

Notes for an Address to the Canadian Club

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Thank you for those kind words, Helen [Burstyn].

I'm delighted to be back in Toronto — among friends and familiar surroundings here at the Canadian Club.

Today I want to talk about the exhilarating happenings in Washington over the next couple of days.

Tomorrow morning, Barack Obama will be sworn in as the 44th President of the United States.

This is a remarkable achievement.

The first African-American President.

A first-term Senator.

A practically unknown politician, before his speech at the 2004 Democratic National Convention.

He entered the race as a long shot behind Hillary Clinton. And ran a very disciplined and professional campaign, leading to a decisive victory in November.

He now represents the hopes and aspirations of many Americans and others from countries around the world. The United States has never seen anything like this before.

His election and the smooth transition to office — assisted by President Bush and Senator McCain — is sending strong positive messages to the world.

His speeches and style have generated a return of idealism to politics, particularly with the younger generation — something that probably hasn't been seen since President Kennedy.

As he has said, "loving your country is more than enjoying the 4th of July fireworks. Loving your country must mean accepting your responsibility to do your part to change it."

And Mr. Obama did campaign on a promise of change. This resonated well through the country.

But what did it mean? Some skeptics have questioned whether it was more of an election slogan, but without much substance.

Let me help put some meaning into the word.

The President-elect has said of the current financial turmoil: "this painful crisis...provides us with an opportunity to transform our economy to improve the lives of ordinary people".

The President-elect has said that he wants to hit the ground running.

Significant government stimulus is widely accepted by economists — stimulus building a momentum that is breaking down many traditional ideological barriers to change.

This has been particularly apparent in the banking and automobile relief packages — even under the Bush Administration.

As the President-elect said in November in describing his stimulus plans, "These aren't just steps to pull ourselves out of this immediate crisis, these are long-term investments in our economic future that have been ignored for too long".

Observers expect that an Obama Administration will combine this desire for action with unprecedented financial support — to kickstart a number of campaign promises under the rubric of a broad stimulus package.

As a result, one conservative commentator said recently, "President Obama has more latitude when it comes to the role of government in the economy".

So change is in the wind.

I expect that it will prove to be more than a political catchword.

1. The inauguration and new team

Tomorrow's swearing-in is an inauguration of historic significance.

Despite the economic situation, Americans are hopeful about the new Administration, and supportive of the incoming President.

I believe that Canadians are similarly hopeful — we want the Obama presidency to succeed.

We should be encouraged by the course of his transition during the past 11 weeks.

The President-elect has regularly signalled an open, collaborative and pragmatic approach.

It is commonly expected in Washington that — as President — he will listen to the United States' allies and friends.

This should come as no surprise. The personal background he brings to the presidency is unlike that of any of his 43 predecessors.

The expectations for the new Administration are enormous — and so are the challenges.

The United States is fighting two wars simultaneously.

The international agenda is probably the most daunting since the end of the Second World War.

And we are facing a global recession.

With that, and the pressures for action on health care, climate change and education reform, the new President faces a very full in-basket.

To deal with this, the President-elect has moved quickly to build what most observers regard as a strong, moderate, experienced and pragmatic Cabinet.

This is clearly the case with his economic team: Timothy Geithner, Larry Summers, Paul Volker, and Christina Romer.

In the President-elect's words, "our core economic theory is pragmatism".

We can also expect continuity in the Administration's response to the credit crunch, particularly through the presence of Tim Geithner and the Federal Reserve Chairman, Ben Bernanke.

True to his commitment to bipartisanship, Mr. Obama has nominated Robert Gates to continue as Secretary of Defense, and announced that former Marine General James Jones will be the National Security Adviser.

These two men — together with Hillary Clinton as Secretary of State and Governor Janet Napolitano in Homeland Security — present a solid, experienced and centrist approach to foreign and national-security policy.

And the President's choice of the Nobel Prize-winning physicist Steve Chu for Secretary of Energy demonstrates his Administration's commitment to science as a guide to policy.

The energy and environment teams will bring focus and leadership to climate change.

We should expect policies designed to move the country noticeably away from a carbon-based economy.

Policies reinforced by a strong commitment to technological change and greater reliance on alternative energy sources.

This signals a clear shift in direction from the current Administration.

Under the Obama leadership, I foresee a highly disciplined and measured approach to government — something that has been a hallmark of the Obama campaign and transition.

The incoming Administration, of course, is only a coequal branch of the U.S. government.

Policy-making and legislating are often messy processes in Washington. That won't necessarily change simply because the Democrats control both branches of Congress and the White House.

What seems clear is that Congress is looking to the Obama Administration for leadership.

And having campaigned on a commitment to reach across the aisle, the incoming Administration is sending lots of signals that it intends to pursue bipartisan support for its initiatives.

At the Embassy, we have been engaging members of the Obama transition team.

We'll start working closely with members of the Obama Cabinet and the White House, as well as with other significant officers below Cabinet level.

And just as we have in the past, we'll also be making our case directly to Members of Congress.

Our challenge at the Embassy will be to assess the direction of the Obama team very quickly — and engage with their Cabinet members and other major players.

You may know that the Canadian Embassy in Washington is right on Pennsylvania Avenue — where the inaugural parade takes place — with terrific views of the Capitol, where Mr. Obama will be sworn in.

We are taking advantage of this.

We've invited people likely to be influential with an Obama Administration, and other friends of Canada, to a reception at the Embassy, overlooking the parade route.

A Washington newspaper has previewed the Embassy reception as "the warmest place in town with the best view".

And after the inauguration, Canadian Ministers and senior officials will be traveling south to Washington — as soon as the Administration's team is confirmed — to begin discussions with their counterparts as part of the Government's engagement strategy.

These personal relationships matter a lot in Washington, at all levels, especially with new Administration officials and staff.

I believe Canada is well-positioned and well-connected for the momentous months ahead.

2. Priorities of the new President

Let me turn now to Mr. Obama's domestic priorities, in the order in which he ranks them.

Certainly stabilizing the U.S. economy is at the top of his list.

The U.S. economy peaked in late 2007, and has been in recession ever since — shedding over 2½ million jobs.

Every sector of the economy — with the exception of government — is now contracting.

The American response has been unprecedented since the Second World War:

- an initial fiscal stimulus package of some \$160 billion
- the \$700 billion Troubled Asset Relief Program
- and the latest stimulus plan being drafted by leaders in Congress and the incoming Administration. Estimates of its cost range from \$800 billion to \$1 trillion.

The policy response in Canada, by contrast, has not had to be nearly so drastic.

While the pace of economic growth slowed in 2008, our economy continued to expand through the end of the third quarter of last year (the latest for which data is available).

This reflects a sound, well-regulated financial system that has earned top marks worldwide, prudent macroeconomic policies, and the commodity price boom of recent years.

With our largest trading partner now in recession, however, and with sharp drops in commodity prices recently, Canadian growth will come under pressure.

However, the coming \$800-\$1 trillion stimulus plan should help revive the US economy.

While such an immense fiscal expansion will push the US budget deficit well over a trillion dollars — indeed, Mr.Obama has warned of "trillion dollar deficits for years to come" — this will provide the US economy with much-needed stimulus.

But this stimulus plan appears to be much more than that.

As Mr. Obama and his senior economic advisors have strongly hinted in their recent speeches, this promises to evolve into a transformative economic plan.

It is aimed at:

- using the tax system to transfer income to the middle class
- putting the health-care system on a more sustainable financial footing, and broadening access to it
- greening the infrastructure and the overall economy with broadly-based tax and spending measures aimed at encouraging energy efficiency and alternative energies
- and expanding access to college and university education while emphasising math and science studies at all levels

Overall, it appears that the incoming Administration will nudge the U.S. model closer to the Canadian one.

The President-elect's choices for his energy and environmental team reflect how seriously he takes climate change.

The second priority for Mr Obama is to help move the U.S. away from oil, and especially foreign oil, to cleaner forms of energy.

This presents a challenge for Canada.

We supply an increasing share of U.S. energy — more than from any other country. Yet we are increasingly seen as both foreign in an adverse sense, and purveyors of dirty fuel.

This image is fed in part by some negative perceptions of the Canadian oilsands industry.

But it also stems from a general under-appreciation in the U.S. of Canada's considerable efforts to reduce carbon emissions, and to increase renewable energy production.

And also a general under-appreciation of just how much our two economies are linked.

The real and shared problem for our countries is how we move away from our reliance on carbon-based fuels toward clean fuels and energy independence.

This raises the possibilities for millions of green collar jobs. Canada–U.S. collaboration on carbon capture and sequestration, for example, would position us to claim our share of those jobs.

A third major concern for Mr. Obama is the issue of health-care reform.

Health-care spending represents 17 per cent of U.S. GDP, compared to 10 per cent in Canada. Many interests are at stake, and securing overall reform won't be easy.

Democratic Party leaders in Congress have already introduced competing plans.

But given the magnitude of the issue and the current economic situation, incremental reform may be easier to legislate and could also be a part of the stimulus package.

3. U.S. foreign policy

Now I'd like to make some observations about U.S. foreign policy.

The President-elect has clearly signalled a change of direction, a change of style.

While he has been careful to keep the military option on the table, he has indicated a greater role for diplomacy, dialogue, and a more multilateral approach to manage conflicts before they reach a crisis point.

As Secretary of Defense Gates acknowledged last summer, "the lines separating war, peace, diplomacy and development have become blurred and no longer fit the neat organizational charts of the 20th Century".

Recently, General Jones, pointedly broadened his definition of National Security to include climate change, energy policy, development assistance and international governance.

We should expect the Obama style of openness and dialogue to move this thinking to a more prominent position in U.S. foreign policy.

Senator Clinton highlighted this priority of returning diplomacy to the heart of US foreign policy in her hearing last week.

As Mr. Obama stated in his campaign, his overriding foreign-policy priority will be the drawdown of troops in Iraq, and making the war in Afghanistan the "central front in the war on terrorism".

And the New Administration will have to engage quickly and show leadership in the Middle East Peace Process, in light of the crisis in Gaza, and on the issue of Iran and its desire to obtain nuclear weapons.

Another Obama aim is to change and improve the image of the U.S. globally — collaborating closely with American allies and like-minded countries.

President Obama will be looking for credible partners and allies to help the U.S. deal with the wide range of challenges. There is a recognition that the U.S. does not have the capacity to do it alone.

Canada has an important role to play.

Canada's intersecting and complementary networks of international memberships invite shared approaches with the U.S.

Other Canadian foreign-policy priorities — such as our involvement in Afghanistan, controlling nuclear proliferation and strengthening multilateral institutions — align well with those of the Obama Administration.

On this continent, Canada remains an essential partner in keeping North America secure — through unparalleled 24-hour-a-day co-operation with our mutual border, law-enforcement and intelligence agencies.

We are partners in the defence of North America. Our defence industries have been integrated since the Second World War

For half a century we have shared command of the North American Aerospace Defence Command — NORAD.

Canada has one of the largest combat forces in Afghanistan, forces that have suffered a disproportionately high share of allied casualties.

Along with many brave young Americans, we are fighting to make sure that the country no longer provides a haven for terrorists.

With the renewed focus of the Administration on Afghanistan, we are confident that we will make more progress on security, governance and development as we head to 2011.

Canada's commitment to bolster our military forces, properly equip them, and contribute meaningfully to operations abroad, including combat missions, is applauded in Washington.

This strengthens our standing where it counts.

4. Canada–U.S. relations

So where do relations with Canada fit within the constellation of issues the new U.S. Administration has to deal with?

First of all, let me emphasize: Canada and the U.S. enjoy the largest and deepest relationship in the world — one built on enduring good will.

Over the last three years in Washington, you would be surprised at how many senior US policy-makers tell me how critical and encompassing is their relationship with Canada.

I can say without hesitation that our relations are in terrific shape.

As I mentioned earlier, there is great scope to work with the U.S. in the world.

And there is great scope to co-operate on energy, environment and climate change.

And most important of all, we share one of the world's largest and most comprehensive trading relationships — which supports millions of jobs in each country.

We must continue to work together to deepen and strengthen this trading relationship that has been so beneficial for both our countries.

We will impress that view on the new Administration and, particularly, on Congress, where protectionist pressures are more likely to be felt.

We must work to make sure that our actions on automobiles, on economic stimulus, and on financial sector reform through the G20 to reflect the reality of an integrated North American market.

And we must work with the new Administration on making sure the border affords both security and smoothly flowing commerce.

We look forward to collaborating with Homeland Secretary Napolitano, to see how we can manage the border better, improving infrastructure and using new technology.

All of the indications sent by the incoming Administration — and all of the conversations I've had with those who will occupy senior positions in it — suggest an open and productive relationship between Canada and the U.S.

We anticipate a successful visit to Canada by the new President in the coming weeks.

As Prime Minister Harper said to Americans after the presidential election, Canada is your "most reliable ally and...best friend and partner in the world.... This is a tremendous, historic occasion for the United States."

The Canada–U.S. relationship is unique, and it is the envy of the world.

Closing

Tomorrow will be a landmark day for the United States and for President-elect Obama and his family.

He is facing major domestic and international challenges. Some would describe them as daunting.

But no U.S. President in living memory has been given such an opportunity to change the direction of his country — both in domestic policy and in its relations with the rest of the world.

Expectations are high, and encouragement from most quarters is sincere and profound.

I am sure that all of us in this room would want to wish President Obama Godspeed and good fortune as he assumes his awesome responsibilities.

I will take those sentiments with me to Washington tomorrow, as I join in the excitement and festivities of the inauguration.

Thank you.