

# After America, Canada's Moment?

by Ian Brodie  
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# POLICY PAPER

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## **After America, Canada's Moment?**

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## ▶ **Executive Summary**

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The last decade has seen serious setbacks to the global role of the United States. Iraq, Afghanistan and the 2008 economic crisis provoked deep partisan debates about American policy but little in the way of consensus on how to respond. Meanwhile, America's rivals have gained strength and a new south-south economy of investment and trade has emerged. There is little disagreement that the U.S. has lost its relative power to influence developments around the world. Is this Canada's moment to extend our global influence?

Canada's privileged geography gives us freedom to choose where and how to engage beyond North America. We have opportunities across the Atlantic and across the Pacific, as evidenced by our simultaneous negotiations at the CETA and TPP tables. But freedom of choice means we have trouble committing to relationships beyond North America. Unlike, say, Australia, which must engage in the Pacific, we face no natural imperative to be "all in" in Asia.

Moreover, even though Canada does not have a history as a colonial power, we are often ambivalent about engaging with the new global south. We prefer to deal with emerging economic powers through clubs we already belong to - the G-20, the Commonwealth and the Francophonie. But as south-south institutions displace the influence of the "world America made", the room for Canada to exercise global influence has declined. We were once welcome as a dependable joiner of international clubs, but we are having trouble joining newer, more dynamic clubs like the Pacific Alliance.

## CANADA, THE UNITED STATES, AND THE OLD ORDER

As Canadians, we are fortunate to live on one of the world's safest pieces of real estate. Three oceans protect us from conflicts in Europe and Asia. Our only significant land border is with the United States, whose political, military and economic power once posed a mortal threat to Canada. Over the past century we have formed a close partnership that has sustained Canada's security and prosperity for generations, and sustaining that partnership should be our only foreign imperative. But doing so requires that we help defend North America, and for sixty years we have done so through a binational command structure. This means that, when asked, we do our share to protect the western alliance from internal (think Suez Crisis, Cyprus) and external (think NATO's reassurance mission, ISAF) threats.

America's post-war global hegemony has also benefited Canada far beyond the bilateral context. Canada has done well in the world America made.<sup>1</sup> NORAD, NATO and the American nuclear force protected us from the threats that the Atlantic, Pacific and Arctic oceans could not block. Rules-based trade liberalization through the GATT/WTO and global monetary stabilization through the IMF sustained the Canadian economy and headed off the temptations of protectionism at home and abroad. The U.S. Navy secured freedom of navigation, giving us low-cost access to global markets. The UN and other multilateral forums have occupied the creative powers of our diplomatic class. Canada ventured abroad to help our allies and pursue our ideals. But these overseas engagements have rarely been imperative for our national security, and debates about them have never elected or defeated a government.

The past decade has seen America's global position suffer three major setbacks. The first, the bloody and expensive occupation of Iraq, which yielded nothing for the U.S. but more turmoil in the region and more demands for military help. The second, the invasion of Afghanistan, was supported by a broad coalition of nations and an undeniable *casus belli*. The invasion scattered al-Qaeda and freed Afghans from Taliban oppression. Yet, after more than a decade of casualties and foreign spending on a colossal scale, it is hard to say how much lasting progress has been made.<sup>2</sup> The third, the 2008 economic crisis, revealed profound weaknesses in the American economy. The crisis was foretold through IMF statements about "global imbalances" that showed the piling on of both public and private debt in the US, and the piling up of massive foreign currency reserves in Asia,<sup>3</sup> along with warnings about inadequate financial sector supervision. When it all came apart, the U.S. economy plunged into recession and a long period of painfully high unemployment, as predicted in the leading study of previous recessions triggered by financial sector crises.<sup>4</sup>

America's response to these three hits was, naturally, to turn inwards. The "to do" list for American authorities was daunting: repair the country's financial institutions; adjust the scale of social spending to fit reduced tax revenues; reinvigorate the U.S. economy's dynamism, restoring its ability to add value; reduce America's global financial and military footprints; and buy time to regain the national economic strength that had always underpinned America's global strength. There was good reason to believe the U.S. could manage this daunting to do list. After all, American political leaders had faced similar challenges in the past.

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<sup>1</sup> Kagan, Robert. *The World America Made*. New York: Random House, 2013.

<sup>2</sup> Rose, Gideon and Tepperman, Jonathan. "A Hard Education," *Foreign Affairs*, 93.6 (2014) 2.

<sup>3</sup> For an up to date account, see Chapter 4, *World Economic Outlook: Legacies, Cloud, Uncertainties*. Washington, DC: International Monetary Fund, 2014.

<sup>4</sup> Reinhart, Carmen M., and Kenneth S. Rogoff. *This Time Is Different: Eight Centuries of Financial Folly*. Princeton: Princeton UP, 2009.

But in the wake of the 2008 crisis, America itself faltered. The U.S. political system was beset by profound conflict and disagreement. The scale of the crisis provoked deep partisan debates about the path ahead, but did not produce a consensus on how to respond. Washington eventually settled its budget debate through sequestration, imposing arbitrary and ill-targeted spending cuts across the board and forcing Pentagon planners to step away from their long-desired capacity to fight two simultaneous wars.<sup>5</sup> Meanwhile, America's rivals were gaining strength. China's economy powered ahead during the 2008 crisis, giving China both political and economic strength abroad. China's economy is, or will soon be, larger than America's,<sup>6</sup> and China's leaders are turning their economy's overexposure to U.S. Treasuries into an international strength through frantic diversification. A new south-south economy of investment and trade emerged, one that by-passes the financial capitals of the north. Finally, in the wake of the 2008 crisis key American allies faced crises of their own. The UK's severe recession forced it to abandon key enablers of its global ambitions.<sup>7</sup> France, Germany and other Eurozone allies spent three crucial years putting their own economic house in order.

These difficulties raise serious questions about the sustainability of U.S. power. Successive U.S. foreign policy missteps, including the pursuit of regime changes in Libya and Egypt without regard to the aftermaths, the famed "red line" retreat on chemical weapons in Syria, and the promise of a "pivot" to Asia based on the hope that the Middle East is no longer a threat to U.S. interests, have drawn attention to the trend. But the new constraints on America's ability to influence world events go deeper and will last well past 2016. American scholars debate whether we have entered a "post-American" or G-zero world, but there is not much disagreement that the U.S. is losing its relative power to influence developments around the globe.

### WHAT DOES THIS MEAN FOR CANADA?

The past decade, by contrast, has seen Canada grow stronger economically. Our economy recovered more quickly from the 2008 crisis, but this recovery was only in the middle of the pack among G-20 and OECD countries, and has recently been overtaken by the US. Canada has seen consistent growth since 2009, growing steadily as others raced ahead and then faltered or stumbled and then grew more quickly. Our policy of protecting the Canadian banking sector certainly helped mitigate the economic downside to the 2008 crisis. That protectionism, combined with our strong energy and domestic resources helped insulate us from overseas turmoil. For the time being, Canada has domestic economic strength.

On international security, despite important investments, the past decade has brought Canada closer to a day of reckoning on major capabilities. The 2007 Canada First Defence Strategy proposed to lighten Canada's emphasis on projecting international power in favour of building domestic capabilities, notably in the Arctic.<sup>8</sup> The government also used the Manley Panel's report to set an end date for the previous government's experiment in deploying a large Canadian ground force far afield in Afghanistan.<sup>9</sup> Subsequent procurement choices for the navy and air force will, even if all goes well, leave gaps between the decommissioning of ships and

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<sup>5</sup> U.S. Department of Defense. Sustaining U.S. Global Leadership: Priorities for 21st Century Defense. Washington, DC, GPO, 2012.

<sup>6</sup> Subramanian, Arvind. Eclipse Living in the Shadow of China's Economic Dominance. Washington, DC: Peterson Institute for International Economics, 2011.

<sup>7</sup> Securing Britain in an Age of Uncertainty the Strategic Defence and Security Review. London, UK: HM Government, 2010.

<sup>8</sup> Canada First Defence Strategy. Ottawa: Government of Canada, 2008.

<sup>9</sup> Manley, John. Independent Panel on Canada's Future Role in Afghanistan. Ottawa: Independent Panel on Canada's Future Role in Afghanistan, 2008.

planes and the delivery of their replacements.<sup>10</sup> For the time being, these gaps have been made up for by a strong political willingness to deploy the forces that are left. Canada contributed army, navy and air forces to the NATO reassurance mission after the invasion of Crimea, a joint force response we could not mount after the invasion of Kuwait.<sup>11</sup> The RCAF and Special Forces committed to halting the advance of the al-Baghdadi Caliphate have made important contributions. But the loss of at-sea replenishment capacity has already left the government with fewer choices in responding to crises. At some point, it will have even fewer choices given the age of the CF-18s and delays in acquiring stealth capabilities.

Nonetheless, Canada's place in the world has grown stronger compared to the U.S. since 2008.

### **SO, IS THIS CANADA'S MOMENT?**

If Canada is now relatively stronger and the U.S. relatively weaker, is this Canada's moment to extend our influence? And if so, how and to what end?

1. Our privileged geography gives us freedom to choose where and when we engage beyond North America. We have economic and strategic opportunities across both the Atlantic and Pacific. Our trade negotiators have pursued agreements for deeper economic integration with European and Asian countries at the same time. Both the Comprehensive Economic and Trade Agreement with the EU and the TransPacific Partnership matter to our economic future.

That freedom of choice means we have trouble committing to relationships other than the US. We blow hot and cold, our attention buffeted by transient domestic and international pressures. We are not European or east Asian, south Asian or Latin American, African or Middle Eastern. And the Asians, Latin Americans, Africans and Middle Easterners know it. The Europeans showed their understanding of our situation when they opted to elect other European countries rather than Canada to the UN Security Council in 2010.

From time to time, commentators and economic strategists call on the federal government to create a comprehensive strategy for Asian engagement, often pointing to the very detailed strategy that Australia published in 2012.<sup>12</sup> And, certainly, there is ample room for Canada to improve the strategic thinking behind its work in Asia.<sup>13</sup> But our ability to sit at both the CETA and TPP tables at the same time is a strength, not an inability to prioritize. We do not need to be "all in" in Asia in the way Australia does. Australia does not have other choices. We do.

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<sup>10</sup> Sloan, Elinor. Canadian Defence Commitments: Overview and Status of Selected Acquisitions and Initiatives. Calgary: Canadian Defence and Foreign Affairs Institute, 2013, and [insert David Perry paper here], and Perry, David. The Growing Gap Between Defence Ends and Means: The Disconnect between the Canada First Defence Strategy and the Current Defence Budget. Ottawa: Conference of Defence Associations Institute, 2014.

<sup>11</sup> Maloney, Sean M. "'Missed Opportunity': Operation Broadsword, 4 Brigade and the Gulf War, 1990–1991," Canadian Military History 4.1 (1995): 37-46.

<sup>12</sup> See, as a sample of the genre, Carney, Diana, "Australia's Asian Century: Canada's Too?" Blog post. News & Ideas, Canada2020. Posted Nov. 2, 2012, accessed December 1, 2014. Although see Peter Hartcher. The Adolescent Country. Sydney: The Lowy Institute, 2014.

<sup>13</sup> James, Patrick. Grand, Bland or Somewhat Planned? Towards a Canadian Strategy for the Indo-Pacific Region. Calgary: School of Public Policy, 2014.

Since there are so few geopolitical constraints to our foreign policy, Canada is free to pursue a democratic foreign policy. Canadian citizens with overseas roots press the government to vindicate important principles abroad when those principles are threatened. Just as Canada's heroic contributions to the two world wars built on the European connections of our population at the time, today the Ukrainian and Sri Lankan connections of many Canadians gives our foreign engagement insight into the conflicts around the Black Sea and South Asia. Canadian leaders have been free to reflect legitimate concerns about Russian actions in Crimea. We do not need to worry about how that will impact our energy supplies and at the time of writing Canada has not paid a price for this position in the Arctic. Expressing legitimate concerns about the situation in Sri Lanka by boycotting the Commonwealth Summit did not harm any Canadian interests. The influence of diaspora communities on Canadian foreign policy is a measure of Canada's strength not our weakness.

2. The United States is unlikely to return to the "sole superpower" status it had from 1991 until 2008. But, if it resolves its political dysfunction and puts its economic house in order, it can avoid the fate of severely diminished powers like the U.K. and France after the Suez Crisis.<sup>14</sup> We are especially poorly equipped for a world without U.S. influence. International norms and multilateral forums are often frustrating to action-oriented leaders, but they are enabling factors for Canada's success.
3. With America's influence shrinking, new clubs of emerging markets and upper middle income countries are acquiring increasing influence. While Canada's international engagements are not hindered by a history as a colonial power,<sup>15</sup> that fact alone does not make us part of the global south.

The leaders of the global south are establishing south-south international institutions to reflect their economic power and Canada is simply not at those new tables. In our hemisphere, we are not invited to meetings of the *Corporación Andina de Fomento*, UNASUR (the Union of South American Nations) or CELAC (the Community of Latin American and Caribbean States) and certainly not to meetings of the ALBA (the Bolivarian Alliance). Further afield, we are not invited to the Shanghai Cooperation Organization, the Chiang Mai Multilateralization Initiative or the Eurasian Union. To be sure, some of these institutions have been struck to blunt the influence of institutions from the world America made. But that dynamic simply underscores how deeply Canada is embedded in the order of the global north. Even an organization of countries open to cooperating with the global north, like the Pacific Alliance, sees Canada as one of many northern nations hoping to join their ranks. It has put the issue of our membership on hold while its members see if they can form common cause with MERCOSUR, the ineffectual economic bloc of South America.

Canadian policy makers have largely ignored the new clubs of the global south. We have instead preferred to admit a few new players to the clubs we find more comfortable (the G-20), or to deal with the southern members of clubs like the Commonwealth and La Francophonie. This has been a good holding strategy, but the efforts to build institutions of the global south are becoming more ambitious. The BRICS Bank and the Asian Infrastructure Bank are the first of what will likely be many south-south institutions that aim to be more than just talk shops. No one knows what these new institutions will become, but America's inability to ratify reforms to the IMF and World Bank and has left

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<sup>14</sup> Subramanian, pp. 1-3, is a fantasy scenario.

<sup>15</sup> David Ljunggren. "Every G20 nation wants to be Canada, insists PM," Reuters, Sep 25. 2009.

plenty of room for south-south institutions like the BRICS Bank's to overtake the Bretton Woods institutions in innovation. This displaces the influence Canada exercises through these institutions.

Canada, once a dependable 'joiner' of international clubs, is finding itself shut out of the newer, more dynamic institutions.

### **POLICY CONCLUSIONS**

How should Canada react to a new world of reduced American influence?

For the foreseeable future, Canada will continue to benefit from our close partnership with the United States. The world America made, even if it is shrinking, will still be an important part of the globe's affairs. In trade and commerce, Canada will enjoy low barriers to entry and low transaction costs within the American-dominated world. American security partnerships will continue to offer protection where Canada's three oceans do not.

Canada has two choices in confronting the south-south rewiring of global institutions. On the one hand, we can push harder to engage with south-south institutions that welcome our participation. Canada's courting of the Pacific Alliance is important enough that we should remove any irritant that might make our membership bid unpalatable to any of the countries involved. We should be ready to start moving towards the free movement of workers between Canada and the countries of the Pacific Alliance. If we cannot form a closer partnership with the Pacific Alliance, it is hard to see how we can form closer links with the East Asian Summit or ASEAN.

On the other hand, we should also renew our efforts to maximize the vitality of the north-south clubs we already belong to. For example, in our own hemisphere some countries are trying to debilitate the multilateral organizations that Canada belongs to – the Summit of the Americas, the Organization of American States, the IDB and the Caribbean Development Bank – in favour of the ones we do not – CELAC and ALBA. They intended to make the operation of the institutions we belong to so frustrating that Canada pulls back or pulls out of them. Yet, stepping away from these institutions would do nothing to advance Canada's interests, and would freeze us out of the major political forums on the hemisphere. All these institutions do useful work when Canada provides strong leadership. Without it, they wither and cede influence to organizations Canada does not influence. At the upcoming Summit of the Americas, due to be held in Panama, it would be encouraging to see Canada sidestep traps being set by others on the status of the Malvinas Islands and on drug policy and instead launch a renewal of our commitment to press freedoms or clean elections in the hemisphere.

As America's relative influence shrinks, we will have to overcome our inability to commit to relationships beyond the U.S. to make deeper and more enduring partnerships with other countries. We have many choices in the Americas, across the Pacific and across the Atlantic. Responding to calls for more strategic engagement in Asia or elsewhere by simply upping the pace of ministerial visits, or expanding trade relations, will not take us very far. The links created by ministerial visits and trade will be fleeting. We should instead proceed where there is sufficient depth of opportunity to forge a close partnership in political, strategic and economic realms.



## ▶ **About the Author**

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Before joining the School of Public Policy in 2013, Ian Brodie spent four years as Strategic Advisor at the Inter-American Development Bank. Prior to that, he served as Chief of Staff to the Prime Minister of Canada and executive director of a national political party. He now serves on the Advisory Board of CDFAI, as a director of the Conference of Defence Associations Institute, and on the program committee of the Halifax International Security Forum. He participated in some of the history recounted in this paper, but his views do not necessarily represent those of his employers at the time.