

## CANADA-USA RELATIONS, PART II

*June 12, 2018*

**eResearch Comment:** *The following article was written on Monday, June 11, 2018 and published by **The New York Times** newspaper on Tuesday, June 12, 2018. It is yet another welcome attempt by knowledgeable Americans, through the broad-based media, to calm festering relations between Canada and the United States over this past week-end's verbal blow-up between the Prime Minister and the President. The President's latest tweets on the subject, although unapologetic, are at least somewhat encouraging.*

### THE NEW YORK TIMES

#### Opinion

## Will America Lose Canada?

June 11, 2018

By Stephen R. Kelly

Stephen R. Kelly is a research scholar at Duke University's Sanford School of Public Policy. He is a former American diplomat in Canada.

The worst thing you could say about previous American presidents and their sleepy approach to Canada was that they took their polite northern neighbors for granted.

But as President Trump jetted away from the wreckage of the Group of 7 summit meeting in Quebec this weekend, he plunged American-Canadian relations into a dive so steep it provoked nosebleeds on both sides of the border.

He called the Canadian prime minister, Justin Trudeau, dishonest and weak. His advisers accused the Canadians of stabbing Mr. Trump in the back as he winged his way to a meeting with his new best friend, Kim Jong-un of North Korea. And one aide said a "special place in hell" was reserved for Mr. Trudeau, who had the temerity to say to Mr. Trump what the president likes to say to everyone else: Don't push me around.

It is not every day you see an American president trade a two-century relationship with a reliable neighbor for what could amount to a one-night stand with a ruthless dictator in Singapore. Mr. Trump may well think bullying Canada is cost-free. After all, three-quarters of its exports go to the United States, which makes retaliation risky for Canada.

But having limited options does not mean having none. Reversals like these come with a price, although how and when the United States will pay depends on many factors.

Let us start with the issue that seemed to have most exercised Mr. Trump: trade. Canada and the United States enjoy the second-largest bilateral trading relationship in the world, second only to America's total trade with China. But unlike the Chinese, whose largest telecommunications company Mr. Trump is helping to bail out, Canadians actually buy a lot of American products.

Canada has been the top market for American exports for more than two decades, taking more than 18 percent last year. For 35 states, Canada is their largest export market. America does run a trade deficit with Canadians in goods. But when services are added in, the United States had an \$8 billion trade surplus with Canada in 2017 — a fact Mr. Trump has bragged he willfully ignored in earlier talks with Mr. Trudeau.

It is therefore strange, especially coming from a man with a business background, that Mr. Trump would treat his best client so shoddily. In addition to his verbal assaults, he has slapped tariffs on Canadian steel and aluminum and railed against Canadian policies that protect its dairy and poultry market from foreign competition. And he threatened to slap tariffs on automobiles he said were “flooding” the American market — cars that in most cases contain significant American-made content.

One of the justifications Mr. Trump cited for the steel and aluminum duties was “national security,” which implied that Canada somehow posed a security threat to the United States — the basis for his ill-informed joke about Canada burning down the White House during the War of 1812. This is a stunning assertion.

Besides fighting together in two world wars and Korea, since 1957 Canada and the United States have jointly monitored the skies over North America in the North American Aerospace Defense Command. In the Cold War years, we watched together for Russian bombers. Now it is mainly North Korean missiles. The United States has no other defense relationship this close.

It has also worked closely with Canada to monitor and secure another of Mr. Trump's pet concerns, the border. American and Canadian law enforcement officials jointly patrol our shared waterways. Canada and the United States exchange data on border crossers. Canada even permits American customs agents to screen passengers headed for the United States in eight Canadian airports.

When America-bound jumbo jets needed a place to land after the United States closed its airspace on September 11, Canada took them in, an act of unselfish generosity I witnessed while serving at the United States Embassy in Ottawa.

What would a split with Canada look like? Obviously, we are not talking about anything like a North American Cold War. But even a minor deterioration in the relationship would have significant consequences.

In the short term, Canada seems willing to go toe-to-toe on trade. Canadian officials are already drawing up lists of American exports they will slap with duties. Such tariffs on specific products produced in politically important areas in the United States can inflict a lot of pain. Canada, for example, is the largest market for American agricultural exports.

Longer term, and likely to our detriment, Canada is looking to reduce its dependence on American goods. It already has a free trade agreement with the European Union, for example, something the United States has failed to achieve. Canada also remains part of the Trans-Pacific Partnership, which Mr. Trump noisily rejected upon taking office.

Even Canada's oil — the country supplies 60 percent of the petroleum the United States now imports — could find more lucrative markets in Asia once needed pipelines are built.

It is unlikely that even Mr. Trump could cause the United States to "lose" Canada, especially since the two are still attached by a 5,525-mile-long border. What we could lose is a quiet habit of friendship and cooperation that has made us safer and more prosperous.

Can Kim Jong-un match that?

FOR: The New York Times

BY: Stephen R. Kelly



## ***e*RESEARCH DISCLAIMER**

### ***e*Research Disclosure Statement**

*e*Research Corporation was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, its Subscribers (subscription is free!!!) benefit by having written research on a variety of small- and mid-cap, under-covered companies.

*e*Research also provides unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis.

*e*Research complements its corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

*e*Research provides its professional investment research and analysis directly to its extensive subscriber network of discerning investors, and electronically through its website: [www.eResearch.ca](http://www.eResearch.ca).

*e*Research does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.