



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

The Canada-U.S. Relationship: Perspectives on Defence, Security, and Trade

Report of the Standing Committee on National Defence

**Stephen Fuhr
Chair**

MAY 2017

42nd PARLIAMENT, 1st SESSION

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Standing Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the Parliament of Canada Web Site
at the following address: <http://www.parl.gc.ca>

**The Canada-U.S. Relationship: Perspectives on
Defence, Security, and Trade**

**Report of the Standing Committee on
National Defence**

**Stephen Fuhr
Chair**

MAY 2017

42nd PARLIAMENT, 1st SESSION

STANDING COMMITTEE ON NATIONAL DEFENCE

CHAIR

Stephen Fuhr

VICE-CHAIRS

Cheryl Gallant
Randall Garrison

MEMBERS

Leona Alleslev
James Bezan
Darren Fisher
Mark Gerretsen

Pierre Paul-Hus
Yves Robillard
Sven Spengemann

CLERK OF THE COMMITTEE

Elizabeth Kingston

LIBRARY OF PARLIAMENT

Parliamentary Information and Research Service

Martin Auger, Analyst
Melissa Radford, Analyst

THE STANDING COMMITTEE ON NATIONAL DEFENCE

has the honour to present its

FIFTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee travelled to Washington, D.C. (USA) from March 5 to 8, 2017 to gain some perspective on the current political climate and the Canada-U.S. relationship, and has agreed to report the following:

TABLE OF CONTENTS

THE CANADA-U.S. RELATIONSHIP: PERSPECTIVES ON DEFENCE, SECURITY, AND TRADE	1
1. INTRODUCTION	1
2. THE COMMITTEE’S MESSAGE TO ITS AMERICAN INTERLOCUTORS	1
3. WHAT THE COMMITTEE LEARNED: KEY TAKEAWAYS	2
3.1. Canada-U.S. Defence Relations.....	2
3.1.1. Arctic Security	2
3.1.2. Ballistic Missile Defence	3
3.1.3. F-35	3
3.1.4. International Defence and Security Cooperation	4
3.1.5. NATO: Burden Sharing and Defence Spending	4
3.2. Russia.....	5
3.2.1. Cyber Threats.....	6
3.2.2. Information Warfare and Disinformation Campaigns	7
3.3. Priorities of the New U.S. Administration	8
3.3.1. Counter-terrorism: National Security and Homeland Security	8
3.3.2. NAFTA and “Buy American” Policies.....	9
3.3.3. Energy security.....	10
3.3.4. Defence Spending and Military Readiness.....	10
4. CONCLUSION	11
APPENDIX A: TRAVEL TO WASHINGTON, D.C. (USA) FROM MARCH 5 TO 8, 2017.....	13
MINUTES OF PROCEEDINGS.....	17

THE CANADA-U.S. RELATIONSHIP: PERSPECTIVES ON DEFENCE, SECURITY, AND TRADE

1. INTRODUCTION

Members of the House of Commons Standing Committee on National Defence (the Committee) travelled to Washington, D.C., to meet with members of Congress, American experts from think tanks and academia, U.S. defence officials at the Pentagon and Canada's Ambassador to the U.S. to gain some perspective on the current political climate and the Canada-U.S. relationship. Although the focus of our meetings was on the defence and security relationship, other policy areas, such as trade, were also discussed and form part of this report.

The Committee held its meetings in Washington, D.C., from 6–8 March 2017. We acknowledge that Canadian and American government policies may have changed between then and the time when this report will be made public. For instance, at the time of our meetings, Canada had yet to release its Defence Policy Review, and in the U.S., over a thousand politically-appointed positions at the most senior levels of government, including in the Department of Defense (DOD), remained vacant.

2. THE COMMITTEE'S MESSAGE TO ITS AMERICAN INTERLOCUTORS

The Committee was unified in its key messages to its American interlocutors about the value and strength of the Canada-U.S. partnership in defence, security, and trade.

The Committee also took the opportunity to discuss the following recent challenges:

- 1) With respect to defence spending, for years, the U.S. has been pressing its NATO allies to meet the NATO target of spending 2% of their Gross Domestic Product (GDP) on defence. Committee members and their American interlocutors discussed the comments made by Secretary of Defense Jim Mattis at the NATO Defence Ministerial (February 2017), who stated that the U.S. will “moderate” its commitment to the Alliance, if the Allies fail to show support for the common defence of the Transatlantic region.
- 2) With respect to immigration and border control, the Committee raised the issue of recent incidents of U.S. Customs and Border Patrol officers denying entry into the U.S. to foreign-born Canadians. Committee members expressed concern that this practice may affect Canadians conducting business and visiting family in the U.S.
- 3) With respect to the Canada-U.S. trade relationship, Committee members raised their concerns with the U.S. administration's plans to re-negotiate NAFTA as well as the possible strengthening of “[Buy American](#)” policies and their potential effects on the defence industries in both countries.

3. WHAT THE COMMITTEE LEARNED: KEY TAKEAWAYS

Throughout its meetings, Committee members asked their American interlocutors whether improvements could be made to the Canada-U.S. continental defence relationship, and how the two countries could best align their global peace and security priorities with a view to enhancing international defence cooperation.

In addition to those topics, our discussions included American perspectives on the current and future threat environment for the U.S. and North America. Our exchanges touched on threats emanating from a range of state and non-state actors, which included the topic of Russia and its use of hybrid warfare tools, such as cyber-attacks and disinformation campaigns, to further its global interests.

Finally, Committee members discussed a number of issues which have been identified as key priorities under the new Trump Administration including: counter-terrorism/homeland security, and the re-negotiation of NAFTA. Other related priorities discussed included energy security and President Trump's intention to invest in and grow the U.S. military.

The following represents a brief summary of these discussions conducted under the Chatham House Rule. Therefore, the information provided in this report will not be attributed to any particular participant.

3.1. Canada-U.S. Defence Relations

The U.S. is Canada's closest security partner and defence ally. Our professional and highly trained military personnel are trusted to stand shoulder to shoulder with American forces and to command multinational operations. To date, no indications have been made public that the Trump administration views the Canada-US defence relationship as a concern or a priority. An American co-chair to the [Permanent Joint Board on Defence](#) (PJBD) has yet to be appointed. Nevertheless, Committee members, at each meeting, asked their American interlocutors to comment on where Canada and the U.S. could improve defence relations both on the North American continent and abroad. The discussions also focussed on how Canada could assist the U.S. in achieving objectives of mutual interest to both countries.

Some interlocutors suggested that Canada direct its investment to maritime and air power, namely: maritime domain awareness, undersea warfare and submarines, and air defences. Stronger suggestions were made regarding Arctic security, Ballistic Missile Defence (BMD), the F-35 Joint Strike Fighter Program, and international peace operations. The issue of NATO burden sharing and defence spending was also discussed.

3.1.1. Arctic Security

With respect to the Arctic, there are a number of current and emerging security challenges that Canada and the U.S. must confront. For instance, Russia's military buildup in its Arctic territory and its provocative behaviour along Canadian and U.S. Arctic airspace

have been widely reported. From the maritime perspective, Committee members were told that both the U.S. and Canada have an interest in upholding respect for freedom of the seas and the rule of law in the Arctic, despite the ongoing sovereignty disputes between our two countries in the region.

Those the Committee met with believe that the Arctic region is an obvious area where Canada and the U.S. can cooperate closely, particularly through the North American Aerospace Defense Command (NORAD). We heard that NORAD modernization has been an ongoing focus at the PJBD. This includes ways to enhance NORAD's awareness and operational picture of the continent's northern approaches. Canada already provides radar satellite imagery through [RADARSAT-2](#) and this contribution will be further enhanced once its new program, [RADARSAT Constellation](#), is launched in 2018. However, the North Warning System, which is nine years from obsolescence, is in urgent need of upgrading and discussions to accomplish this are ongoing. More broadly, the PJBD is also tackling the practical considerations with respect to NORAD's expanded mandate which, in addition to air surveillance, detection and response, now includes maritime surveillance.

3.1.2. Ballistic Missile Defence

Committee members were told that the DOD is conducting a review of its BMD program. A previous review was completed in 2010. We learned that, given the increased threat emanating from North Korea, BMD will be a priority for the Trump administration. They believe the President will increase pressure on China to curb the North Korean threat. Furthermore, North Korea is not the only source of threat. The world has seen a proliferation of ballistic missiles and cruise missiles by state and non-state actors giving them the capability of targeting the U.S. and its interests.

To date, Canada has chosen not to participate in the BMD program. It was suggested that now is the time to reconsider this decision, and that the U.S. would welcome Canadian investment and participation in the program. We were told that, over the last two years, cuts to the Missile Defense Agency's budget have hindered the program. The interlocutors with whom we met suggested that there would be many opportunities for Canada to contribute to the program if Canada decides to change its policy towards BMD.

3.1.3. F-35

Committee members heard divergent views on the [F-35 Joint Strike Fighter program](#). In those conversations, the strengths and the challenges of the platform were discussed. Committee members also heard strongly divergent views on whether or not Canada-U.S. trade, including aspects of the Canadian defence industry, would be affected if the Government of Canada chooses not to purchase the platform.

3.1.4. International Defence and Security Cooperation

Committee members were interested in hearing about how Canada and the U.S. could cooperate overseas to foster international peace and security. All individuals we met with expressed their gratitude for Canada's participation in ongoing international peace operations and stabilization missions, particularly in Iraq, Ukraine and through Canada's NATO commitments – which includes [Canada's upcoming mission in Latvia](#).

Those with whom the Committee met informed us that the U.S. has increased its troop contributions to United Nations (UN) peace operations. They argued that today's peace operations are not the traditional UN peacekeeping missions; they are more dangerous and complex. These operations require professional women and men in uniform and, in particular, the U.S. sees Canadian francophone troops as a critical asset, especially in Francophone Africa.

Canada and the U.S. train other nations' soldiers on the skills required to conduct peace operations. It was suggested that Canada could expand this training and also deploy more Canadian Armed Forces (CAF) mentors to UN missions. As well, a number of UN operations lack airlift, sealift, together with command and control capability. We were also told that every UN mission requires more helicopters. Canada was encouraged to contribute on all these fronts.

3.1.5. NATO: Burden Sharing and Defence Spending

The American interlocutors we met with were grateful for Canada's contribution to NATO and NATO operations. They recognized that Canada sacrificed blood and treasure in Afghanistan when it was the U.S., not Canada, that was the target of the 9/11 terrorist attacks. They also reiterated that the U.S. could not meet its foreign policy objectives alone and that Canada remains a valuable ally for the U.S., one upon which it can depend to not only participate in but also to lead multinational operations. For instance, many praised Canada's leadership role in NATO's upcoming [enhanced Forward Presence](#) (eFP) mission in the Baltics and Eastern Europe.

With respect to defence spending, Canada and its NATO allies pledged at the 2014 NATO Summit in Wales to move towards spending 2% of their GDP on defence within a decade. Committee members were asked about the Government of Canada's plan to reach that target. Most interlocutors acknowledged that this metric alone does not capture the many contributions Canada has made to the Alliance. However, the Committee was warned that the Trump administration, as well as some members of Congress, are reluctant to continue what they perceive to be the subsidizing of security for other Alliance members. As a result, the U.S. administration will likely focus on pressing other Allies to meet that 2% target. Canada currently spends [approximately half](#) of the NATO target on defence.

The consensus among Committee members is that NATO remains a vital political, military, and economic alliance that is a source of stability for the Transatlantic region in

general, and for Europe in particular. There is also a consensus among Committee members that Canada should spend more on defence.

Given Canada's role in the Alliance, some interlocutors believe that certain European allies will be under greater pressure than Canada to increase their defence spending. In truth, the message from the Americans that Europe must do more for European security is not new. What is of concern to the Committee is the caveat that the U.S. may "moderate" its commitment to the Alliance if other Allies fail to meet their obligations. Some of the interlocutors the Committee heard from were optimistic that the U.S. would not renege on NATO's founding principle of [collective defence](#) enshrined in Article 5 of the NATO Treaty as well as the defence of Eastern Europe and its recent commitment to the eFP in particular. However, others argued that the Allies should heed the American warning, given that the U.S. could use other means to limit its support to the Alliance.

Furthermore, some interlocutors expressed the view that the new administration is looking to establish a closer relationship with Russia. As a result, it may be willing to reconsider or limit its commitments to European security to improve relations with Russia.

3.2. Russia

Throughout the U.S. presidential campaign and President Trump's first months in office, Russia has been in the spotlight in relation to President Trump's aspirational relationship with President Vladimir Putin, the possible existing ties between the two and among senior officials within the U.S. administration and the Kremlin, and Russia's interference in the U.S. elections. One concern that was raised was the prospect that the Trump administration may prioritize its relationship with Russia over NATO and its solidarity with Ukraine.

Committee members were warned that Russia will test the new U.S. administration and NATO. We were told that Russia no longer considers itself part of Europe and has become very anti-West and anti-American. Alternative voices within its own public sphere have been marginalised.

Russia has been accused of interfering in the French, Dutch, and German election campaigns to influence the success of pro-Russian candidates, who could weaken NATO and the European Union. We were told that Russia's use of hybrid warfare, which includes cyber-attacks and disinformation campaigns, are a serious threat. Targeted countries need to improve intelligence sharing to counter Russian capabilities. It was suggested that NATO could do more to address these threats in a coordinated manner.

It is unclear how President Trump will approach the Syrian crisis and whether he may negotiate with President Putin to help bring an end to the conflict. We were told that although both leaders may want to defeat [Daesh \(ISIS\)](#), they have different priorities with respect to other outcomes, namely the fate of Syria's President Bashar al-Assad, as well as Iran's future role in the region. We were told that the U.S. may follow a "cooperate where we can, confront where we must" strategy with Russia. For now, military to military

cooperation between the U.S. and Russia remains halted as a result of Russian aggression in Ukraine.

The Committee heard that Russia's military strength is debatable. Though many have reported on Russia's ongoing, ambitious militarisation, this is an effort to upgrade equipment that had been neglected over the last two decades. The Russian economy, as a result of declining oil prices, has weakened and this has affected Russia's ability to finance the re-capitalization of its forces. The regime has already had to make trade-offs such as cutting pensions to its citizens which has led to protests in Russia. Though the current international sanctions against Russia have also constrained its economy, the decline in oil prices has been more damaging. In fact, allied and partner countries who are economically dependent on Russia have also suffered as a consequence of enforcing these sanctions, and, some argued, this must be better acknowledged.

According to some interlocutors, what Russia does succeed at militarily is what is known as anti-access and area denial (A2/AD). It has advanced air defences that prevent its opponents, for instance NATO allies, from establishing air supremacy in strategically significant areas, namely Ukraine, the Baltics, the Black Sea, and in parts of Eastern Europe and Syria. It was suggested that the U.S., Canada, and their allies require better equipment and technology to evade A2/AD technologies.

3.2.1. Cyber Threats

Committee members heard that Russia has shown both the capability and intent to launch cyber-attacks against its opponents. China is also aggressive in the cyber domain when its interests are at stake. Committee members noted what appears to be a lack of doctrine in the cyber domain and how governments are still tackling the issue in silos – addressing civilian and military cyber separately. The interlocutors we spoke to agreed, adding that most conversations regarding cyber focusses on the military aspect and offensive cyber capabilities yet civilian critical infrastructure, which provides the utilities we all depend on for living, remains vulnerable.

A number of suggestions to advance cybersecurity efforts were discussed. Bilaterally, it was suggested that the issue of cyber should have greater prominence at meetings of the PJBD. Both governments would benefit from more expertise in the cyber domain. Canada already offers certain military veterans who have been medically released the opportunity to become experts in the field and we were told that the U.S. has similar programs. However, the establishment of a joint "cyber-academy" may be an idea worth exploring.

With respect to the possibility of an integrated North American cyber defence strategy, we were told that military to military cooperation, for instance by expanding the NORAD mandate to include the cyber domain, may be an effective and efficient way forward. Committee members highlighted that Canada is developing interesting cyber and satellite technologies that could enhance that military capacity. We were also told that the DOD is strengthening its cyber infrastructure by continually upgrading its contingency planning – looking for points of failure, discussing these points with the private sector

if necessary, and creating redundancies and resilience. It has invested significantly in its cyber capabilities over the last five years – a process that has been extremely labour intensive.

At the international level, the interlocutors we met with agreed that NATO needs to improve its cyber defence which includes utilizing the expertise of the private sector. Given that Canada and the U.S. will be two of the four NATO member-states leading and contributing battalions to the Alliance's eFP mission, Committee members expressed concern as to how our militaries will counter cyber threats and attacks. We were told that contingencies were being considered, for instance, some Allies will be bringing their own generators.

The interlocutors we met with are also hoping that more will be accomplished with respect to setting international rules and norms on state behaviour in cyberspace. Efforts at the UN began in the 1990s and in 2015, the G20 governments pledged not to conduct cyber-enabled economic espionage. This agreement, however, is not legally binding. We were told that if the relationship between the U.S. and Russia improved, an international treaty on cybersecurity could be possible.

3.2.2. Information Warfare and Disinformation Campaigns

Committee members were interested in learning about ways to counter information warfare and disinformation campaigns, known colloquially as “fake news.” We were told that the Russian state is actively weaponizing information to advance its interests. This includes undermining the stability of Western societies. Daesh also uses these tactics as a recruiting tool. Further, the rapid pace at which fake news can spread exacerbates the challenge.

Those the Committee met with argued that fake news may not be as influential in swaying votes as often perceived. However, the misinformation can manipulate public opinion, causing confusion, fear, and mistrust in government institutions and decision making. Germany's [refugee policy](#) and its [leading role in NATO's eFP mission](#) have both been targets of Russian disinformation campaigns. Many believe that Chancellor Angela Merkel's tough stance against Russia since President Putin's intervention in Ukraine, particularly with respect to the imposition and maintaining of sanctions against Russia, inspired these attacks. Such misinformation could affect her popularity and, potentially, her prospects for re-election. Internationally, it has the potential of affecting how other governments and societies respond to divisive policy issues.

To counter fake news, we were told that both individuals and governments have a role to play. At the individual level, citizens have a responsibility to become more media literate and to be less susceptible by verifying facts within and the source of media articles. Today, some website operators provide a mechanism whereby individuals could flag news articles that are suspected of being fake. This may be another way to address the issue.

At the government level, we were told that the initial impulse for some governments has been to censor misinformation. It was suggested that a better alternative is to add

correct information. Certain European Parliaments have come to an agreement among political parties not to propagate suspected fake news during election campaigns. The American interlocutors we met with acknowledged that it is difficult for democracies to counter fake news due to the inherently open nature of their societies. As well, the role of democratic governments in pushing information, even if it is the truth, is often viewed suspiciously by citizens as government propaganda. It was suggested that governments, through specialised public affairs units, need to be nimble in countering misinformation. As well, governments can also make a greater effort to quickly declassify information to counter damaging and misleading narratives.

3.3. Priorities of the New U.S. Administration

3.3.1. Counter-terrorism: National Security and Homeland Security

President Trump has made counter-terrorism both at home and abroad a priority for his administration. Decisions on both fronts could have consequences for Canada and Canadians. The interlocutors we spoke to praised President Trump's choice for his national security team, namely: Secretary of Defense Jim Mattis, Secretary of Homeland Security John Kelly, and National Security Advisor H.R. McMaster. However, they remained uncertain as to how much influence these three former generals would have in comparison to the President's White House advisors.

With respect to U.S. homeland security, many interlocutors we spoke to were surprised that foreign-born Canadians were being denied entry into the U.S. Committee members asked their American counterparts to press the U.S. administration and government to recognize the Canadian passport and not to deny entry to Canadians based on their country of birth. These interlocutors acknowledged that President Trump's recent executive orders regarding immigration and border control could have caused confusion at border crossings and airports. One individual noted that Canada's recent decision to increase the resettlement of refugees in Canada has many Americans concerned for its impact on U.S. security.

We were told that the Department of Homeland Security was presently conducting a comprehensive [review of the Canada-U.S. border](#) and would issue a report. This review will include a threat assessment of the border, identify gaps in legislation and law enforcement cooperation, and assess the technological and personnel resources required for securing the border. Meanwhile, some interlocutors argued that crossing the border should be seamless and therefore urged that more harmonization is required. It was emphasized that securing the American "homeland" cannot be achieved without close collaboration with Canada. Canada and the U.S. must secure the continent together which requires a close partnership on such national security issues as border security, home-grown terrorism, and cybersecurity – conversations that they felt often take place in stovepipes. They believe that under the Trump administration, there will be more of an opportunity to discuss and collaborate on these issues in a more coordinated manner.

President Trump has also made defeating Daesh a central part of his national security objectives. The interlocutors we met with thanked Canada for its participation in

the U.S.-led Coalition against Daesh which includes the ongoing training which CAF personnel are providing to Iraqi Kurdish forces. Though President Trump's plan to defeat Daesh has yet to be revealed, we were told that the U.S. will still require Canada's help in a post-Daesh Iraq. Given that Daesh functions as a proto-state in some areas providing services to populations in the regions it occupies, the Iraqi government will need assistance in re-establishing a legitimate presence in these regions. We were told that this kind of capacity building, institution building, and mentorship will be critical to restore governance and stability in the country. De-arming militias, police training, and the creation of a unified Iraqi military in an environment of ongoing sectarian tensions will also be areas where Canada could contribute.

3.3.2. NAFTA and “Buy American” Policies

In their meetings, Committee members reiterated that the Canada-U.S. trade relationship is highly interdependent with integrated supply chains in many sectors. To make the argument more personal, members highlighted companies located in their ridings that are imbedded within these integrated supply chains. They also noted that nine million American jobs depend on Canada and that the trade of goods and services between our two countries amounts to US\$2 billion daily.

Many of the interlocutors we met with believe that renegotiating NAFTA is an opportunity to upgrade an outdated free trade agreement. They acknowledge that, overall, NAFTA has been a huge benefit to the American economy; however, they argue that many people and a number of industrial sectors in the U.S. were left behind. In particular, many believe that low wages in Mexico have tipped the balance, giving that country an unfair advantage. Others believe that “tweaking” NAFTA could make North America more competitive with markets such as China, India, and Europe.

It remains unclear whether the Trump administration intends to make minor changes to NAFTA, conduct a major overhaul of the agreement, or repeal it in its entirety. Given that Canada is the largest export market for 35 U.S. states, Committee members wondered to what extent most American companies and members of Congress realise how interdependent the supply chains are between Canada and the U.S. They also raised the fact that constraining NAFTA could have negative consequences for both the American and Canadian economies. The Committee was told that Congress has become more protectionist and suggested that this trend was even evident among members of Congress who had been staunch supporters of free trade in the past.

In addition, “Buy American” policies have become more popular across all orders of government. For instance, state-level legislation could also incorporate “Buy American” policies, and as a result, provincial governments would also be actively involved in engaging their American counterparts to discourage support for these policies. As well, President Trump's recent claim that only American steel will be used to construct the Keystone pipeline has raised concerns in Canada. All “Buy American” policies contravene NAFTA and World Trade Organization regulations. Further, given that many Canadian and American industries, including the steel industry, are highly integrated into one North American market, implementing certain “Buy American” policies may prove impossible.

We were informed that the Government of Canada continues to oppose these measures and can do more to engage with Congress and U.S. companies to make them realise that protectionist measures will be a detriment to an already highly-integrated and interdependent Canada-U.S. trade relationship. We heard that North American supply chains are so interconnected that for every dollar coming into the U.S. from Mexico, 40 cents of that dollar comes from the American economy. An equivalent metric from the Canadian perspective could prove useful.

With respect to the defence industrial base, the Committee heard that there have been no discussions to inject “Buy American” policies into Canada-U.S. defence agreements. Currently, the [ability](#) for Canadian defence companies to sell their products into the U.S. defence market is practically the same as selling to the Government of Canada. It is in Canada’s interests to ensure that this access is maintained. With respect to other specific sectors, we were told that Canada could expect some persistent major trade issues, such as softwood lumber and country-of-origin labelling (known as COOL), to resurface.

3.3.3. Energy security

Given President Trump’s early support for the Keystone pipeline project, the interlocutors we spoke to believe that the Canada-U.S. energy relationship is a priority for the current administration. We were told that this is an opportune time to advance Canada-U.S. cooperation on energy security.

We heard that the domestic and global national security aspects of the Keystone pipeline are not well understood. This includes how North American oil and gas could challenge the world’s traditional energy powerhouses such as Russia. It was suggested that Canada and the U.S. develop a continental energy security plan – a proposal which could be discussed at the PJBD.

3.3.4. Defence Spending and Military Readiness

Committee members heard that the U.S. military is facing critical readiness challenges. Budgetary constraints as a result of the 2010 *Budget Control Act* (BCA) and the 2013 sequestration process, coupled with an ongoing high operational tempo, have strained both its personnel and equipment. We were told that although the U.S. has the biggest military in the world, it is too small for all the obligations it has been given.

President Trump has pledged a US\$54 billion increase to defence spending in part to remedy these readiness shortfalls and substantially grow the force. However, those we met with noted that based on funding levels already approved for the previous financial year, the spending increase will actually be US\$20 billion or a 3% boost to the defence budget. This, they concur, will not be sufficient to significantly change U.S. defence posture.

Additionally, those the Committee met with remain concerned that it is unclear from where the additional funding will originate. They explained that the administration will need

to satisfy both defence hawks (pro-military legislators who support increased defence spending) and deficit hawks (pro-military legislators who would support increased defence spending without increasing the deficit). President Trump has already indicated that the additional funds for defence will come from non-defence federal spending such as from the Department of State, the U.S. Agency for International Development (USAID), and dozens of other programs. Cuts to the Department of State and USAID are of serious concern to some of the interlocutors the Committee heard from, who argued that U.S. foreign policy objectives cannot be accomplished by the DOD alone: defence, diplomacy, and development go hand in hand. Many believed that Congress will not support such cuts.

4. CONCLUSION

Committee members are grateful for the warm welcome they received in Washington. We experienced what appears to be a great deal of goodwill towards Canada on many levels. We were told that Canada is well perceived by the Trump administration, particularly following visits by the Prime Minister and a number of cabinet Ministers. With respect to Canada's military, the Committee heard that its reputation in the U.S. remains strong and that soldier to soldier, there is an immense sense of camaraderie. We were repeatedly thanked for Canada's participation and leadership in the world's most difficult conflicts and crises. One of our counterparts explicitly thanked us for the role Gander played following the 9/11 terrorist attacks, when its local population housed thousands of stranded American passengers whose planes were diverted to that small town. Individuals with whom we met were very generous with their time and their ideas, and for that, we are very grateful.

The interlocutors we met with were also very forthcoming on their assessment of the current political climate in Washington. We detected an overwhelming sense of uncertainty as a result of the challenges the U.S. administration has faced in navigating Congress and implementing key new policies. One of our counterparts observed that President Trump lives up to his "Art of the Deal" mantra by starting with an extreme position and softening as time goes by, which may be his approach with both NATO and NAFTA, but nevertheless causes alarm and confusion. Another cause of uncertainty, particularly for a bureaucracy awaiting policy direction, is the remaining number of vacant positions at the most senior levels of government, including at the DOD. Given that Canada usually tries to complement the U.S. in its foreign policy goals, it is difficult for Canada to formulate its own policies during this period of transition.

Nevertheless, we were told that Canada will be asked to do more, whether through NORAD, NATO, or international peace operations. Those we met with emphasized that the U.S. still needs its traditional alliances and partnerships, including its trade relationships. Committee members, at every appropriate opportunity, highlighted the importance of the Canada-U.S. relationship to both our nations, particularly in the area of trade. We look forward to maintaining the relationships we secured with our counterparts in Congress and hope to continue our dialogue with them in the near future either in Washington or in Ottawa – we would be honoured to host them at any time.

APPENDIX A

TRAVEL TO WASHINGTON, D.C. (USA)

From March 5 to 8, 2017

Organizations and Individuals

Embassy of Canada

Ambassador David MacNaughton
Canadian Ambassador to the United States

United States House of Representatives

Honorable Kevin Cramer

Honorable Doug Lamborn

Honorable Beto O'Rourke

Honorable Michael R. Turner

United States Senate

Honorable John McCain

Honorable Jack Reed

Pentagon

Rachel Ellehuus
Deputy Assistant Secretary of Defense (Acting)
European and NATO Policy

Ken Handelman
Assistant Secretary of Defense (Acting)
International Security Affairs

Todd Harvey
Assistant Secretary of Defense (Acting)
Strategy, Plans, and Capabilities

Colonel Christopher Holmes
United States Air Force

Chuck Kosak
Deputy Assistant Secretary of Defense
Defense Continuity and Mission Assurance

John Kreul
Deputy Assistant Secretary of Defense (Acting)
Western Hemisphere Affairs

Organizations and Individuals

Jim Mitre
Principal Director
Office of the Deputy Assistant Secretary of Defense (Acting)
Strategy and Force Development

Robert Salesses
Deputy Assistant Secretary of Defense
Homeland Defense Integration and Defense Support of Civil
Authorities

Mark Swayne
Deputy Assistant Secretary of Defense (Acting)
Stability and Humanitarian Affairs

Experts

Jorge Benitez
Director
NATOSource
Senior Fellow
Brent Scowcroft Center on International Security
Atlantic Council

James Jay Carafano
Vice President
Kathryn and Shelby Cullom Davis Institute for National Security and
Foreign Policy
Heritage Foundation

James Dean
Manager
International and Diplomatic Programs
Douglas and Sarah Allison Center for Foreign Policy
Heritage Foundation

Michaela Dodge
Senior Policy Analyst
Center for National Defense
Davis Institute for National Security and Foreign Policy
Heritage Foundation

Dan Grazier
Jack Shanahan Fellow
Center for Defense Information
Project on Government Oversight

Steve Grundman
M.A. and George Lund Fellow for Emerging Defense Challenges
Vice-Chair
Brent Scowcroft Center on International Security
Atlantic Council

Organizations and Individuals

Tim Maurer
Carnegie Endowment for International Peace

Robert Nurick
Nonresident Senior Fellow
Transatlantic Security Initiative
Brent Scowcroft Center on International Security
Atlantic Council

Michael O'Hanlon
Director of Research
Foreign Policy Program
Brookings Institution

Christopher Sands
Director
Center for Canadian Studies
John Hopkins School of Advanced International Studies

Thomas Spoehr
Director
Center for National Defense
Heritage Foundation

Pierre Sprey
Center for Defense Information
Project on Government Oversight

Charles "Cully" Stimson
Manager
National Security Law Program & Senior Legal Fellow
Center for National Defense
Davis Institute for National Security & Foreign Policy
Heritage Foundation

John Venable
Senior Research Fellow For Defense Policy
Center for National Defense
Davis Institute for National Security and Foreign Policy
Heritage Foundation

Dakota Wood
Senior Research Fellow
Defense Programs
Center for National Defense
Davis Institute for National Security and Foreign Policy
Heritage Foundation

MINUTES OF PROCEEDINGS

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos.47, 48, 49 and 50](#)) is tabled.

Respectfully submitted,

Stephen Fuhr
Chair

