The World in 2015: Implications for Canada

Public Conference
January 21-22, 2010
Ottawa

CONFERENCE REPORT

Conference Website
http://www.canadianinternationalcouncil.org/ottawa/2015
The National Capital Branch of the Canadian International Council (CIC) has recently undertaken an initiative intended to engage those who formulate, execute, analyze and debate foreign policy in government, the universities, NGOs, the media, business and the professions. The goal of the CIC Ottawa Foreign Policy Initiative is to strengthen the intellectual interchange that is a vital underpinning of an effective foreign policy.

The Initiative’s initial program was a series of private, by-invitation-only seminars on different aspects of the short-term future, leading to a major conference entitled The World in 2015: Implications for Canada, which was held in Ottawa on January 21 and 22, 2010. The conference followed the same path taken by most of the seminars to date: depiction of the global landscape as it might appear in 2015, including the issues likely to arise, shifts of power between the major players and challenges to governance, followed by an examination of how the global situation might impact Canada and Canadian foreign policy.

Organizers of the conference envisaged that participants might gain three dividends from the conference proceedings and reflections:

1. A clearer grasp of the important international trends shaping the emerging public agenda, altering the international power structure, and provoking a host of questions about both traditional and unorthodox methods of governing international society.

2. A facility in combining trends to produce a range of possible outcomes and then sizing those outcomes up against Canada’s current policies to assess their adequacy and their flexibility.

3. An expanded understanding of what lies ahead for the policymaker, which takes in a wide range of possible outcomes, including totally unexpected events, and world-views that are radically different from our own, as well as increasingly influential.

The World in 2015 was not primarily intended to yield accurate predictions about the world five years from now (although that was viewed as a possible added benefit), but rather to elaborate a mental framework for thinking about the world of the future and Canada’s place in it. It is not enough just to try to see over the horizon. A capability of extracting the benefits the future has to offer is a valuable tool for policymakers. They should, indeed, view the mental exercise of forecasting as enabling them more strategically to discharge their responsibility for, as Edmund Burke put it over two centuries ago, “the care of our own time”. 

The following report on the proceedings is organized on the basis of the conference program. It draws upon the notes prepared by conference rapporteurs, selective direct input from individual speakers or session chairs and comment by members of the Conference Preparatory Committee. It is complemented by a six page thematic paper entitled "Major Conference Themes". That paper, this report and all other documentation on the conference, including the reports on the four seminars that preceded it, and the full program, can be found on the CIC National Capital Branch web page, at: http://www.canadianinternationalcouncil.org/ottawa/2015.

Note that the proceedings of the conference were televised by CPAC (Cable Public Affairs Channel), and can be accessed through CPAC’s Video-on-Demand program at http://www.cpac.ca.

David Lee
Chair, Conference Preparatory Committee
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Thursday, January 21, 2010
SESSION 1: Strategic and Global Issues Shaping the World of 2015

Chair: Mel Cappe
Speakers: Wenran Jiang, Chrystia Freeland

In his introductory remarks, the session Chair, President of the Institute for Research on Public Policy and former Clerk of the Privy Council Mel Cappe, said that the Conference was an opportunity to ‘look over the horizon’. He drew attention to an op-ed piece by the conference organizers, David Lee and Gerry Wright, which appeared in the Ottawa Citizen on January 21, challenging Canadians to decide how they will engage with the world of 2015. The conference, he said, was being asked to grapple with issues that never get fixed. Reflecting on his own experience as Clerk, he cited the words of distinguished former public servant Arthur Kroeger, who once remarked that “public servants are the permanent custodians of permanent problems”. Mr. Cappe cautioned that the exercise of forward planning, while necessary, was frequently frustrating: “What you plan for almost certainly won’t happen”.

Wenran Jiang, the Woodrow Wilson Center Public Policy Scholar and Mactaggart Research Chair of the China Institute, University of Alberta, proposed that many of the current traditional conflict and crisis generators would continue to beset the world of 2015, but that in addition some non-traditional generators would also be with us.

Traditional challenges which will not have disappeared include the Middle East dilemma, the eastward expansion of NATO, the China-Japan rivalry, the failed and fragile states of Africa; as well as nuclear proliferation, unregulated migration and refugee movements, and natural disasters.

He described two types of non-traditional dilemmas: energy and resource issues, and economic and security issues. Examples of the first are the natural gas pipeline tensions between Russia and Western Europe, or the anxieties of Washington over China’s penetration of Africa’s resource-rich regions. Examples of the second are concerns over the replacement of the dollar as the predominant world currency and the perception by developing countries that western world efforts to enhance its economic wellbeing in the global commons are predatory or exploitive.

A third non-traditional generator of crisis is likely to be the systemic transition in the global structure of power now gathering speed with the rapid rise of China. The US is seen to be in relative decline, and the systemic equilibrium under which the US as world hegemon ensures global stability risks being ruptured if the US perceives that the costs begin to outweigh the benefits, or if the US continues to have the will but may no longer have the capacity.

The US will likely still be in Iraq in 2015, will continue to be bogged down in Afghanistan from which there is no exit, and may possibly be involved in a new war in Pakistan. It will still have Iran, North Korea and Israel-Palestine to manage, while not yet able to
pass its health care reforms. It will come to the realization that it can’t solve both its own problems and those of the world at the same time. With its huge trade and current account deficit, the US will have declining capacity to manage all these issues. Thus the question is whether the US will continue to be a benign hegemon, or deal with its own problems and risk becoming predatory and exploitive.

China on the other hand has a huge $2.4 trillion surplus and on its current growth path will overtake the US as the world’s largest economy around 2030. But China also has huge domestic problems, even with 8.7% growth last year and 10% this year. The pressure for employment is enormous, with 350 million people migrating to the urban areas within this time frame and requiring jobs, and with serious environmental issues. China must also cope with a serious democracy deficit. Will China take some of the burdens currently borne by the US, or will China continue to deal with its own domestic problems? Will China be a status quo power or a system challenger? Will there be a ‘bi-gemony’?

If China were to take a cooperative route, this would be beneficial to the US, but even this would not solve all the US problems.

Chrystia Freeland, US Managing Editor of the Financial Times of London, talked about the psychological impact of the 2008 financial crisis and its implications going forward. Because their economy was so large and dominant, the American elite had the luxury of being insulated from the effects of globalization longer than the rest of us. They could carve out a career on the basis of the domestic market and saw no need, for example, of foreign language education for their children. They attributed previous financial meltdowns such as those in Latin America or in Southeast Asia to the foibles of foreigners not following American precepts. They were on the cusp of developing a more international outlook by 2006-07, but were knocked off their trajectory by the realization that the 2008 near-meltdown was a home grown, made in America crisis which started on Wall Street and in homes all across America.

It has left in its wake three issues:

1. Global financial imbalances: This was the single essential cause of the financial crisis, in that the US propensity to spend was offset by the Chinese propensity to save and invest in US Treasuries. The resulting excess of liquidity indulged the lax sub-prime lending of US banks, creating a bubble. However, US over-spending and Chinese over-saving are not sustainable. Although there has been a momentary reining in of spending in the US it is not yet clear that the shock of the financial crisis will result in a profound cultural shift toward greater parsimony in the US. On the other hand, Chinese behaviour in the wake of the crisis has been magnificent, in that the Chinese authorities unleashed a massive stimulus program which helped to pull the global economy out of recession. It is not clear, however, that the rebalancing can be sustained because it would require putting greater purchasing power in the hands of Chinese consumers, a prospect that the regime in Beijing might view as threatening.
2. The American twin trade and fiscal deficits: The refractory American political system makes the Administration's job of getting control over the deficit very difficult, as the outcome of the Massachusetts Senate race has further accentuated. And deficit reduction would be even less palatable than health reform, since no US domestic interests are served by higher taxes and fewer public goods. Moreover, the US because of its privilege of issuing the world's reserve currency is not forced to adjust by hitting the wall, since other countries have been willing to hold US dollars as a store of value. This, however, cannot continue indefinitely, and a number of countries are already beginning to diversify away from the US dollar, e.g., a recent Russian purchase of Canadian dollars. US creditors will be increasingly worried about the possibility that the US may seek to manage its balance of payments problems by turning on the printing presses, although the most likely scenario will probably be a slow, chaotic erosion in the value of the dollar against most other currencies.

3. Increasing disparities in sharing the benefits of globalization: Up to 2007, most Americans believed they were sharing the benefits of the open global economy particularly as the flood of new technology products made life easier and more enjoyable. However, technology was also leading to an increasing concentration of wealth. The US was becoming a very unequal society. People did not notice this at the time because loose credit allowed them to borrow against the value of their home or make use of their credit cards. However, the credit crunch and loss of homes and jobs flowing from the financial crisis has given rise to an inchoate anger channelled, for example, by Sarah Palin, which can become a real threat to globalization through protectionist trade and immigration policies.

Effect on Canada: As attention turns to the emerging markets, China, India, Brazil and Russia, as well as the next twenty on the list, Canada's role in the international economy because of its close ties to the US is likely to diminish. However, Canada has the benefit of being a resource play, and resources are likely to maintain their importance. Moreover, Canada can serve as a model in balancing capitalism and an open economy with the collective good, and in recognizing that effective capitalism needs effective regulation. Canada has also been astute in keeping its head down while other titans vie for prominence – a show of discretion that serves the Canadian people well during a period of international turbulence.

Discussion

During a very lively discussion, the following additional points were made:

The long run sustainability of China’s growth track

Mr. Jiang acknowledged that this was a dilemma. If the entire Chinese population were to enjoy a western lifestyle, this would require 80 million barrels of oil per day, or as much as the whole world is consuming at present. This is not sustainable, pointing to the need for a changing lifestyle for all societies.
The nature of the Chinese development model
It is, according to Mr. Jiang, a traditional modernization model ‘on steroids’. The Chinese made a bargain to provide cheap labour and good returns for western capital. The result has been a huge migration to the cities and increasing disparities between the urban populations and the rural poor, as well as serious environmental damage. However, the Chinese Government has made an important commitment to address inequalities. He pointed out that such inequalities are not necessarily handled better by democracies.

China’s willingness to increase domestic demand
China has been accused of maintaining too high a savings ratio to rebalance the world economy, but Mr. Jiang pointed out that this was not entirely accurate. In the first instance, China has undertaken huge social program spending on infrastructure and collective goods to compensate for the high rate of individual savings. Also, China has been promoting car sales to a great degree. This year, more cars have been sold in China (13 million) than in the US. China is experimenting with ‘Fordism’ (paying workers higher wages so that they can afford to buy a car). Chinese private consumption is on the rise.

The impact on Africa of Chinese investment and its environmental effects
Mr. Jiang said that the 4 to 6 per cent growth rate recently witnessed in Africa has been driven by the Chinese demand for resources. However, investment in the resources sector has not yet translated into real economic growth. Where there are no roads or schools or hospitals, the environment is not one of the priorities. The issue facing the developing countries is survival, and climate change – a rich counties’ concern – does not register.

Mr. Jiang contrasted Chinese policy in Africa with that of the US. Secretary Hillary Clinton undertook a whirlwind seven country tour of Africa in August 2009 and delivered numerous high-principled speeches – but did not deliver much in the way of material benefits for Africa. Unlike China, the US no longer has the financial power to back up its rhetoric.

The impact of the financial crisis on the international financial system
According to Mr. Jiang, there is no way for the US to overcome its twin deficits without printing more money. China has generated a $2.4 trillion surplus and two thirds flows back into the US. China is very nervous about this and can’t tolerate a US devaluation. China is undertaking currency swaps with other countries, is buying more tangible assets, and is advocating using SDRs as a reserve currency to reduce its dependence on US dollars. Nevertheless, the two countries are in a financial MAD (mutually assured destruction) interdependence. A new financial architecture has to be built on the two great powers compromising and working things out.
Whether China can fill the vacuum left by a US retrenchment

The subject has provoked great debate within China, but it is unlikely China will be able to do so. It has to concentrate its attention on the internal situation. It is concerned about separatist tendencies in Tibet and Xinjiang (Sinkiang). For this reason, China is not able to tolerate internal opposition. It can build aircraft carriers, but is currently unable to provide much in the way of global “good”s (i.e. in the sense of public good).

Whether trends should be looked at other than through the prism of China-US relations

Ms. Freeland was entirely in agreement that the palette of countries should be broadened. However, China is a powerful influence pushing toward increased multipolarity, even if the reality is more complicated than a binary US-China relationship.

Can authoritarian states manage their economies and respond more effectively than democracies to crises?

For Ms. Freeland, the relatively ponderous reaction of democracies is a matter of concern. Chinese leaders reportedly drove home the point recently to Ukrainian counterparts, hard hit by the financial crisis, that democracy (the orange revolution) has its downsides. On the other hand Mr. Jiang cautioned that it is too simplistic to conclude that one or the other model is superior. He added that China is no longer willing to be lectured by the US on how to manage its economy.

US power on the wane

Ms. Freeland cautioned that it would be premature to write America off – the US economy is still incredibly impressive, and US technology still dominates worldwide.

The financial vulnerability of small countries

Ms. Freeland pointed to Iceland as an example of how smallness can be dangerous in a financial crisis.

The handling of the financial crisis

It was remarkable how well coordinated the international response to the crisis had been. In this regard, Ms. Freeland also gave high marks to the new Obama administration for getting a financial package approved in record time. Obama performed contrary to expectations: he was strong on policy but wretchedly poor on communicating the need for those policies to the American people.

Was the US losing its appetite to be the global policeman

Ms. Freeland’s reply was that the US never aspired to the role, but on the other hand has a zero tolerance for danger and risk being inflicted on the US. Thus so long as there is an attack or threat of terrorism directed against the US, such as 9/11 or the underwear bomber, the US will pursue its global role.
Chair: Jodi White  
Speakers: Ramesh Thakur, David Hale

In her introductory remarks, the session Chair, Distinguished Senior Fellow, Norman Paterson School of International Affairs and Arthur Kroeger College of Public Affairs, Carleton University and former President of the Public Policy Forum in Ottawa, Jodi White, referred to the OP-ED in that day’s Ottawa Citizen, co-authored by David Lee and Gerald Wright of the CIC National Capital Branch, which underlined the need for Canada to decide how to engage with the world and with which partners to engage — precisely the subject of this session.

Ramesh Thakur, Director of the Balsillie School of International Affairs and Distinguished Fellow at the Centre for International Governance Innovation (CIGI), noted that from 1000 AD to 1800 AD, Asia, Latin America and Africa accounted for 75% of population and economic output. Thereafter, Europe surged ahead through the industrial revolution and colonialism. From 1870 to 1950, Asian per capita income fell drastically, as a result of colonialism. Since then however, with the end of colonialism, it has bounced back. The importance of the emerging markets lies in their future potential, and this has already changed the nature of the economic and political dialogue. The demonstration of the limits of US and NATO power in Iraq and Afghanistan has reduced their importance in the eyes of much of the world. And on the economic front, the effects on the US and other major developed countries of the recent economic crisis has had a similar result. It is also clear that the US political system is dysfunctional. And the US has been found acting contrary to its supposed values, e.g. the cases of torture.

In sum, the prestige of the US in particular and of the West more generally — and that of their values and systems -- has fallen. The West has lost the capacity to set standards for the behaviour of the world. A moral rebalancing in the world is required. Until the US/West acknowledge this, and it is reflected in international structures, their leverage in international negotiations will be much reduced.

All that said, the US remains the single most important global player, but in a world of other, growing, powers — notably China, the big winner. China also has to adjust to its new status. China’s role in future is not yet clear: benign, a “status quo” player, or an ambitious actor with plans to dominate in various ways? Whether or not China takes an evolutionary or revolutionary approach, the original values it brings to the table are not those of the West. In an uncertain world, all regions want the US to stay involved, but to make use of US power and influence for their own purposes.

India, which has confronted many problems in its 60-odd years of independence has demonstrated a remarkable resilience and ability to move forward on many fronts. On balance, India is likely to tackle corruption and improve governance, but it could still turn its back on prosperity. Japan has decisions to make: will it be a nuclear power in 2015;
will it be content to remain an ATM to finance US policy, or will it begin to say No to Washington? Yet it is true that, in the past, Japan has proven capable of major changes of direction in the face of dire circumstances. Russia, reduced from its Soviet heights, remains a shrinking state.

Regarding non-state actors, Europe (EU) remains the major promoter of democracy, and continues to expand its soft power reach through standards and rules and regulations; its approach is to seek cooperative solutions with other world players e.g. on climate change. But it remains less than the sum of its parts, as for example demonstrated recently at Copenhagen and consistently in the Middle East where it dispenses a lot of money without gaining any influence over the Arab-Israeli dispute.

NATO has not been able to deal with new transnational threats such as terrorism. Attempting to tackle threats far distant from its core entangles it in unfamiliar local problems, risks charges of colonialism, and fosters internal divisions. To people in developing countries NATO is the alliance that brings together the European colonial powers.

The financial crisis has shown that the current set of international financial institutions is not adequate for the future; among other changes, they need to be more representative of the current and prospective power relationships. The UN also has failed to accommodate itself to the problems of the future. The G20 is timely and promising, but its approach should be collective in nature, rather than “command and control”; it needs to find a way to spread its influence in a positive and accommodating fashion so as to achieve buy-in from the rest of the world. The new governance structure must also find a way to incorporate a positive factor — international civil society, including business; and to deal effectively with the negative ones — such as terrorism, arms threats (including WMD), drugs and more.

If we look back in ten-year intervals over the past century, it is clear how rapidly the world changes — and how hard it is for us to know the issues that will confront us. But that does not mean we should not be thinking about the future.

David Hale, Chairman of David Hale Global Economics and China Online, pointed out that the economic balance of power in the world is shifting gradually but steadily eastward. China’s GDP will soon exceed Japan’s. India is poised to grow at a 7-9% annual rate. The smaller countries of East Asia are still achieving growth rates in the 5-7% range. Australia has one of the highest population growth rates in the world because of its willingness to accept immigrants.

But don’t count out the US! The American corporate sector has cut employment by eight million people and is now hyper competitive. The US could well have an export boom and produce positive employment surprises because many enterprises are understaffed. The US has recognized the changing balance of power by shifting the focus for global economic policy discussions from the G7 to the G20. It also has established a formal dialogue between US and Chinese economic policy makers every
six months. There are still people in Washington who worry about China emerging as a military threat, but the dominant view is that the US must pursue economic cooperation with China. The US is China’s second largest export market. China is the largest foreign holder of US Treasury securities.

Europe is a declining power. Its population is shrinking and its potential growth rate is only 2.0%. The president of the Bundesbank has said that Germany’s optimal growth rate is only 1.5%. There continue to be a series of crises in the small countries. Ireland cut its civil service salaries by 20%. Greece has far exceeded the Eurozone target of a deficit no higher than 35% of GDP. Iceland has experienced a serious crisis which could have been avoided if the US had not closed its base four years ago. Europe still has a large economy and is an important market, so it will be a player on a wide range of trade, financial, and security issues.

Japan also has a shrinking population and the Ministry of Finance now estimates that its potential growth rate is less than 1.0%. The new government has set a target of 2.0% growth, but it is far from clear how it will achieve such a goal. There is tremendous potential to increase productivity in the service sector, but the DPJ has not articulated any policies for maximizing productivity. Japan also has major fiscal problems. Its current deficit is 10 - 11% of GDP and its debt stock will soon exceed 200% of GDP. These large debts will greatly diminish Japan’s future freedom of action. Japan confronts the need for massive tax increases and, therefore, its economy cannot be expected to be very robust.

Russia regained prosperity during the past decade because of rising oil prices, but it still suffers from serious problems such as no rule of law, a shrinking population, and heavy dependence upon commodities. Prime Minister Putin has spoken of making Russia a high growth economy, but he has not endorsed the reforms needed to achieve such a goal. Russia’s economic growth will, therefore, continue to be cyclical, driven by oil prices.

China leads the emerging market countries, made more formidable by globalization. Foreign companies turned China into an economic power. China has now replaced Germany as a leading manufacturing exporter. In the next year China will become the world’s second largest economy.

Brazil has achieved success under President Lula in restraining budget deficits and attaining a non-inflationary monetary policy. It also has been a major beneficiary of China’s growing demand for iron ore, soybeans, and other commodities. Oil companies have recently discovered massive new oil deposits off the southern coast of Brazil. They could be potentially as large as 30-40 billion barrels. Such large oil reserves could turn Brazil into a major oil exporter as well as a successful manufacturing nation. The challenge for Brazil may be to restrain the exchange rate in order to prevent oil from crowding out other sectors.
There are some potential new players who could play a role in 2015:

**Indonesia** has achieved a remarkable level of political stability and endured the global financial crisis without any decline of output. Indonesia should be able to attain a trend growth rate of at least 5.0%, and, with its large population of 237 million people, play a more important role in the region. It is also the world’s largest Islamic country.

**Vietnam** is a new export powerhouse, also experiencing population growth.

**Australia** is benefiting from Asian developments, its population could surpass Canada’s by 2050, and it is a country to be watched closely. China takes an increasing percentage of its exports and is investing in Australia. Australia now has a place in the G20.

The **African continent** is generally regarded as a failure, but it did achieve growth rates in the 5-6% range during the four years before the global financial crisis. Africa has benefited from China’s demand for commodities and increased Chinese investment. There has also been a major improvement in the quality of political governance in many countries since 1990. Zambia and Ghana are now truly democratic. The UN is forecasting that Africa’s population will rise from 900 million recently to 2 billion people by 2050. Such a large population will require Africa to either produce many new jobs or export a large number of people to regions experiencing depopulation such as Europe. There have also been major new oil discoveries during recent years in Uganda, Ghana, and Sierra Leone. They will create new opportunities for development as well as increase Africa’s role as a supplier of oil.

The Climate Change talks at Copenhagen are a troubling augury for the future world order, demonstrating the increasing difficulty of achieving world consensus on key problems. There is no hope for cap and trade for the rest of the Obama administration; the US will not have a policy for Canada to imitate. It is true that China is making progress in addressing global warming (China’s target is to increase energy efficiency by 4% per annum.), but India is way behind. India doesn’t want a numerical target. It will be hard to get a consensus on global warming from the OECD countries.

Other intractable problems include terrorism, which is liable to worsen. Population growth in the Middle East poses awesome challenges for our societies. Iran is the number one security threat in the world in coming years, and could attract an Israeli pre-emptive strike.

**Discussion**

**Climate change and Copenhagen**

Mr. Hale: The notion of a G2 (US and China) is a fantasy but there will indeed need to be greater cooperation.
Professor Thakur: The western (and Canadian) press has painted a one sided picture of Copenhagen and the climate change dynamic. There are problems on both sides. The difficulty is that our political systems have trouble dealing with such deep seated and challenging problems.

**US Attitudes — To continue or not as “the world's policeman”?**

Mr. Hale: Fiscal pressure could push the US to reduce its role, but if there were more attacks the US would continue to act internationally, regardless of the cost. (He also thought it would be a great mistake to cut back on foreign students studying in the US).

Professor Thakur: The US/West has lost the hegemon’s capacity to write the rules of the game. How will this gap be bridged? Will someone else step up or not, notably China?

**US and Canada membership in NATO**

Professor Thakur: Both NATO and the Non-Aligned Group should be disbanded. But as long as NATO exists, both Canada and the US should stay.

Mr. Hale: NATO is still regarded by many East European states as critical to their security, e.g. Poland. As long as US remains in NATO no doubt Canada will want to stay.

**Population growth: Positive or negative factor?**

A participant questioned the emphasis put on population growth. Population growth can foster economic growth but it can also increase internal tension, slowing down the economy. Nor does an absence of population growth mean that a state will not be assertive. Iran, for example, has brought fertility down to Quebec levels.

Mr. Hale agreed that population growth does not guarantee a country’s success but argued that it is a positive factor for countries that are following sound economic and security policies.

**What about the World Trade Organisation?**

Mr. Hale: The current Round of trade negotiations are at an impasse, due to inability to get past (varying) protectionist measures in all the negotiating partners.

Professor Thakur: This is another example of the changed power relationships; the southern countries are now in a position of increased strength.

**How can Canada gain leverage and make a contribution?**

Mr. Hale: Canada has reduced leverage in the G20 compared to the G7. In the former, it is now competing more directly with Australia. Canada should play to its strengths e.g. on the banking system.

**India as a balancing power?**

Professor Thakur: India will “muddle its way through”. It is in fact very stable. It is the hegemon in its region. India should be seen not just as a balance to Pakistan, but as
part of the solution for the future in its region and more broadly. India has close links to Afghanistan. (Afghanistan asked India to build its new parliament.) At the same time, India has been very vocal in saying the US must stay the course in Afghanistan.

Mr. Hale: India is a unique role model because it has now combined economic success with democracy.

Thursday, January 21, 2010
SESSION THREE (over lunch): India and China: Can Two Tigers Share a Mountain?

Speaker: David Malone

David Malone, President, International Development Research Centre, previously High Commissioner to India explains that IDRC focuses on emerging economies because they serve as models for the developing world, and help us to understand what it is that developing countries are aspiring to become.

Western scholarship is often self-indulgent; it needs to delve into what these countries think of themselves and their own potential rather than endlessly quoting Western references. An example of our misplaced focus is the notion that the most important relationship for India is that with the US. In fact, the key relationship that matters most to India has been and is that with China.

Modern India and China emerged in the same time frame. Nehru believed that they could work together to establish a new sort of international network. But China developed close ties with Pakistan, and India-China relations degenerated into the 1962 war, which India lost. India developed its nuclear weapons in response to China, not Pakistan. China reformed its economic system first, followed more than a decade later by India. India remains anxious about China, but the reverse is not the case. At the same time, India’s vibrant democracy and free press serve as shock absorbers for India. Tibet remains a source of tension between the two countries, while trade is a positive factor — China being India’s number one partner. Each worries that the other may be encircling it through alliances and the positioning of military assets.

Groupings which are important to India include the Shanghai Cooperation Council (within which India is only an observer); and another it was instrumental in starting — IBSA, i.e. India, Brazil, South Africa. India is proud of the latter, which it views as comprising the leading democracies on their respective continents. Its private sector is engaging well with the other two countries.

India and China are similar in the high value they place on education (although each still performs poorly on this front overall), in their vast inequalities and in the pervasiveness of corruption. They differ of course in their political and economic systems: how these
are managed will determine their future relationship. But there is not likely going to be another full-scale war between the two.

For India, Canada has the following attractions: natural resources, North American space including investment opportunities and a very appealing pluralistic, multi-ethnic society, Indians enjoy engaging with aspects of Canadian diplomacy, including our under-appreciated financial diplomacy managed by the Department of Finance and Bank of Canada.

Discussion

Canada-India business relations
India is active abroad through its private sector. But many Canadian companies feel India is chaotic, and are more comfortable in North America. We need to think of India and China in their terms not our own. Business in India is in practice highly profitable.

The Indian diaspora
Once Diaspora Indians settle in Canada, they face the same challenges back in India as do others. How well they then do there depends upon the temperament of the individuals. Canada benefits more from the Indian Diaspora than India does.

Water issues for China and India
There are issues. But they are manageable — even though that is not happening at present. India needs to build infrastructure. Water is not a huge threat to the future of either country as long as meaningful steps are taken to manage it, including harnessing the vast quantities of rain-water that pour down on India during the monsoons.

Relations with Africa
The best thing China is doing is to provide scholarships: they are welcomed by Africans. Loans are not such a good idea, as they simply create new debt. For China, Africa is a commercial proposition, which will become increasingly clear to African countries. India engages with Africa largely through its trading communities there and its dynamic globalized private sector.

Afghanistan
India has historically rich and emotionally deep ties with Afghanistan. When the West first went into Afghanistan it was with a limited objective. Since then, the aims have broadened — but without seeking to learn from the regional countries (Russia, China, India, Pakistan) about their perceptions and knowledge of the country. Western self-absorption needs to change, especially when we undertake risky ventures in distant corners of the globe.
Indian diplomacy: Bilateral vs. multilateral

Indian bilateral diplomacy is generally highly effective, often brilliant. For example, it is the only major state that has excellent relations with every Middle Eastern country. Its multilateral diplomacy, however, is often high-minded, sometimes shrill and generally makes few friends for India (although it has been successful in avoiding isolation of India in forums where its antagonists have many allies and friends). There is a debate about this in India, with several Ministers decrying India’s past habit of obstructionism. Indeed, the Prime Minister has stated publicly that as India emerges, “it must be part of the solution, not part of the problem.”

Thursday, January 21, 2010
SESSION 4: Governance in 2015

Chair: Louise Fréchette
Speakers: Louis Pauly, Haile Menkerios

Introducing the session, Chair Louise Fréchette, CIGI Distinguished Fellow, Chair of the Pearson Peacekeeping Centre, and former Deputy Secretary-General of the United Nations, observed that governance includes norms, institutions and state actors. It is necessary to acknowledge the important positive or negative role that institutions can play. But a distinction must be made between the quality of the institutions, on the one hand, and the impact on their work, on the other hand, of the politics involved between and among their members. For example, it is arguably the case that at Copenhagen recently the UN sponsored global climate change negotiations did not succeed at least as much because nations were not yet ready to resolve the tough issues between them, as opposed to institutional weaknesses.

Louise Fréchette also drew attention to the recent earthquake in Haiti. In addition to the terrible impact on Haiti, the effect on the UN capabilities was also severe, given the loss of life among key UN personnel in this area.

Louis Pauly, Canada Research Chair in Globalization and Governance, University of Toronto, posited that the Canadian genius is based upon stability and compromise; they will be important elements of our role at the regional and global levels. However, there are costs associated with our gifts: the reverse of stability is innovation. Yet what is required today is to create opportunities for the next generation; many of our best students have to look outside the country for opportunities. In fact, it is arguably the episodes of instability in our past that led to the stability and strength of new equilibria — such as our banking sector, which emerged strengthened from the crises of the 70s and 80s.

There are mounting problems confronting the collectivity on the international stage, and as a result we are living through extraordinary times of reconstituting sovereignty.
Creativity is required, rather than a clinging to known stability. At the global level, we need government, not governance. But governance is the road we will follow because it is easier to pursue -- though it may lead the system to come apart.

The nation state is undergoing a transformation of its role. It is no longer independently sovereign: it must take account of a much more complex array of actors: government-type actors both at the international and sub-national levels, and non-state actors at all levels. This means a need for fundamental institutional redesign. The EU is addressing these issues, in a particular fashion arising out of and drawing from their own history. Problems like global poverty, climate change, security threats and financial instability require a re-thinking of global and regional structures and “governance”.

What we are engaged in, notably in Canada and the US, remains an experiment in liberalism, classically understood. But it is being stretched to accommodate these new pressures and demands, and the outcome is not yet visible. This will demand a very high level of cooperative effort. We cannot simply withdraw into ourselves and let others (“the Americans”) do it. There are internal contradictions within the system, which have become clearer over time, and will require innovation and cooperation to work through.

The twin keys are sustainability and growth (in neither case purely economic, but also political and institutional). Both are essential. We must seek growth to ensure the possibility of providing for greater justice (development), not simply stability to avoid upheavals. The case of the bailout of American International Group (AIG) provides a typical case study (not yet completed): devise a response to a crisis that works to resolve the crisis; institutionalize from that base; then work to make the institution/system more just over time.

A Government could make these kinds of tradeoffs. But at the international level there is a fear among state actors of assuming additional obligations, and hence a tendency instead to accept less than optimal situations. We make do with governance when what is required is government. The legitimacy of government, however, in other words the acknowledged authority to decide and implement, only comes from the adoption of proper and legitimate policies.

These considerations are especially relevant today in relation to international financial regulation. Tax and financial instruments lie at the heart of state sovereignty, so these discussions are very important. Canada must find a way to work with the US so as to help them develop a system that will allow them (and others) to avert future crises. The example of the leadership role of Sir John A. Macdonald in Canada’s origins illustrates the importance of a strong leader to move the world toward the kind of global government that is so necessary. Canada must help the US lead the way toward a more collective and cooperative institutional structure, whether on financial issues, climate change, or other matters. The shared objective must be to govern global risk.

Haile Menkerios, Assistant Secretary-General for Political Affairs (Security Council, Africa) in the United Nations, New York, described the origins of the UN in general and
the UN Security Council in particular as part of the post World War II effort to avoid war and maintain peace and security. A major strength of the United Nations lies in its legitimacy deriving from its acceptance by and membership of all states. This legitimacy by extension is also conferred upon the Security Council, though today with changes in the world from the days of 1945, have come some demands for changes in the Council.

There have been significant changes in the nature of conflicts, for example proxy wars, or conflicts within states sometimes leading to involvement of neighbours. And with these developments has come the necessity for the Council to go beyond traditional causes of war, to consider poverty, migration, drought, human rights and lack of overall governance, or global issues such as terrorism. This has led to posing the question: Is a state fulfilling its responsibilities to its citizens? And if not, does the international community have the right or obligation to intervene?

Changes in the nature of the global power structure have meant there are additional states that are candidates for Council membership on terms more comparable to those of the five permanent members. And changes in international thinking and standards have broadened the range of issues of which the Security Council has been seized. But there has been no questioning of the importance of the Council. Rather, the issues have become how to make it representative of the global polity; and effective in dealing with challenges to the more broadly construed understandings of peace and security. These issues will no doubt still be with us in 2015.

In parallel, there have been efforts to develop alternative institutions, in particular to seek ways to strengthen regional institutions. Examples in their different ways are the European Union and the African Union. This trend is likely to continue. But it is not a threat to the power or legitimacy of the Security Council. The issue rather is how to build partnerships with the regional organizations, perhaps through a division of labour. Regional bodies might be useful in putting in place preventive measures, e.g. to deal with poverty, injustice or inequality. The whole UN system needs to work together, building on the strengths of each part. And the Security Council must be able to examine internal situations and engage in conflict prevention rather than concentrate on costly post-conflict prevention alone.

The G8 and the G20 are both (relatively) new informal bodies that seek to address similar problems, and undoubtedly have important roles to play in future.

Discussion

Political will and new institutions

Professor Pauly: In fact, we have developed remarkable governmental type structures at the international level — essentially based on the “liberal” philosophy of the west. The unintended consequences of these successes include the fact that much of the world is trapped in poverty. Today many of the brightest people simply move to the developed world.
Reform of the Security Council, including any changes in relation to the veto, would require the support of the five permanent members, each of which holds a veto.

Mr. Menkerios: If we had the political will to reform the UN, we would. But we are not there yet. The most that can be expected under current circumstances are steps to improve the institution.

Nuclear non-proliferation and disarmament
Mr. Menkerios: There is agreement in principle on nuclear disarmament, but how to move the subject ahead?
Professor Pauly: Iran and Israel, with their lack of mutual trust, are players on this dangerous field.

What about IMF and conditionality?
Professor Pauly: Creditors will not put money in unless there are conditions relating to its use. And they will not care unless there are security implications for them. It is unfortunately true that in the past the IMF has provided packaged solutions to countries with different conditions, leading to disastrous consequences.
Mr. Menkerios: We assume that the developing world will develop the same way as did the developed industrialised countries, but this is a fallacy because the situation is quite different. The élite of the developing countries do not have a vested interest in developing the educational system in their countries because they were educated outside their countries and do not want to wait for them to develop.
The UN works with countries that abuse human rights, and applies standards that assess the abuses; but it cannot work outside the state system since it is an organisation of states and not individuals. You cannot condemn the population simply because they have illegitimate governments. The UN works with them to establish programs that support the people.

The environment and climate change
Professor Pauly: The US is society led. Their government was created to do things in a crisis situation. The election in Massachusetts will not ultimately stop society’s push for climate change efforts. We in Canada must watch what the US Environmental Protection Agency does. If the Obama administration lasts 8 years, something will be done about climate change because the political pressure is there.

African conflicts
Mr. Menkerios: “The Horn of Africa is at war with itself”. The threats to stability in the region lie in the border issues between Eritrea and Ethiopia.
In Rwanda it was a clear failure of the international community to act in the face of genocide. The ensuing outcry led to a conclusion that the international community cannot stand by and watch in such situations of abuse by a government of their people. It has in other words led in principle to a way to prevent or deal with such situations in future.
Global norms and global values: Are the values and norms developed over the past fifty years shared by the new players?

Professor Pauly: This is a basic question as we look ahead. Do we say to China and others reaching for the levers of international power: Yes, you may join us in handling these levers. But on condition that you support the liberal vision and values which animate the international system you seek to benefit from?

There are also tensions for the so-called liberal players: for example, nationalism versus liberalism. When we face fundamental collective action problems how do we create means, coercive means, which allow us to move beyond nationalism and into a state of global governance? In a crisis, the temptation is to revert to nationalism because it is both visceral and effective.

The G20 is the only institution that is in place right now where we have a chance to bridge the gap between liberalism in the west and the Chinese authoritarian system. This will be the institution through which a normative foundation for change may be born.

Friday, January 22, 2010
SESSION 1: Retrospective of Day One; Canada in the Medium Term: What is Shaping Our Policy?; A Western Hemisphere Perspective

Chair: Gaëtan Lavertu
Speakers: Irvin Studin, Thomas Townsend, Gaëtan Lavertu

The opening session of the second day of the conference was introduced by the Chair of the session, Gaëtan Lavertu, international consultant; Senior Fellow in the Graduate School of Public and International Affairs of the University of Ottawa; former Deputy Minister of Foreign Affairs; and Ambassador in Europe and Latin America (including Mexico).

A Retrospective of Day One

Irvin Studin, Editor-in-Chief and Publisher, Global Brief Magazine, provided a personal take on Day One. The world today is a more complex place than ever before — economics does not tell the whole story. We therefore need to prepare flexibly for all sorts of possible 2015 scenarios — to develop the means first, so that we are able to secure whatever ends seem best in the light of evolving circumstances.

Note that yesterday’s discussion focused largely on structures. It did not spend much time on shocks, or on human agency (brilliance, ingenuity and so forth). Nor did it get much into the private sector, law and international human rights, or religious issues.

A big issue is how to improve executive efficiency; it is a worldwide issue, though it varies depending upon cultural factors (e.g. differences between China and the West).
Leadership is the ability to make it safe for others to follow. There needs to be reflection on the relationship of the state and the private sector.

Canada risks being marginalized in the world of 2015. We are already bypassed. Australia, for example, is growing in importance and is more active in defining goals and working to achieve them. Foreign affairs are “discretionary for Canada”, not “existential” — unlike for many other countries. We also have internal difficulties. The best way for Canada to be effective in the world is to be stable domestically. There are investments that we can make to build our capabilities. We need to speak more languages. If we are going to focus on this hemisphere where are all the Spanish speakers? We should also have a much larger population (e.g. 100 million). And the instruments of foreign policy should be strengthened: diplomacy, military, intelligence, etc.

**Canada in the Medium Term: What Is Shaping Our Policy?**

**Thomas Townsend**, Executive Head, Policy Research Initiative (PRI), Government of Canada, highlighted issues from his paper. A primary conclusion in his paper is that international drivers will be increasingly important for Canada over the next five years and more.

On the economy, Townsend said that Canada’s situation is very different from that of every other developed country. Canada has done a spectacular job of bringing down our debt levels; this has left us with a fiscal capacity that has served us well. However, Canadian households went into the recession as heavily leveraged as Americans, and debt levels of Canadian consumers remain very high. Canada, the UK, the US and Spain are liable to go through a period of lower consumer spending, of deleveraging. This means hard times for government and for manufacturing. By 2015, we will have restructured the Canadian economy.

In trade, there is a new paradigm, that of trade in tasks. This has been driven by information and communication technologies. Each product, whether a good or a service, has components that are tradable. Products are being broken down into smaller parts — production is more “granular”. Government remains organized in terms of sectors but trade is no longer sectoral. In this new economic geography, Canadian companies are likely to focus more on components or tasks, than on products as such. Trade in tasks cuts across sectors, so policy analysis and prescription need to be re-examined. Innovation is going to be focused within products.

Townsend’s final point highlighted the PRI research which showed that there are greater similarities of values and ways of thinking between adjacent regions north-south cross-border between Canada and the US than there are between those regions in the respective countries and the adjoining regions east and west of them within their own country. One option for Canada would be to use integrated value chains with the US to take advantage of the global reach of US companies. These value chains within north-south regions across the border can help us to become globally diversified.
A Western Hemisphere Perspective

Gaëtan Lavertu (see above) provided an overview of Latin America and suggested an approach to advancing Canadian interests in the region. There are many changes in the region; in fact, there are several Americas and it behoves us to understand what is actually there in each sub-region, in order to enable us to strike a balance among our various interests in each area.

The region overall has made considerable progress, democratically, economically and socially; and is gaining in influence as its links grow with the rest of the world. Chinese interest and activity are very evident and India can be expected to expand its ties with the region. Brazil shows signs of having a geopolitical design for the region. Various plurilateral institutions have been created to deal with regional matters (e.g. Mercosur), without the interference of such powers as the US, e.g. under Brazil’s leadership.

Overall, these countries were not hit as hard by the recession since they had made structural reforms and achieved economic growth; Mexico was an exception due to its exposure to the US. Diversification of trade has helped Brazil, Chile, Argentina and Peru. Nonetheless, further reforms are needed in many areas including governance, institutional, and social.

The broad security situation in the region is generally stable. Clearly Haiti needs considerable help at present. On another level, Colombia also needs help; here the situation is exacerbated by Chavez’s activities next door. Colombia’s drug issues remain serious, and the problem is also confronted by others such as Jamaica, Peru and Bolivia.

Canadian policy toward Latin America will have to reflect the readjustment of international forces, particularly the transition of power from the G8 to the G20, which includes Brazil, Argentina and Mexico. Nevertheless the US remains the primary interest. US policy has changed considerably under President Obama, e.g. regarding Cuba, Venezuela, response to the Honduras crisis. An Hispanic population in the US of forty-five million constitutes an increasingly important political force, with which Canada will have to contend. If the US is a vital factor for us, Mexico also must be a priority. It is part of North America and Latin America, has made huge steps forward in governance and macro management and is a major trade partner for us.

Brazil should be another priority; we do have important ties, but the relationship is not without problems. Chile and Peru deserve attention. Colombia requires engagement because of its challenges and problems, and its potential. Cuba needs watching, and encouragement toward a smooth transition; the current US Administration has a more flexible approach. On Haiti, we should join with a few countries to take a leading role in working for the long-term development of the country.
Our interests are:

- Economic: Trade and investment objectives;
- Security: Political instability; crime, drugs and money laundering; refugees/immigration;
- Strategic: Links to our broader world interests, and role of G20 and other bodies.

Canada needs to be careful not to push our model of governance on the Americas. We must be realistic about our weight and influence in the region. Competition is stiff; Canada must adjust its objectives to its means and comparative advantages. We are increasingly being perceived as part of North America and attached to US policies. We must make clear to the region where we have distinct views and roles.

Friday, January 22, 2010
SESSION 2: Implications for Canada

Chair: Jim Judd
Speakers: Doug Saunders, Michael Byers, Paul Heinbecker

Opening the session, Chair Jim Judd, former Director of the Canadian Security Intelligence Service, Secretary of the Treasury Board, Deputy Minister of National Defence and other senior posts, commented on six points:

1. The Calendar: In 2010, Canada will host the G8 and the G20 in Canada, and will run for election to the Security Council. In 2011, Canada will withdraw from Afghanistan. Prior to 2015 a number of countries will have national elections, including both Canada (at least one) and the US (three). And 2015 marks the date for review of the Millennium Development Goals.

2. The Economy: The international financial regulatory system needs refurbishing. Deficits and debt must be tackled. There will be serious fiscal pressure on any foreign policy initiatives.

3. Demography: Today one fifth of Canadians come from somewhere else. Before 2015 there could be 1-2 million new immigrants in Canada. 10% of Canadians live outside the country. Immigrant communities in Canada affect foreign policy choices.

4. Governance: Freedom House has reported a regression in observance of human rights internationally. What role will Canada play in this area?

5. Technology: Traditional media are under pressure and new media are playing an increasing role, with an influence on foreign policy as illustrated inter alia in Iran. Another case is the emergence of new energy technologies as a response to climate change.

6. Canadian Contributions: Two areas of notable Canadian contributions have been policy ideas (e.g. the Land Mines Convention, the Responsibility to Protect, G20, financial reform) and effective people (Louise Arbour, Donald Johnston, et al).
Doug Saunders, Chief, European Bureau, Globe and Mail, spoke on Foreign Policy Options. After the withdrawal from Afghanistan in 2011 there is a black hole in Canadian foreign policy. Everything has been focussed on that involvement. 2011 marks the end of the five-year experiment in “muscular foreign policy”, which PM Harper instituted. There is nothing in prospect to replace it.

Canada has a small diplomatic network, a small but robust military, a small aid budget, cultural capital for export, a resource-based trade policy, some foreign direct investment, a population with interesting relationships abroad, and a record of governance that yields some examples for others. The era of “middle powers”, however, ended in the 1990s. Canada’s “special relationships” with the US, the UK and Europe are over. What do we do to gain an advantage? We cannot spend our way upward. We have to use the tools available to us.

Coming into office in 2006, the Harper Government took on the role of a muscular idealist, perhaps the last of the breed. Canadian policy on Israel, China, human rights violations, and of course Afghanistan reflected this role. The role has involved a lot of rhetorical imaging — building an image and hoping to put in place enough substance to back it up before the dice are rolled. The emphasis was on how Canada comports itself rather than on changes it wants to make in the world. In Afghanistan it worked to a degree, and is being used to seek a UN Security Council seat, but most recently the muscular approach has given way to a more cooperative stance. We have had to climb down somewhat in the face of strong Taliban attacks in Kandahar province where US troops arriving in force are replacing much of the Canadian role. With China, the PM had to accept a public rebuke and has clearly changed the policy. This change is partly owed to pressure exerted by 1.4 million Chinese Canadians. Moreover, our image in Europe has been hurt by our position on climate change and our backing away from Africa and by the seal hunt, and the effort to obtain a Free Trade Agreement with Europe is going to be difficult.

What would a Canadian “non-foreign policy” look like, i.e. excluding CIDA, Canadian Forces and DFAIT?

• Ethno-politics would mean extensive relationships outside the purview of the Canadian government, including remittances. In addition to Chinese Canadians, there are 1.3 million from the Indian sub-continent, 1.2 million Ukrainian Canadians, a million Polish Canadians and so forth.
• Extensive trade and investment and other business relations would continue.

What roles can we play?

• Muscle: we can continue to be assertive but it will probably not be enough.
• Role as financier could be significant.
• “Plumber”, i.e. an institution builder (e.g., the Paul Martin role in propagating the idea of the G20). We should remember, however, that France also plays that role.
• Power of example of effective governance, e.g. fiscal rectitude, banking system, program review, asymmetrical federal system.

Michael Byers, Canada Research Chair in International Law and Politics, UBC, spoke on Key Relationships. One of the most important relationships in Canadian public policy is between generations. For every bright young Canadian who goes abroad, there is a bright Canadian that returns or a foreigner who comes here. And the key intergenerational issue is the Arctic and Climate Change.

Climate Change is “the greatest public policy issue of our time”. Margaret Thatcher warned the UN General Assembly of the growing risk in 1989. The ice is melting in the Northwest Passage. It is expected that much will have changed by 2015, forcing action we had thought might be decades away. The changes are happening particularly fast in the North. We need to lead the world in taking revenue from fossil fuels and putting it into alternative energy. We must not only mitigate, we must adapt. Public policy is about managing risk. The risk is well above the level where a good manager would act.

We need a policy for relations with the Arctic powers, including the US. Russia is becoming a more significant Arctic power. There until now has been a great deal of cooperation. The maritime boundary between Canada and Greenland has, for example, been negotiated with an understanding to set aside the insignificant problem of Hans Island. In negotiating their Arctic Cooperation Agreement in 1988 Canada and the US agreed to disagree on sovereignty over the Northwest Passage. Under the Law of the Sea Convention all five Arctic powers are preparing applications to extend their sovereignty over protrusions of the continental shelf extending beyond the 200-mile limit.

But climate change has changed everything. There were twenty-four transits of the Northwest Passage last summer. There are a number of increasingly pressing issues to be tackled. There is a Canada-US dispute over 6,280 square miles of seabed in the Beaufort Sea and at some point the oil companies are going to demand that the international boundary be determined. Moreover, the Arctic has been militarized and nuclearized. Nuclear missile submarines operate out of Murmansk. (Thankfully, President Obama is trying to “reset” relations with Russia. Last fall he became the first US President to chair the UN Security Council and obtained agreement on complete nuclear disarmament.)

There are 100,000 Canadians in the Arctic. The Arctic should be a big part of our foreign policy effort in 2015. No country is better positioned than Canada to lead. Our approach should be based on international law and cooperation. We should start right away.

Paul Heinbecker, Director, Centre for Global Studies, Wilfrid Laurier University, Distinguished Fellow, Centre for International Governance Innovation, and former Canadian Ambassador to the UN, spoke on Capabilities, Tools and Finances.
Heinbecker took as his theme the Mark Twain aphorism that “it is not the size of the dog in the fight that matters, but the size of the fight in the dog”. He argued that Canada has more than sufficient assets, people and money to run an active foreign policy. What is required is vision, belief, and will.

Power is a zero sum game, and when you lose it, it is very difficult if at all possible to get it back. But US power will be unparalleled for the near future, certainly beyond 2015. There is no immediate prospect of a duopoly running the world. The US has strong capabilities, not least of them intellectual. Nine of the recent Nobel prizes went to the US, more than China has won in its history.

Canada may not be a Doberman, but is certainly a Labrador. We have a range of assets: population (Canada’s population is approaching that of Britain at the height of its empire), the 13th largest military in the world, the 11th largest economy in the world, the soundest banking system in the world, trading prowess, energy and education (we have eleven of the top 200 universities in the world). We manage diversity well. Soft power is the ability to influence someone because they believe you are successful. We have soft power.

Foreign policy is about a whole of government approach, where the role of the Prime Minister is key. The PM’s role is enhanced by the number of multilateral summits. PMs are usually surprised by the amount of time they have to spend on foreign policy. Personal relations between heads of government are very important, as evidenced by Prime Minister Mulroney’s relationship with US Presidents Reagan and Bush. Comparing the Mulroney and Harper Administrations, by the comparable point in Mulroney’s first term he achieved the Canada-US Free Trade Agreement, the Great Lakes Agreement, the Acid Rain Agreement and the Northwest Passage Agreement.

But a PM needs a professional foreign service as one key tool. Canada’s is a strong professional foreign service. The depth of judgment that Canadian officials acquire abroad is the fundamental value added of the foreign service. Governments will make decisions based on a variety of inputs, but owe it to themselves to at least hear out the views and recommendations of the experienced professionals.

Unfortunately there has been a decrease in the financial resources required to carry out core diplomatic activities. It would not be costly to upgrade, and would add a good deal of clout to our international efforts. Otherwise our foreign policy is going to possess too much of a military tinge. The multipolar world in prospect calls for a more active and variegated diplomacy.

What is needed are:

- The **vision** that reflects our values;
- The **belief and confidence** that we have the standing and ability to achieve our **vision**;
- The **will** to take the steps to make it happen.
Discussion

The clash between climate change and growth
Professor Byers: Climate change is the greatest collective action challenge the world has faced. We may fail to achieve a collective agreement on climate change and that could lead to disaster. We need some “first movers”, those who are prepared to jump out in front both as examples and to get a lead. This is a role Canada is well placed to assume.

Mr. Saunders: Countries with a shrinking population emit the most greenhouse gases per capita. We don’t have the luxury to await a halt in population growth.

Mr. Heinbecker: Yes Climate Change is our most difficult challenge. But technology is on our side.

Questions: Human rights; US domestic politics; diaspora considerations on foreign policy
Professor Byers: Human rights is an essential element of soft power. But our reputation in this area is declining. Canada’s treatment of detainees in Afghanistan and, more generally, its treatment of its indigenous peoples undermines its ability to press human rights issues abroad.

Mr. Heinbecker: We are all minorities, all part of some diaspora. And foreign policy is not simply the sum of diaspora views and wishes.

There is little debate on foreign policy: should we have more?
Mr. Heinbecker: Perhaps the reason that there is so little debate is that we don’t think we matter much internationally.

Professor Byers: It is a myth that foreign policy doesn’t matter, or get debated, in Canadian politics. Recall the free trade election, missile defence, the Iraq war discussion, carbon tax, Afghanistan! The Arctic is the only important issue not discussed!

Friday, January 22, 2010
SESSION THREE (over lunch): Canada in 2015: A View from Outside

Speaker: Devesh Kapur

Devesh Kapur, Sobti Professor and Director of the Center for the Advanced Study of India, University of Pennsylvania, explained that he was not an expert on Canadian foreign policy but he had been assured that was why he was invited: to provide a view of Canada in 2015 from the angle of a reasonably informed world citizen without special knowledge. His particular expertise is on international development and migration and on India, so that could be expected to colour his remarks.
He said that the question in his mind was: what do middle powers, like Brazil, India and Canada, face? What can a middle power do when the world is in flux and there is a drift of power from West to the rest/Asia? Great powers can bend the world to their will; small powers cannot affect matters much. Middle powers, however, can hope to influence matters, though they frequently have aspirations bigger than their capabilities.

Canada also seems to be experiencing a kind of foreign policy angst. It’s fine to be a middle power when in the G7 and it is controlling events. But in the G20, there is a dilution of influence. Canadian hand wringing may also be due to changes in the relative importance of its geography, history and economics. It has been anchored with countries of the EU, and with the US. But both are declining; the EU in particular consistently punches below its weight (e.g. Copenhagen). Also, in the past Canada has been buoyed up by its place in such organizations as the UN, the Commonwealth and La Francophonie etc, and such other levers as business and civil society. But this mix will have to change. The perception of the US world-view is declining. The “cognitive halo of China” is rising. The US world-view is less persuasive and the Chinese autocratic model is more popular.

In the future, there are three possible channels for Canadian influence. One is that Canada is not a threat to anyone. It has expertise of various kinds that it can mobilize in the world. That, however, requires mobilization of willpower and resources. Canada does not seem ready to mobilize either.

A second avenue is the changing patterns of migration. There is an increase in migration from “the rest”. Singapore, for one, has taken advantage of what it calls its “two wings”, i.e. immigration from China and India, as a means of takeoff. But Canada has not done this well. Among Indians, Canada was once a major destination for those aiming to get a higher education, but is that no longer. This is due to the nature of Canadian higher education and immigration policies. Graduates either remain in their country of higher education; or return to their home country. If the former, they have already been screened by the higher education institution, demonstrating that they are excellent candidates for hiring by companies and others in that country. If the latter, they form a series of high-level links between the two countries. In the case of the US (which has a very active program of encouraging Indian higher education students in the US), Indo-American returnees have played a very important role in developing Indo-US relations (they are the most highly educated class in India).

Why did Canada lose this standing? It is due to Canadian immigration policy, which favours family reunification. Migration to rich countries is a lottery; the question is who is going to win it. In Canada’s case, policy ensures it is family members. The result is a heavy concentration on persons from one region, a great contrast with all other countries. But while immigration can certainly help a country, it can also harm relations with the originating country, and that has happened in Canada’s case. So the question is (no doubt a difficult one): should immigration be based on family, or be part of Canada’s foreign and industrial policy?
The third area is natural resources. Much is made of Canada’s natural resources as a lead card in foreign policy. But the real strength is agriculture. Over the next ten or more years there will be increasing shortages of food, notably grains, as demand rises in the growing economies of China and India. There will be great pressure on Chinese and Indian water and land. For energy, there can be at least some substitution; for agriculture, there cannot. So, again: should agriculture be a simple part of normal commercial policy? Or should the Canadian government take it up as a lever under a more activist foreign policy stance?

Finally, some argue a country should have a grand political strategy and play a leadership role in the world. Why? The US tried this and it caused no end of problems. Deng’s prescription for Chinese foreign policy was to keep a low profile. Would this not be a good idea for both India and Canada? Multipolarity in today’s world gives Canada some scope: nimbleness and pragmatism will get you further than principles and institution building.

Discussion

Is science and technology one route Canada could take to play a greater role in the world and with India?

Professor Kapur: Yes. But to make it effective, you need the kind of web-like links that come from having an active higher education program resulting in many qualified persons who know each other, resident in both countries.

Should Canada encourage immigration leading to a much greater population?

Professor Kapur: The illiberal Mideast and Singapore regimes have provided more real assistance to more people in the poor countries through their harshly administered temporary worker programs, than have the western countries through their immigration policies based on liberal principles but with few or unworkable “temporary” worker programs and small numbers of permanent immigrants. Only a very few individuals (relatively) have benefited greatly. To be of real help to developing countries, the benefits should be spread much more widely. But this would require tough decisions, which could require a review of values.

Could Canada use its agriculture prowess to help Africa?

Professor Kapur: No country has ever developed well without a strong agriculture sector. So yes, this is a natural. More generally in Africa, Indian and Chinese firms are ubiquitous. They are prepared to pay bribes, according to Transparency International, whereas Canadian firms are not. In agriculture, however, bribes would not be needed.

What do you mean by Canada using its agriculture or other assets as leverage?

Professor Kapur: You must be prepared not to be “Mr. Nice Guy” — but bargain using your strength as a tool, even if it makes you unpopular. Canadians are probably not prepared to do that.
How can Canada be relevant in international affairs?

Professor Kapur: What is wrong with being irrelevant and happy? The US is very relevant, but Americans are all stressed out. Kapur is skeptical as to whether being a player is a worthwhile goal for a country. In any event, like people, countries have to make choices — they cannot do everything or be everywhere.

Afghanistan: What does India think of the NATO (and Canadian) role?

Professor Kapur: What NATO is doing is pitiful. It is caught on the horns of the US dilemma. A deal is required with Pakistan, but that does not seem possible. Or a vast increase in Western troops — clearly impossible. Or a large increase in training of Afghan forces; but there are only a very few countries that could train the numbers needed. India is one but it will not be asked since that would annoy Pakistan.

Friday, January 22, 2010
SESSION 4: Forum: Canada in the World of 2015: Where Do We Go from Here?

Chair: Gilles Paquet
Speakers: Gil Rémillard, Michael Wilson, Paul Evans

Chair, Gilles Paquet, Professor Emeritus in the Telfer School of Management, and Senior Research Fellow at the Centre on Governance at the University of Ottawa, noted that Canada is a small, dependent economy. Foreign policy in this country involves politicians and civil society, not only bureaucrats in DFAIT and elsewhere.

Gil Rémillard, Fraser, Milner Casgrain LLP; professor, École nationale d'administration publique du Québec (ÉNAP), Chairman of the Institute of International Studies in Administration of Montréal; Chairman and Founder of the International Economic Forum of the Americas/Conference of Montreal; former Minister in the Government of Quebec, spoke on Canada’s Foreign Policy over the Next Five Years. He began with five major factors in the anticipated evolution of the world order:

1. The still-fragile international economy and the development of emerging countries, especially in Asia, with China in the lead, and the dangers of regionalism and protectionism.
2. Climate change and sustainable development, and the new-green energy paradigm. How do we find new technologies to help the environment? How do we convince our publics that government does indeed care about these issues that are yet so difficult to solve?
4. Demographic trends, migratory shifts and the challenges of integration — Canada needs immigrants but we have difficulty integrating them.
5. Poverty and world hunger.
It is clear that we are now building a new multi-polar world order of which the G20 will be the main political body. But this should not mean that the UN is to be bypassed; it needs to be reformed and used. Canada must take two fundamental foreign policy principles into account: the “Bismarck Principle” and the “Churchill Principle”. The former states that foreign policy must be based on geography. The latter calls for foreign policy to be based on a country’s interests and special ties with its friends. In this regard, Canada has to focus on the US, of course: the Americans remain friends and key partners. But we should also diversify. China is evidently important, but one must be concerned about the risk of a bubble. Latin America, including Mexico, is a natural partner for Canada. And we should not forget the Europeans; a strategic move is required with them. The Asians are necessary partners, but not friends in the same way as some others.

Michael Wilson, immediate past Ambassador to the US, former Minister of Finance and of Trade, as well as other senior positions in government and business, asked whether Canada should stay primarily US-centric in foreign policy, or diversify. What value do we add if we change direction? How do we avoid the risk of marginalisation?

He outlined various drivers for 2015:

1. Trading Partners. Our traditional trading partners, America and Europe, will slow in this period. A shift of economic power will also mean a shift in political power. The BASIC countries (Brazil, South Africa, India and China) are gaining political influence. Global imbalances will not have been unwound.

2. Terrorism will be the biggest threat to global security. Terrorists have new tools and are bolder. Drugs and crime are also threats.

3. We need multilateral solutions. The G20 will be the key body.

4. Iran is liable to be a nuclear power by 2015 unless there is a diplomatic breakthrough.

5. Latin America. Because it is our neighbourhood, we have to pay particular attention. Destabilizers are Venezuela and Bolivia. Mexico is a concern due to drug and other problems, including oil related issues.

6. The US. We should not sell them short, but they no longer have the capacity to deal with everything. The US is challenging other countries to share its responsibilities.

How does Canada position itself in light of these factors? Without reducing our attention to the US, we must expand our links and attention elsewhere. A multilateral world requires multilateral solutions. National security is now broader in scope, including pandemics and global warming. We must play a larger role in the Americas. We cannot change the world, but we need to become more flexible to adjust to the changes. Our economic and financial success is an advantage for us; it is a sign of stability that it has outlasted government changes.

Canada’s first priority is to sustain the economic policies that have served us well and to restore our fiscal position. Second, we need to improve our competitive position, improving productivity through R&D and tax measures.
We should participate actively in multilateral clubs where our views can be heard, e.g. the G20, where we should inject a sense of urgency this year. We need to be seen seeking solutions to world problems, for example, exchange rate issues. Canada gained much by floating its currency. China should want to do the same. Canada has a strong story — but we need to get it out! Business and government need to work together to achieve diversification of trade, especially with the BASIC countries and the EU.

Ambassador Wilson said that Canada’s role in Afghanistan was hugely important to all of his dealings in the US, both with the Americans and others there. We will need to replace it with other commitments that are important to Canada and to the rest of the world. Defence preparedness is part of this, especially the ability to fight asymmetric wars. In this regard, it is important to inform our publics so they are ready to provide full support.

Canada should play an active role in tackling the nuclear threat. We are a major supplier of uranium and should be conscious of how it is being used. We must look ahead and propose steps. What if the Iranians get the bomb? We should be leading on this file.

In regard to the Americas, the appointment of Peter Kent as Minister of State for Foreign Affairs (Americas) has been important. It is troubling that some, perhaps even in this room, are advocating that we take some distance from Mexico. There is a wide range of issues on which we can work with Mexico to find solutions. And we need also to focus on the Arctic. We cannot be fixated only on the US: we need to broaden our relationships.

Regarding border security, it would be naïve to think Canada could not be the object of a terrorist attack. We should review entry and exit policies for travelers from third countries. We have to share information with the US, while finding ways to manage privacy concerns appropriately. We need to find a shared vision of the border with the US.

On climate change, it looks as though movement in the US will not be possible until after the fall election. We cannot get ahead of the US. Meanwhile, we should work with the provinces and the private sector.

Canada has great prospects. But a whole of government approach is required.

Paul Evans, Professor, Liu Institute for Global Issues, and Director, Institute of Asian Research, University of British Columbia, stated he was revamping his presentation in light of the discussions at the conference. In particular, he wanted to highlight the role that the CIC could and should play, *inter alia* in light of the major changes taking place on the world stage, notably the rise of Asia (China).

Canadians are realizing that we are interconnected with Asia. This has major implications for our value system and for the principled foreign policy that Prime Minister
Harper has tried to pursue. Our values include freedom, democracy, human rights, the rule of law, but they are not universal. In the view of China, the current world order is not universal or timeless; it is simply one possible order. So the question is: are our values universal? Or not?

We will need to be aware that various parts of Asia, and elsewhere, will have views on the question of values. We’ll have to keep an ear open to where our Asian friends are doing their talking, for example, at meetings of the Shanghai Cooperation Organization or the East Asian Summit process. There are beginnings of ideas quite different from those with which we are familiar. Some see a new, still rather inchoate, “Beijing Consensus” emerging: what does this mean?

This is a period when foreign policy is becoming more important. There should therefore be think tanks to ponder, discuss and propose approaches on foreign policy issues. The CIC is well placed to take on this role: to propose ideas, to refine and sharpen them; to get them into broad public discourse. And to make the link between thinkers, the public and government. That is why Paul Evans joined!

Discussion

The Chair invited questions and comments from the floor, then asked speakers to address them together in point format.

Mr. Wilson: Re: Canada-US annual summits, there are in fact a great many opportunities for leaders to meet, and ministers as well. There is no need to return to the practice of quarterly foreign minister/secretary of state meetings, though it is true that the Public Safety Minister and his American homologue meet regularly twice a year.

Greater emphasis is needed on R&D and science. There have been good bilateral conversations on sequestration and carbon capture and storage. We are in fact ahead of the US at the moment on climate change; some of the proposals in Congress are of concern to us on protectionist grounds; yet there are opportunities to be seized. The impacts of getting it wrong on climate change could be pervasive.

Can we help failed states: It takes a collective approach — no one country can do it on its own.

Regarding linkage as a means of dealing with Canada-US disputes, the problem is that constituencies are dispersed in the US, so linkage doesn’t work. But in fact, Afghanistan was a form of indirect linkage.

As far as the general conduct of bilateral relations is concerned, we have had a couple of bumps in the road. In regard to Iraq it wasn’t the US decision, it was how the decision was conveyed. But our level of success is high. The relationship is not at risk. Mr. Wilson did express some frustration at the absence of leadership from government agencies. There has to be a lead agency. Everything can’t be thrown at the Privy Council Office.
Professor Evans: Said that Google’s battle with China reflects fundamental value differences: it is about a conception of the internet as an open, transparent, safe place for individual freedom — or not. We need to multiply our contacts with China at all levels, including between institutes and research bodies on both sides, to get Chinese students to work with us on projects. The Chinese want to talk about sciences. There are possibilities of dual degree programs at the graduate level, jointly mounted by Chinese and Canadian universities. Professor Evans mentioned that the Australian government has just announced a grant of $100 million for a new China Initiative at the Australian National University.

The biggest challenge is at the political level. We need a new kind of think tank that is part of a political party. Suggestion for the CIC: create links with faith-based bodies on foreign policy and relations. However, Albertans feel that the value agenda should be up front.

Mr. Rémillard: Invited participants to attend the Conference of the Americas in Montréal this spring. And he offered as founder and chair of the International Economic Forum of the Americas to develop a partnership with the CIC in order to pursue the kind of thinking that had characterised this conference.

Friday January 22, 2010
FINAL SESSION: Envoi

Irvin Studin, Editor-in-Chief and Publisher, Global Brief Magazine, provided a personal take on Day Two. He noted the general optimism of the Conference. Canada nonetheless needs to rethink its national narrative in light of its strategic position. The Australians have accomplished this. They are ruthlessly strategic and have changed their national narrative to one of obligation based on business prosperity.

What is required is a vision that can mobilize the population. But we still need the tools and culture to carry out the vision. Canadian thinkers have to take a more professional approach to foreign policy. Our think tanks are, however, too remote from policy makers. Political parties are key vectors for making change and, therefore, one recourse would be to develop political party think tanks, which would include foreign policy issues in their work.

We have a number of assets. But we must develop them, e.g. military and diplomacy. Power is the basis for diplomacy. We need to learn more languages, e.g. Spanish if we want to be a leader in this Hemisphere. Even a visionary requires concrete assets in order to pursue the vision.

David Lee, Chair of the Conference Preparatory Committee, noted in closing the session and the conference how the discussion had moved into a consideration of values. Yesterday Louis Pauly had suggested that (to propose a metaphor) like the Greeks three millennia ago, we in the West were readying to pass the torch to the "New
Romans" in Asia — and would be prepared to do so provided there was buy-in to the liberal values we had enshrined in a series of international instruments and organisations. Today, however, Paul Evans was saying that the Chinese and others held their own views on values questions: western liberal values did not form THE universal, immutable system. There would be a clash, and the outcome was not certain.

However, Mr. Lee suggested that there were two approaches to values. An approach based on power and interest is quite different from one based on dialogue and human relationships. With the former, a deal or a bargain can be made — but it lasts only as long as the power relationship or the interest holds. Real dialogue, however, implies both a confidence in one’s own position, and also an openness to learn and change. It can thus be a basis for a firmer and more long lasting relationship, though it takes time and is more difficult to bring about.

Mr. Lee expressed thanks to speakers for their presence, their insights and their careful commentaries; to participants for their enthusiasm, ideas and persistent involvement; and to the organising team for their superb delivery of a very successful conference.
APPENDIX 1: Conference Organisation and Background Information

Conference Preparatory Committee

David Lee (Chair), Claude Alschuler, Michael Berk, Cherie Dawn, Jordan Dupuis, Bernie Etzinger, Robin Higham, Craig Hunter, Ken Johnston, Bruce Jutzi, Craig MacDonald, Sandra McCoy, Aubrey Morantz, Carole Nap, Dane Rowlands, Laura Sunderland, Louise Terrillon-Mackay, Cristina Warren, Gerald Wright and Bill Young.

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The CIC Ottawa Foreign Policy Initiative

The Conference on January 21 and 22, 2010 was the centrepiece of the first phase of activities undertaken by the CIC Ottawa Foreign Policy Initiative. Funded by a two-year grant from the International Development Research Centre, the Initiative has thus far sponsored or co-sponsored four seminars (for the Reports, see CIC Ottawa web page: http://www.canadianinternationalcouncil.org/ottawa/2015).

- A seminar, co-sponsored by the Centre for International Governance Innovation and the Centre for Trade Policy and Law, on Policy Issues in Global Financial Reform, held on June 10, 2009.
- A seminar, co-sponsored by the CIC’s Africa Study Group, on Positioning Canada for Africa 2015, held on November 18, 2009.

Advisory Council

The direction taken by the Initiative is set in consultation with an Advisory Council headed by Mel Cappe (President and CEO of the Institute for Research on Public Policy and former Clerk of the Privy Council). Members of the Council are: Derek H. Burney (Senior Strategic Advisor, Ogilvy Renault LLP and former Ambassador to Washington), Louise Fréchette (Distinguished Fellow, Centre for International Governance Innovation and former Deputy Secretary-General of the United Nations), Anne Golden (President and CEO, Conference Board of Canada), Fen Hampson (Director, Norman Paterson School of International Affairs, Carleton University), Peter Harder (Senior Policy Advisor,
Fraser Milner Casgrain and former Deputy Minister of Foreign Affairs), Luc Juillet (Director, Graduate School of Public and International Affairs, University of Ottawa), Gaëtan Lavertu (former Ambassador and Deputy Minister of Foreign Affairs), Alex Neve (Secretary-General, Amnesty International Canada), Don Newman (retired Senior Parliamentary Editor, CBC), Irvin Studin (Editor-in-Chief and Publisher, Global Brief Magazine), Jodi White (former President, Public Policy Forum) and Elizabeth Yeh (Publisher, AsiaNetwork).