

OBAMA AT ONE: What Canadians Need to Know

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I would like to thank Carole Taylor for her kind introduction and also thank our sponsors today.

It is a privilege for me to be the Vancouver Board's honorary representative in Washington DC. You may not be aware that your Vancouver Board of Trade is the only Canadian Board of Trade to have a special representative available in Washington DC – this is yet another one of your benefits of membership in the Vancouver Board.

This morning, I want to give you an idea of what is going on in Washington DC and to outline some of the key issues that Canadians need to know for 2010.

First, let's look at the US Congress.

The 111th US congress has now had a year of activity under its belt. What seems most remarkable is that over this year, the style of politics in the United States has changed. In the 2008 election, Obama swept in.

Democrats toppled Republican incumbents in every region of the country. The Democrats have an 80-seat majority in the U.S. House. And during 2009, the Democrats were able to increase their margin in the Senate to obtain a filibuster-proof 60-vote margin.

Now, the Democrats control both houses in Congress and the White House. This commanding majority afforded the Democrats with enormous latitude in setting the agenda. But there is a political price to this power, as with this unlimited power comes blame. And as we inch towards the 2010 midterm elections, we see the impact of this blame is starting to affect the Democrats.

The key issues this year were financial restructuring & stimulus, health care and the war in Iraq and Afghanistan.

The US health care debate has been tough. President Obama has wanted to see this issue handled quickly. Looking at the failure of the Clinton administration to get health care reform, the Obama team pushed for an early vote. However, the debate has been fierce and the costs of this policy have been heavy for Democrats.

Two different health care bills have passed in each house— but there is no binding legislation until one bill passes in both houses of Congress.

Democratic Party leaders are working intensely this week to resolve differences between the House and Senate versions of the legislation.

Initially, the administration's thinking was to use a season of deep economic anxiety to enact sweeping changes. But the abrupt swing in the public's mood, from optimism about Obama's possibility to concern he is overreaching, has started to take hold. The ideological debate sparked by health care reform will have lasting consequences for the Democratic Party.

This brewing conflict pits pro-government liberals against pro-business moderates. In many ways, the Democratic rift that emerged on health care reform is the stiffest challenge yet to Obama's presidency.

Opposition to the healthcare bill has given air to the sails of US Republicans and has even encouraged some sitting Democrats to cross over to the Republican side of the house.

Elections

2010 is a mid-term election year. And the poll numbers and the momentum do not look good for Democrats right now. Over the last month, a number of prominent Democratic Senator's have announced that they will not seek re-election. I expect others.

I believe that other wavering House -- or Senate -- Democrats will look at the past five weeks and decide that spending the rest of this year as a lame duck is more attractive than spending a horrific year fundraising, eating rubber chicken and shaking hands -- all the while facing the very real possibility of losing in the end?

On Tuesday, there will be a vote in Massachusetts to fill the seat of the late Edward Kennedy. This vote has turned into a referendum on the government -- and the latest polls now show this safest Democratic seat as being a toss-up. While I think that this seat will return to the

Democrats – this is a very scary scenario and it has spooked many in Washington DC circles.

Come November, the Senate Democrats' 60-vote supermajority is over. I do not expect the Democrats to lose their majority in the Senate, but they will lose seats.

Partisanship

Another impact of the health care debate has been an increase in the level of partisanship in the US Congress. Usually, American members of congress do not vote on straight party lines. On any particular bill, you find members of both parties supporting or opposing a measure. But as a result of the narrow Democratic party control of the Senate, all things are now partisan. Almost every vote became a straight-line party vote. For the first time in decades, there were no cross-voters. Every Democrat and every Independent voted for Obama legislation. Every Republican voted against. This has created a new sense of extreme partisanship in Congress

– a new feature that has had a dramatic impact on how legislation is made.

President Obama came to Washington with an extraordinary set of economic challenges, a two-front war, a recession and a federal deficit hurtling toward \$1 trillion.

The Obama Administration is very focused and disciplined. Obama has made it clear that he is going to focus on getting key **top priority policies** adopted quickly by Congress – and that he would not be looking at second order issues until much later in his administration.

This is what he did. Obama focused on the Economy, Health Care, Afghanistan and the Environment. He was able to get traction on all these issues, although there has been a price – and it is clear that more is to come.

The Economy

The Economy is the most pressing issue for the US president and for the US Congress. A worsening economy, increasing unemployment and declining home values impacted the first 100 Days of the administration. These have continued.

Stimulating the economy continues to be Obama's top priority. And this will add even more red ink to the burgeoning deficit.

So in light of what is going on in the US, here is my review of the Canada – US issues

1. ENERGY:

We all saw the key role that President Obama had during the Copenhagen Summit. I was there. He singlehandedly used his own efforts to convert a faltering conference into a mild success.

What is important to see from Obama in Copenhagen – is that when a deal needed to get done, Obama did not invite Canadian Prime Minister Harper to the key meeting of global leaders. Australia was there – so was the EU, China and India – but Canada was not invited.

Indeed, Canada was viewed very negatively during the Copenhagen conference – because we were the only G8 country to sign Kyoto and then not ratify it and on account of the Oil Sands.

We can expect Obama to continue to be interested in having access to Canadian energy supplies – but addressing the environmental aspect of Canadian oil sand petroleum will continue to be a problem for Obama's political base – and thus a pressing Canada – US issue.

2. TRADE:

With the world on the brink of a global recession, US protectionism grows. The recession and the large spike in unemployment have allowed Congress to take a tougher line on trade though Democrats were already inclined in that direction. Buy America is still popular and free trade has no friends left in Washington.

The US-China trade relationship is the most significant issue. We are forgotten. The US relationship with this emerging economic power is a complicated issue that must be a part of Obama's trade and financial policy right away. Most US protectionism will continue to be targeted at China but protectionism against others will continue.

3. Afghanistan

The new Administration needs to deal with the war in Iraq and Afghanistan. President Obama has announced support for a surge of forces in Afghanistan. This is obviously a politically-sensitive topic for Canada. Prime Minister Harper promised to end our Afghanistan engagement by 2011, following a vote in the House of Commons on this issue. The US will need partners for its surge – and it will look to push Canada and others for help for such a surge. This will continue to be a sensitive topic on the Obama – Harper agenda.

4. Homeland Security.

Terrorism and Border security will continue to be an issue for the United States. And as we all saw after Christmas this year – this has had a real effect on Canadians going to the US.

Canada and the United States engage in almost \$2 billion dollars a day in cross-border trade. Canada needs to keep the US interested in ways to facilitate movement of persons, goods and services across our border. This is a **shared problem** - so the US has an interest as well

5. International Summits

Here in Vancouver, we are all very aware that Canada will host the world for the Olympics next month. But Canada is not only the host of the 2010 Olympic and ParaOlympic games, but this summer, we are the host of the last G8 summit and also of the first enhanced G20 summit.

These are all global events that provide unique opportunities for global leaders to meet and to resolve issues. Hosting such events can be a very useful diplomatic tool to those with a clear agenda.

We can expect that there will be a number of opportunities for Prime Minister Harper to meet with President Obama. But there is a difference between meeting and doing. From what I have seen this year – I am not optimistic that Canadians will obtain traction on our outstanding issues with the US in any these meetings.

Instead, I expect discussion to focus on the large unresolved global issues relating to financial recovery, the failure to obtain a new WTO deal and the ongoing issues related to the environment.

Conclusions

Canadians will have to work to keep our profile positive and to obtain our Canadian objectives in Washington - Canadians **do not vote**, nor can we legally **donate** - so we are a special interest with nothing to offer - other than our energy, our support in Afghanistan and our friendship. Our government needs to increase the

resources of our Embassy to enable them to sell Canadian issues in the U.S. Our current capacity is woefully insufficient to deal with the challenges we have.

With the US economy in a recession, Canada needs to be on its toes. Protectionist sentiment will continue to shine. Canada needs to be insulated from those tendencies or else our economy will suffer.

So while Canada will have a lot of attention as the host of the Olympic Games, we should expect to be largely ignored this year in US political circles.

On balance, while I remain **optimistic** about the general health of Canada-US relations -- during the sour tone of this upcoming US mid-term election year – it might just be best for Canada to lay low and not be overly noticed in the US after all.