hopes of getting it back into state court where they feel like they have a better chance of winning than they would in federal court.

It's turning into a real snafu. The line is still running as you point out, Diane. It is nonetheless one of those things that certainly hangs over the energy relationship. Particularly, when you have both Biden Democrats in the White House and Trudeau Liberals in power in the Prime Minister's office, it's less of a priority when the focus needs to be on alternate sources of energy and on developing critical minerals in a clean and environmentally responsible way. I think they're content to have that, at least in advance, not as a five-alarm fire.

DIANE FRANCIS: They're just going to kick it down the road, right?

JAMES McCARTEN: Well, I don't know that they have a choice at this point, right? It's kind of rolling down the hill.

DIANE FRANCIS: We're talking about as much oil every day as Iran exports. It's enormous.

ROBERT SCHOENBERGER: Here's an issue where pragmatism tends to eventually win out. This is a consistent problem in this country where there is this push and pull between economic growth and environmental stewardship. If you look at California, it's been the most aggressive about zero emissions clean air, the first of the big real EV mandates. It's also a state that has made it virtually impossible to build new electricity generation. You have this impossible situation where you're telling everyone to shut down their gasoline engines and convert over to electricity that we'll power with something. It generally is power purchased from surrounding states, because you cannot generate it within the state. These things happen, they eventually lead to changes in regimes. This is what brings in opportunities for alternate parties to come in and gain some power when they say, "We cannot continue

to stick to these really strict ideological standards.” We need to eventually keep the lights on and keep the heat running in northern Michigan and keep the oil flowing to the Canadians.” These are issues that will remain and I’m sure there will be all sorts of problems along the way.

Longer term, though, we cannot transition as quickly as the environmental movement wants us to. There are just too many physical barriers – physics still says “no” to the range of the batteries and to the ability to do certain things without fossil fuels. We’re going to have to come to workarounds and arrangements I am concerned in the short term that there will be some sort of decision that will create a lot of furor. Look at a recent example like the rail strikes in the United States. The unions had everything on their side until the federal government overrode all their rights to say, “It’s time to just get this done because we can’t shut down the entire intermodal surface rail system in the country over the questions about how many people need to be on a work crew.”

JAMES McCARTEN: That’s one of the other interesting connections back to some of the larger issues that are at play here. Of course, one of the other revelations that we got from this recent leak of Pentagon secrets was the notion that pro-Russian hackers had managed to infiltrate one gas company’s computer networks and were essentially lurking with the capacity to cause physical damage and to overload the system. It was neither Enbridge nor TC Energy, so it was presumably one of the smaller companies, but nonetheless, a pretty major red flag that connects this issue back to the question of the war in Ukraine as well.

It goes to illustrate the point that everything kind of flows back to that. That is, in a lot of ways, a nexus for so much of this. Sorry, that’s another sore spot – Nexus. It does demonstrate that all of these things are connected. And again, to the Ambassador’s point, if you can take care of the big things—and the big things are very big—a lot of these other issues can resolve themselves somewhat.

DIANE FRANCIS: Do you see any developing interest, in light of that anecdote, in a heightened security defense system for the major important infrastructures that the two countries will have to start to collaborate on?

JAMES McCARTEN: For sure. The Colonial Pipeline was obviously a target of this as well, in very much the same sort of context. It does suggest, in a different way, than our post-9/11 vision of what a terrorist attack looks like. Going forward, I think there’s a risk that this is what these types of things are going to start to look like. They’re not going to necessarily be large attacks on buildings, they’re going to be quiet, invisible, in many respects undetectable, attacks on the underlying infrastructure. I don’t think it’s a coincidence that they target pipeline infrastructure, because they know that that is a sore spot. It’s a sensitive issue.

I think the other simple truth about it is that it’s vulnerable. We obviously spoke to CSE, the Communications Security Establishment in Canada, who are the electronic spy agency for Canada [after that incident]. They acknowledged that there was a vulnerability. They acknowledged that access had been made in that incident. They wouldn’t talk about it in any great detail, but they’re certainly aware of the threat and have been aware of the threat for a long time, and yet this is something that happened relatively recently.

I think the big takeaway is that there is only so much you can do to protect yourself from that. As long as these systems exist in the way that they do, there will always be vulnerabilities, and there will always be someone trying to exploit those vulnerabilities. When that vulnerability is motivated by politics, undermining these geopolitical relationships to the benefit of someone like Vladimir Putin, it's an ever-present threat. It's only going to continue, and there's only so much you can do to protect yourself from it. That, to me, is one of the most alarming things that came out of that collection of leaks – the fact that a hacker had been tasked with and successfully infiltrated the system, and essentially sat there waiting for instructions. Who's to say that that isn't still going on right now?

DIANE FRANCIS: Yeah, and I think there have been three or four incidents of sabotage of power utility facilities in the United States by an anarchical environmental group.

ROBERT SCHOENBERGER: On the cybersecurity front, this is a growing issue and an important issue, and it is going to be one of the biggest challenges in the cross-border relationship.

Keeping a handle on how big the threat picture is incredibly difficult right now, because even within this country, companies don't want to report. There's been a long history of this in a lot of other industries, where companies want to keep their own flaws as quiet as possible, for whatever reasons. That doesn't really work when you're dealing with state actors who are targeting industries of various types. We need to know where the attacks are coming from, who's been hacked, and how bad the hack was. There have been some changes in U.S. law to really try to create that openness. Our friends out at Carnegie Mellon University in the CERT center are doing some really great work tracking the threats, but the work they do is only as good as the data they're getting. Getting the data shared, including getting our Canadian industry into that, seems like a logical next step.

We're having enough trouble right now just collecting the threat data as it exists in the United States, but we're very much at risk. The hackers and their tools have gotten much more sophisticated. The resources behind them have gotten greater, and it's no longer a handful of criminals sitting in a dark corner, or even the kid in the basement—it is people working in government offices in parts of Russia and parts of Asia, and parts of other countries. I'm sure there are many office parks in the United States who are full of criminals doing this sort of work as well. The threat is growing and the need for cooperation is greater than ever on that front.

DIANE FRANCIS: Interesting. Isolationism and protectionism are something that scares everybody outside the U.S. Is it possible for that to arise again. Is that bubbling along? Has free trade dissipated all of that? I wanted to know from both your perspectives about those insidious trends in the U.S.

JAMES McCARTEN: It's a live issue down here for sure. Politically it plays, right? That's always going to be the issue for Canada. In the United States, regardless of who's in power, it's a bit of political jingoism. It's a bumper sticker slogan; it works. It's incredibly effective. So, that's just, in some ways, the cost of doing business in the Canada-U.S. relationship. It's going to be there going forward. That's part of the reason why the diplomatic strategy in Canada is always about putting things in terms that the Americans will understand (i.e., you don't go into the room

and say, “This is bad for Canada,” you go into the room, and you say, “This is bad for the U.S., because it’s bad for Canada.”) That’s how you get their attention. That strategy has worked.

With the Inflation Reduction Act, there was a tremendous amount of work—quiet, diplomatic work—that went into making sure that Canada somehow got written into the final version of what had originally been a vision of “Made in America” – the richest tax credits will go to those cars that are sourced in and assembled by union workers in the United States. That’s not just good politics for Joe Biden, it’s also where Joe Biden comes from. It’s his philosophy.

That makes it all the more difficult to deal with. The fact that Canada got itself written in, if not by name, then certainly by continent, it went from being American, to North American and was a tremendous win for a diplomatic core that had been working for months, if not an entire year, quietly trying to convince the movers and shakers in D.C. to come around to that. By that, I mean Joe Manchin. It was, in many respects, a Joe Manchin construction. This does tend to be a Democratic issue. It came up with Barack Obama. It’s really not surprising in hindsight that it came up with Joe Biden.

I think, depending on who ends up getting the Republican nomination, the Republicans too have learned that it doesn’t hurt to beat up on your neighbors and your supposed allies as well. It’s absolutely going to be a continuing issue. If it has political power, if it works to get people elected, it’s always going to be around, which I think is why this Summit was so significant.

Prior to the meeting in Ottawa, most of the Prime Minister’s face time with the President came at some of these trilateral summits. We had a North American leaders’ summit in D.C. in 2021. Then, we just recently had the one in Mexico. I think that the Mexican President, certainly in the last few weeks, has been demonstrating the dangers of what happens when your time with the President is also somewhat shared with the President of Mexico. He has been going off in the last few weeks on the U.S.. Canada would never get the kind of oxygen that it got during that 24-hour window had that been a North American leaders’ summit. Lopez Obrador had been there.

I was there in Mexico City for that news conference. I stood behind a camera for the 35 minutes that Obrador did not answer a single question. It’s a sight to behold. He can really pull the oxygen out of a room. He’s doing it now. Mexico-U.S. relations are really taking a beating right now, and it’s all because of him. That was just another instance, I think, where the Canada-U.S. relationship was able to pop out a bit. You could see it in some relief from the trilateral relationship, which doesn’t seem to have the same priorities; Canada’s priorities with the U.S. are not the same as Mexico’s priorities with the U.S. I think that was important as well. It was a strictly bilateral situation.

DIANE FRANCIS: So, they make us look good. One of the things that an American said to me once when the original NAFTA was being negotiated was, “What’s going to be tricky is the fact that Mexico is a foreign country.”

I said, “Well, Canada is too.”

He said, “No, Canada’s *another* country to us, not a foreign country.”

There is a distinction there. In Canadian history there has been a bubbling way below the surface of anti-Americanism, which rears its ugly head occasionally, but not very often.

ROBERT SCHOENBERGER: The question of whether we see this arrival of isolationism again, we saw that a lot during the Trump years. That was a great talking point. Let's take a second and look back at the actual impacts.

We had the very large metals tariffs, which were really poorly thought out if your goal was to increase the competitiveness of American manufacturing, because the vast majority of American manufacturers are steel and aluminum consumers, not producers. We were favoring a very small number of manufacturers over a very large number of manufacturers and what eventually happened was that only the cheapest commodity steel really became fully subject to the tariffs. The specialty metals, that were coming mainly out of Canada, were able to bypass most of those because there was not a U.S. supply. There are exceptions to almost every single use case, other than the cheapest, mildest steel available.

It did benefit a handful of companies and a handful of steel and aluminum producers here in the U.S. But the overall impact was to raise prices for Toyota, General Motors, Whirlpool, all the appliance makers, and so on, so it didn't really benefit the American consumer at the end of the day. It was a feel-good moment, because the message was, "We're doing something, we're standing up to this trade order," but within a few years, we saw inflation on a lot of different goods that can be directly traced to those tariffs.

I think we're going to see a lot of these sorts of performative items where someone's going to make a grandstand that we are going to declare our economic independence from this or from that. But if you look at American industry, it is no longer an industry that can function entirely within its own borders. Ignoring even just the Canadian/Mexican relationship [with the U.S.] and as closely tied as that is, our supply chains are global.

One of my favorite examples, years ago, when the Fukushima earthquake hit Japan, [is when] Ford could not produce black Mustangs for about a six-month period. They had plenty of paint suppliers in Pittsburgh, but a key pigment for that special black color in the Mustang came only from one plant in Japan that was in the province that was almost completely destroyed by the earthquake. These are the sorts of things that happen constantly throughout all heavy industries right now. As much as we say that we're reshoring as much as we can right now, there will always be that critical material that will stop everything in its tracks on critical componentry. Boeing faces it, defense contractors face it; we cannot live entirely within our borders, economically.

As much as we will have these moments where we'll declare these policies, pragmatism is always going to have to bring us back to some new accord, unless we're really looking to reshape our entire economy built over the past forty years of international cooperation.

DIANE FRANCIS: This seems kind of off the wall, but I think this is a potential flashpoint. My understanding is that the Americans want Canada to figure out how to fix Haiti, and we don't do any things like that. I mean, our defense is quite poorly outfitted and equipped. Is this going to snowball into a problem? Haiti is a nightmare,

and I get the impression that this may be part of the pressure from defense people in the United States saying, “Okay, you’re not doing enough on NATO, now do something else.”

JAMES McCARTEN: That’s an interesting aspect of it. If Canada had an argument for not going into Haiti before this Washington Post report, the Prime Minister has reportedly made it more difficult to make that case now.

The argument that Canada makes is that Canada’s military, the Canadian Armed Forces, doesn’t have the resources right now given its mission in Latvia—a NATO mission that is obliquely in support of the situation in Ukraine. They are also providing a tremendous amount of military support to Ukraine, in a Canadian context. That’s the argument that they use as the barrier to be able to say, “We can’t do it. We would do it, but we can’t do it.”

But nobody wants to go into Haiti, right? It is a quagmire waiting to happen. That’s the general consensus. It’s a no-win assignment. Canada does have a certain amount of political capital there. There is a perception that *if anybody could do it*, Canada would be best positioned to do it because of its history there and the Haitian diaspora that lives in Canada. I don’t know that it’s necessarily going to be a sticking point going forward – I don’t think it’s something the U.S. can necessarily insist on – but it is one of those things where, when the U.S. has a problem that it needs resolved, who can help resolve it?

These types of relationships are always about that quid pro quo: “If you can help with X, we can help with Y.” So, what is it on the Y-side of the ledger that Canada needs solved that isn’t going to get solved because Canada couldn’t step up to solve this other problem that the U.S. has. It’s the old business saw; “Don’t bring me problems, bring me solutions.” Canada is not in a position to bring that solution, for whatever reason, which means that there’s an opportunity cost to that.

It means that, down the road, somebody somewhere is not going to be able to do something that Canada might need to have happen. It takes us back to the question of defense spending. We talked a little bit about this last night in terms of that reporting. The story is a laundry list of grievances, you might say, about Canada’s military that have been out there for a very long time. They’re all very familiar, except for the part in the story where the Prime Minister reportedly says privately to NATO, “We’re never going to be able to meet this 2% spending target.” In my line of work, we do a lot of this deconstructing of other people’s work, especially when it’s a big scoop. You’re looking for that smoking gun, you’re looking for that piece of information in the story that tells you that the story is ironclad.

Here, that information is not in the story, which means it’s not in the document, which means [to me at least] that the document is probably based on human intelligence that is interpretive and, in some respects, sort of third hand. So, we can’t know, at this point, what it’s based on. As for the rest of the sentence, it reads to me like the Prime Minister may have said something else on top of what he said, “We will never meet the 2% target, *but . . .*”

This is what the Liberal government likes to do when it comes to defense spending. They talk about all the other things that they do, they talk about the commitments to various missions, and commitments to multilateral organizations. Those things are important. *It’s not necessarily all about money* is always the point

that they market. I think is likely behind that. I think that he was making a point that got lost in that piece of intelligence. That's the only thing that scans to me because the rest of it doesn't make a whole lot of sense. It all depends on a lot of things we don't know about what that conversation was about.

DIANE FRANCIS: We have some time for some questions.

LARRY HERMAN: I thought that was an excellent presentation. It's not all sunny days though, in terms of the Canada-U.S. relationship on the business side. It is true that Canada got exempted from the Buy America provisions on energy and electric vehicles. That was a good thing because of the importance of the automotive sector to both our countries. But there are a lot of things in the [Inflation Reduction Act] – a lot of protectionist elements – that don't exempt Canada. There is a concern in the business community about all other aspects of the IRA that give tax credits and subsidies to U.S. producers, to the prejudice or the disadvantage of Canadian suppliers.

DIANE FRANCIS: Suppliers of what, Larry?

LARRY HERMAN: Suppliers of solar panels. For example, of anything else on the non-automotive side. That's one question. The other question I'd like all three of you to comment [on]. From the Canadian perspective, we see a significant movement in U.S. politics towards protectionism. It used to be that there were always protectionist elements in the Democratic Party, but the Republicans were open to trade relations. That's been a great shift in U.S. politics, and there's a strong protectionist sentiment running through the Congress and among state governments. This is a concern.

I'd like your comments on this move to protectionism and how that is going to play out when dealing with Canadian suppliers of goods and services.

ROBERT SCHOENBERGER: I'm trying to avoid injecting my politics into this and looking at this as objectively as I can. You're talking about the Trump impact. Ignoring his individual policies, just looking at his rhetoric going back to 2016. What Trump (and to a lesser degree, Bernie Sanders on the Democratic side) did to American politics was to show exactly how divorced the party support was from the rank-and-file voters.

Trump tapped into a sense of disaffection amongst people that was not really being acknowledged by the George W. Bush-style Republican leadership. The party line on the Republican side for a long time had been freedom for the world through free trade, pushing globalism as much as possible as a way of increasing our wealth at home and to lift up other countries.

What we learned in 2016 was exactly how unpopular those notions were with the voters who were supporting Republican candidates. They showed that by rejecting every traditional candidate and selecting the one person who was sounding the loudest voice on the protectionist side.

In the years since then, we've seen this rise, as you mentioned, of individual members of Congress and state houses really adopting that sort of language. I think it's still too early to know exactly how far the party will go in that direction and how far these policies are going to change. Almost every time there is a real opportunity to drive out international trade and really focus on strongly protectionist policies, they

either get watered down or diluted to the point where they're not as strident as what was talked about on the floor of Congress.

How long will that stay? If we continue to see this very populist switch in the Republican party, that is a concern. The country will move further and further in that direction. I think what we've seen in the past few elections, that of Joe Biden and very much in the midterm is that a lot of people are not behind this idea of returning America to something that we think it was 60 years ago. There is a sense that the "small-D" democratic forces are really sensing that there was a risk of becoming something we don't want to be. There has been some real strength building on that.

It's a challenge. I don't have a great answer. I don't have a crystal ball to say where this is all going to land. It was shocking to see how angry voters were in 2016 and how out of step one of the two major parties had been. It's not like the Democrats were isolated from this either. The fact that Bernie Sanders got as close as he did to the election, and it was only because of the internal politics within the Democratic party that really limited his ability to fully gain that nomination, we could have had an election in 2016 that was a socialist versus an isolationist. The sentiment is definitely out there. How strong is it? How much is it being amplified by very loud voices not the majority [of voices]? We don't know. That's what our next few elections are going to tell us.

JAMES McCARTEN: I tend to think of it as baked in at this point. I feel like it's a permanent fixture of U.S. politics now. It's something that Canada is going to be dealing with on a regular basis going forward, maybe in a cyclical way. It feels like reality now. It just feels like the landscape has changed a bit. To this day, after four years of Donald Trump, seventy-seven/eight million people voted for him a second time. More, if you ask him. It's out there and there's a lot of anger. Free trade is a dirty word. There's a reason why Joe Biden doesn't refer to free trade as "free trade." Free trade is kind of over.

Canada talks about it a tremendous amount. Politically, it's great for them. The Finance Minister was in D.C. just last week singing the praises of free trade and the Inflation Reduction Act, warning about the risk of a subsidy war. Then, this morning wake up to the news that Canada is prepared to spend upwards of thirteen billion dollars to match subsidies for Volkswagen that are in the Inflation Reduction Act.

There is competition, as much as we like to talk about being friends, neighbors, and allies, we're also rivals; we're also competing for these dollars. The protectionism aspect feeds into that a little bit. It's changing the game a bit. I think the biggest danger with protectionist sentiment is the rhetoric because it trickles down. It may have an impact on corporate bottom lines, it may have an impact on which company in which country gets particular contracts, but I think the biggest danger is the impact it has on the body politics. It is incredibly powerful.

It is a message that sells in the United States, and Canada doesn't have that kind of power. It doesn't have that kind of pull to be able to say, "Okay, we're going to do you the way you're doing us." That's just not the way it works, and that's one of the problems with the relationship. It's economically out of whack because Canada's one tenth of the size. I think that informs it going forward and it's always going to be part of the calculation.

AUDIENCE MEMBER: With the passage of the massive U.S. Infrastructure Bill, is there any sense of how much that will directly or indirectly impact or benefit cross-border economic activity?

JAMES McCARTEN: Well, I do think that – and I’m out of my depth a little bit here – but I do think that that Bill encapsulates a lot of the Defense Production Act spending that Canada has access to as well. So, there is an upside. Robert could probably speak to it better than I can, but it goes back to the issue that you don’t necessarily want to be talking a lot about the fact that it’s another country. It’s not a foreign country, but it is still a different country than the United States that might be spending some of this money. They have to be careful. I do think that the Infrastructure Bill has some potential for Canada, particularly under the DPA. Maybe Robert can speak to that a bit better.

ROBERT SCHOENBERGER: I would think the indirect impacts are going to be fairly large for all of North America. Again, the infrastructure spending is coming at the same time as this exposure of the weakness of our supply chains that is really encouraging a lot of companies to pull in a little closer to home.

Actually, I think the country that’s probably going to benefit the most from that trend will be Mexico because people are not going to want to go back to Canadian and U.S. wages and they’re still going to want a break on the labor costs. The more work done in Mexico, the more work there will be for Canadian and American companies.

Just a quick example here—Mexico does not do very much tool manufacturing. If you’re making a plastic part, the tool and dye work is almost entirely done in Canada or the U.S. because of certain labor laws in Mexico that make it prohibitively expensive to do some of that specialty work there. Every time a Mexican plant gets a big order for dashboards for the next Toyota Camry, there is work that’s coming into Ohio and Ontario. Anything that shores up North American production would be beneficial to all three countries. It will be indirect, and it will not be evenly shared – I think Mexico will get the lion’s share of this investment coming back in, but it should lift all three countries.

DIANE FRANCIS: That’s a wrap. Thank you very much for being here. That was a terrific panel, gentlemen. You did a great job.