

# Broken Trust

*Managing an Unreliable Ally*

## Expert Group on Canada-US Relations


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## Expert Group on Canada-US Relations

### Co-chairs

**The Honourable Perrin Beatty**, PC, OC, is a director and business advisor. He is the former President and CEO of the Canadian Chamber of Commerce and served as minister in seven different portfolios, including the Treasury Board, National Revenue, Solicitor General, National Defence, National Health and Welfare, Communications and External Affairs.

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### Signatories

**Thomas d'Aquino** Thomas d'Aquino is the Founding CEO and Distinguished Life Member of the Business Council of Canada, formerly known as the Canadian Council of Chief Executives. He is also a founder and Chair Emeritus of the North American Forum and has served as a director of several of Canada's leading global enterprises. He has also served as Special Assistant to the Prime Minister of Canada and Professor of International Trade and Business Transactions at the University of Ottawa Law School. He is the author of the #1 national best-seller *Private Power Public Purpose*.

**Carlo Dade** is the Director of International Policy at the University of Calgary's School of Public Policy. He was previously founder and Director of Trade and Trade Infrastructure Policy Research Centre at Canada West Foundation. Among other accomplishments, he contributed significantly to the development of a national trade infrastructure plan and the renewal of Canada's trade corridors.

**Martha Hall Findlay** is the Director of the School of Public Policy at the University of Calgary and the former Chief Sustainability Officer, then Chief Climate Officer for Suncor Energy and former President and CEO of the Canada West Foundation.

**Jonathan Fried** is a senior adviser with the Albright Stonebridge Group in Washington, D.C., and adviser to Independent Economics Consulting in London, United Kingdom. Prior to his retirement from the government of Canada, he was coordinator for international economic relations and concurrently the personal representative of Prime Minister Trudeau for the G20 from 2017 to 2020.

**Lawrence L. Herman** is an international trade lawyer with Cassidy Levy Kent LLP (Ottawa & Washington) and Herman & Associates (Toronto). He previously was a member of Canada's mission to the UN and the GATT and has advocated cases before the Canadian International Trade Tribunal (CITT), NAFTA panels and Canadian courts.

**Gary Mar** is President and CEO of the Canada West Foundation and the former President and CEO of the Petroleum Services Association of Canada (PSAC. He has had

broad experience in government having served as a Member of the Legislative Assembly in the Province of Alberta from 1993-2007 and held several senior Cabinet portfolios.

**Vice-Admiral (Retired) Mark Norman** retired from the Royal Canadian Navy in the rank of Vice-Admiral in August of 2019 after over 39 years of service. Norman started his naval service as a reserve diesel mechanic in 1980 and rose through the ranks to be the Vice-Chief of Defence. His military career has seen him serve at sea domestically and internationally, command a warship, the Canadian Atlantic Fleet, and ultimately the Royal Canadian Navy itself. Since retirement, Norman has applied his energy to a variety of pursuits including as Champion for the Royal Canadian Benevolent Fund, Senior Defence Strategist at Samuel Associates, contributing to the important debate about security and defence issues in Canada as both a fellow with the Canadian Global Affairs Institute and as a member of the Conference of Defence Associations Board.

**Vincent Rigby** is the Slater Family Professor of Practice and formerly the McConnell Visiting Professor for 2022-2023 at McGill University. He recently retired from Canada's Public Service after 30 years in senior posts in a variety of departments and agencies across government, including the Privy Council Office, Global Affairs Canada, Public Safety, the Department of National Defence and the former Canadian International Development Agency.

**Colin Robertson** is a former Canadian diplomat and Vice President and Fellow at the Canadian Global Affairs Institute and hosts its regular Global Exchange podcast. He is an Executive Fellow at the University of Calgary's School of Public Policy, a Distinguished Senior Fellow at the Norman Paterson School of International Affairs at Carleton University and a member of the Defence Advisory Board of the Department of National Defence.

**John Weekes** is an international trade policy adviser, experienced in trade agreements, and the settlement of trade disputes. From 1991 to 1994 he served as Canada's chief negotiator for NAFTA and was ambassador to GATT during the Uruguay Round of multilateral trade negotiations and chair of the GATT Council in 1989 and chair of the Contracting Parties to the GATT in 1990.

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*The members of the Expert Group on Canada-US Relations support this report in their individual capacity and not as representatives of organizations.*

## Executive Summary

The United States, under President Donald Trump, has become an unreliable partner. Its longstanding allies can no longer be confident that America will respect its commitments to come to their defence or respect its economic agreements. That is particularly true for Canada.

This report identifies concrete measures to mitigate Canada's risk of depending on an ally, trading partner, and neighbour who has become unreliable to the point of hostility.

The report urges the federal government to create a dedicated, cabinet-led "Situation Room" to analyse problems, coordinate government responses, solicit input and collaboration with the provinces and the private sector, and propose solutions to the successive crises that Canada will be forced to contend with during the Trump presidency.

In addition, it offers a series of recommendations about how Canada's next government should negotiate with the Trump Administration on tariffs and broader trade and security matters.

The report argues that Canada should resist the temptation to rush prematurely into negotiations with the Trump administration until there is greater clarity in the current political mayhem in Washington about where the Administration's trade policies are ultimately headed.

"*To build may have to be the slow and laborious task of years. To destroy can be the thoughtless act of a single day.*"

--Attributed to Winston Churchill

## Introduction

For generations, the connections of shared history, common values and interests, growing commerce and friendship have underpinned Canada's relations with the United States. Binational institutions like the International Boundaries Commission, NORAD, the International Joint Commission, the Canada-US Free Trade Agreement and the Smart Border Accord buttressed these ties.

Canadians' decision in 1988 to dismantle most of the commercial boundaries between our two countries reflected confidence that both countries understood that they were stronger and more prosperous when they worked together. It was an article of faith that the occasional disagreements and irritants that arise, even between the closest of friends, could be overcome and that neither country would deliberately harm the other.

That assumption, which underpinned our relations, was shattered on January 20, 2025, when annexing Canada became the official policy of the new Administration. While Canadians' relationship with the American people remains strong and is based on mutual respect, the American President has chosen to attack our country.

Like other mid-sized nations, Canada cannot force other countries to bend to its will. It needs to rely on a rules-based order that replaces the law of the jungle with the rule of law. Organisations like the World Trade Organisation, which has been hobbled by a continuing American refusal to allow the appellate body to function, the World Health Organisation, from which Donald Trump withdrew on the first day of his presidency, and the Canada-US-Mexico Free Trade Agreement (CUSMA), which is jeopardized by his unilateral tariffs, have all been important for promoting collaboration across borders.

## A Broken Trust

International relations, like the relationships between businesses or individuals, rely on trust. The parties must be confident that the rules are fair and that everyone will respect them. The closer the relationship, the stronger the trust must be.

Throughout our lifetimes, the United States has been an anchor for democracy, freedom, prosperity, and the rule of law. Its military and economic leadership have been essential, but they have been given legitimacy by the confidence of other nations that it will exercise its leadership legally, fairly, and for the common good. Both America's allies and adversaries have based their actions on the belief that its word was its bond.

The Trump Administration's advocacy of an America First strategy does not simply mean that the US government believes its overriding responsibility—as is the duty of any national government—is to serve its citizens. Instead, the President has demonstrated that he will act to the exclusion or the detriment of other countries, notwithstanding the principles of fairness or the rule of law.

The Administration's resort to coercion, rather than persuasion and soft power, inverts its relationship with other countries, particularly those that rely on it most. It transforms the United States from the guarantor of stability and the rule of law into a threat to be mitigated. It forces other countries to reexamine the assumptions on which their policies are based.

By now, it is clear that Trump's initial threats to impose across-the-board tariffs on Canada have little to do with fentanyl or illegal immigration. The cross-border threat from drugs and illegal immigration is substantially greater from south to north than from Canada to the United States. The false claim of a flood of fentanyl and illegal immigrants from Canada was designed to shield the implementation of tariffs from legal challenges.

The United States, under Donald Trump, has become an unreliable partner. Its longstanding allies can no longer be confident that America will respect its treaty obligations to come to their defence. That is particularly true for Canada. What reason do we have to assume that a country whose leader questions our very right to exist will come to Canada's defence if, for example, Russia or China challenges Canada's Arctic sovereignty?

Similarly, the unilateral imposition of massive tariffs on Canada clearly violates CUSMA and other international trade law obligations. These actions raise an obvious question: Even if we can negotiate an extension of CUSMA and the withdrawal of tariffs imposed by the Trump administration, what is the worth of Donald Trump's signature?

In his threats of tariffs or military force against other countries whose policies displease him, Trump rejects domestic and international law, convention, and moral constraints. International relationships with the United States are no longer the product of collaboration and agreement but of the whims of one man.

Trump's breaches of trust are serious for all countries, but particularly for Canada, because of our close historical, geographic, security, and economic ties. Even if he were to withdraw both the tariffs and his threats to annex Canada, the relationship could not go back to how it was because Canadians can never again assume that they will not become the target of actions to undermine their sovereignty or economic well-being.

Undermining the security and sovereignty of other countries does not require a direct assault from the United States. Donald Trump's repeated statements that the United States might refuse to respect its commitment to aid in the defence of its treaty partners have destabilized international relationships and cast grave doubts among allies and adversaries alike about how it will respond to aggression. American unreliability emboldens the enemies of freedom and endangers those who struggle to defend it.

### Reexamine the Foundations of Our Relationship

The dramatic changes in US behaviour mean that any new Canadian strategy needs to be based on three foundational principles.

- First, we must minimize the risk to Canada of depending on an ally, trading partner, and neighbour that has become unreliable to the point of hostility. A vital first step is to urgently diversify our trade and security relationships, including in the acquisition of new military equipment.
- Second, we must build our resiliency to absorb further shocks to our security, sovereignty, and economy, wherever they may originate. We must also work much harder to address chronic weaknesses in the Canadian economy, especially our declining productivity levels vis-à-vis the US and other G7 countries, so that we are globally competitive and an attractive destination for foreign investment and talented workers.
- Third, in the defence and intelligence fields, we must bear much more of the burden of providing for our security. We cannot entrust our survival to a country whose President's official policy is that we should not exist.

## RECOMMENDATIONS

### A Strategic Focal Point

We recommend creating a dedicated "Situation Room" comprised of a cabinet-led group supported by senior officials from key government departments and the Privy Council for contingency planning and coordination.

This new operational body would draw upon the experience of the Afghanistan Task Force and Zaire Interdepartmental Task Force of yesteryear, which seconded senior officials across government and provided the Prime Minister with strategic advice while coordinating government operations and ensuring cohesion internally and internationally. However, it would go further by seeking ongoing input from the provinces, the private sector and labour groups.

US issues are currently distributed across a plethora of Cabinet and bureaucratic entities, including the Cabinet Committee on Canada-US Relations, the National Security Council, the Privy Council Office, Finance, Treasury Board, the Cabinet Committee on Operations, the Incident Response Group, Global Affairs, Canada Border Services Agency, Public Safety, and Transport Canada, among others.

Creating a single, strategic operational focal point would strengthen interdepartmental collaboration across the Canadian government and help develop effective responses with the successive crises that will become part of the “new normal” in our relations with the United States and our global partners.

The Situation Room should also be tasked to prepare for worst-case scenarios arising from the actions of the Trump administration and their impact on Canada's economy and national security.

It should be designed not just for firefighting but also for anticipating the next crisis and where future problems are likely to emerge. In other words, its role must be predictive, prescriptive and, where possible, preventive to head off a crisis before it occurs.

It would support—or potentially replace—the current cabinet committee on Canada-US relations and the Prime Minister's consultative Council on Canada-US Relations.

The American government's unreliability will impose a high price on all of us. However, we believe that by working for a common cause, Canadians can respond to this crisis in ways that will make us both more secure and more prosperous. We will need a clear vision of how we want our country to evolve over the next decade and beyond, a coherent plan to translate the vision into action, and the determination to stay the course despite changes in governments over the years.

There are no quick fixes. Our federal government must have a solid mandate from Canadians to deliver a single message to Washington. Partisan, jurisdictional, or ideological disputes and divisions weaken us all.

## Negotiating Strategy

As we prepare to negotiate a new trading regime with the Americans, there are significant implications for Canada.

***Don't rush precipitately into negotiations.*** Despite the inevitable pressure to seek an immediate resolution, we must be patient in the current mayhem.

US policies will be driven by US interests and the pain experienced by US consumers and producers from the rising costs of tariff-driven price increases and job losses, especially in autos, manufacturing, and agriculture. The mounting pressure from the public, business, and Wall Street to dial back on tariffs and Trump's other demands will strengthen our bargaining position.

Before we agree to new rules and tariffs, we must also know whether Trump's policy approaches will change dramatically after the midterm Congressional elections or earlier as a result of a backlash from Republicans who did not vote to attack America's partners.

***Understand we will likely have to live with new tariffs in our bilateral trading relationship.*** The Trump administration views tariffs as key to rebuilding America's manufacturing sector while creating incentives for US companies that have moved overseas operations to return and for foreign firms to shift production to the US. This policy reverses Americans' longstanding commitment to open trade and creates a profound shift in the global trade regime. Our goal should be to secure as low tariffs as possible, but the reality is that we and other US trading partners will be subject to tariffs.

Nevertheless, we should remember that, before the 1988 Canada-US Free Trade Agreement, Canada's overall tariff rates were around seven percent, while US average tariffs were at five percent. Returning to a pre-FTA world will undoubtedly affect our prosperity, but it is a world we have lived in and survived before.

***Washington will insist we put everything on the negotiating table, including sectors that have traditionally been no-go zones for Canada. We must be ready for it.*** Their targets will include supply management in agriculture and restrictions in Canada's policies on culture, transportation, telecommunications, banking, financial services, digital commerce, intellectual property, taxation policy and natural resources like critical minerals.

Before talks begin, Canada should decide what is essential to preserve, what we are prepared to concede, and what we want from the US. We must have serious, realistic discussions about what is most important to us—not for political expediency or to satisfy special interests—but for Canada's economic prosperity and sovereignty.

***We should not give up anything without getting something in return.*** Trump's expressed principle of reciprocity provides us with leverage to bargain. If, for example, the US demands significant concessions on supply management beyond those we delivered in CUSMA, we should insist that they reciprocate and lower, if not eliminate, their agricultural subsidies in the dairy and poultry sectors. Our farmers cannot compete without a level playing field.

***Our goal should be to secure lower—and, where possible, no—tariffs on commodities, critical minerals, and capital and intermediate goods***. We should stress that these products are crucial to rebuilding America's manufacturing capacity while enhancing the security of supply in an increasingly dangerous world.

***We must police our borders to ensure that we are not a conduit for countries like China to dump goods into Canada or the US or for trade and investment that threatens Canada's security interests.*** This policy is essential both in protecting our own industries and reassuring the Americans that Canada will not be a back door for dumping by third countries or illicit trade.

***We should continue to support and adhere to the principles and rules of the World Trade Organization (WTO***), including by leading international efforts for its necessary reform. They are essential for orderly and predictable relations among all countries and serve our national interest. Although Trump's new proposed regime of "reciprocal tariffs" with US trading partners will affect us all and undermine the fundamentals of global trade, we should not allow them to compromise our relations with our other trading partners.

***As we act to reduce our dependence on the United States and limit our vulnerability to coercion, we should do it in an orderly and rational fashion and not as an act of bravado***. Our goal is to manage the relationship, not to inflame it.

***No agreement is better than a bad agreement.*** Our negotiations should also be governed by former Prime Minister Brian Mulroney's rule: "No agreement is better than a bad agreement." We must clearly understand our best alternative to a negotiated agreement and our reservation price on different issues before entering negotiations.

## The Twin Imperatives of Trade Diversification and Economic Strength

While the US will remain our principal export market, we must finally act to diversify our trade with other countries. It is time to reduce our dependence on the United States by breathing life into our free trade agreements with Europe and the emerging economies of Asia.

The new spirit of cooperation between Ottawa and provinces to remove interprovincial trade barriers is a good start. It should be augmented by a clear trade and security diversification strategy that all levels of government and the private sector are firmly committed to pursuing.

At the same time, we must get serious about building our economic strength by reversing years of productivity decline and putting the right incentives in place for future high-value industries, including access to markets and financing. Economic strength and trade diversification are two sides of the same coin.

***Capitalize on Canada's comparative advantage.*** Our main comparative advantage lies in the products we can sell globally, particularly our commodities, including energy, potash, uranium, critical minerals, seafood, canola, wheat, and other agricultural products.

To get those goods to global markets speedily and efficiently, we will also need to invest in our downstream processing capacity and build the requisite infrastructure, including roads, rail, ports, and pipelines, all of which are critical to enhancing our productivity and are the most powerful and scalable levers of economic growth.

***De-risk defence procurement and production.*** As we diversify our overall trade and investment ties, we must also de-risk our defence procurement and production capacity by broadening our sources of suppliers.

This goal will be challenging because of the deeply integrated nature of supply chains in this sector. However, Trump's recent statement that he may not sell or

might restrict critical defence equipment to US allies because, in his view, "someday maybe they're not our allies" is a stark warning about our vulnerability in defence procurement and the need for Canada and our democratic allies to boost our technological bases and reduce risk exposure.

***De-risk intelligence-sharing.*** Reports about the Trump Administration's threats to expel Canada from the Five Eyes, in addition to recent US intelligence leaks, underscore the need to ensure the reliability of our intelligence-sharing arrangements.

## Engaging "Team America"

While there is little trust now in Canada-US relations, we must not forget the deep historical, personal, business, and professional ties that connect the American and Canadian people.

Hundreds of millions of Americans support strong, positive relations with Canada and are mystified by their President's attacks on Canada and Canadian sovereignty. We can build on their continued support as they are emboldened by the damaging effects of Trump's trade wars and confrontation with allies.

As members of our Expert Group have argued, we need to ramp up efforts to work more closely with Americans who value their relationship with Canada and want to nurture it.

Our political leaders must also resist the temptation to attack the American people but assign blame squarely where it belongs.

## A Respected Voice on the International Stage

The world was a dangerous place before Donald Trump's election. Unfortunately, it has been made more perilous by his withdrawal from international institutions and his replacement of the rule of law with the rule of power.

Like Canada, most countries must depend on rules to govern their trading relationships, sovereignty, and security. The vacuum created by America's retrenchment emboldens autocratic regimes against our democratic allies. Democracies must fortify the institutions that protect the rule of law, build security, and encourage economic growth.

This urgent need creates an opportunity for Canada to be a leader once again in international affairs. In recent years, we have risked becoming an asterisk on the international scene, but we retain significant assets, including our resources, our geography and our history as a country with the ideas and willingness needed to resolve complex international issues.

For all the dangers and challenges inherent in the current situation, we believe that Canada has commensurate opportunities to play a much more significant role in international diplomacy.

In subsequent papers, our Expert Group will discuss the implications of the new world in which we find ourselves in areas like defence planning, economic and industrial strategy, trade and diplomacy.

While the threat to Canada may be daunting, we are confident that, if we act wisely and with determination, our country can emerge from the current crisis more prosperous, secure, sovereign, and respected.