

Shedding light, not heat, on tariff and trade issues affecting Canada and Canadians

Season 2 is here – and so is the turbulence

The trade environment has shifted considerably since [Season 1](#) wrapped. New tariff instruments. A Canada-United States-Mexico Agreement (CUSMA) review in motion. A defence procurement that caught Washington off guard. And a global overcapacity problem that no one has a clean answer for.

The Tariff Home Companion is back – with the same commitment to clear, expert analysis and none of the noise. Each episode cuts through the headlines to explain what's actually happening, what it means for Canada and what businesses and advisers need to watch.

Hosts [Rambod Behboodi](#) and [Stephen de Boer](#) bring decades of front-line trade experience to every conversation. Rambod is senior counsel at BLG. Stephen is a former Canadian ambassador to the World Trade Organization (WTO), former defence and foreign policy adviser to the Prime Minister and currently a partner at Wellington Advocacy. Together, they explain what trade policy actually means – and why it matters.

Episode 1 – One week. A lot to unpack.

As Canada, the U.S. and Mexico enter a new phase of CUSMA discussions, the questions explored in this episode have become even more relevant. In the Season 2 opener, Rambod Behboodi sits down with Stephen de Boer to unpack a pivotal week in trade policy and the broader strategic issues that continue to shape North American trade relations.

They dig into a packed week of developments: what Dominic LeBlanc's CUSMA letter really signals, why the so-called negotiation "deadlines" may be less urgent than headlines suggest and what the new U.S. Section 301 tariffs – hitting 60 countries, including Canada, over forced labour enforcement – actually mean in practice.

The conversation goes deeper from there – covering China's staggering aluminum overcapacity, Canada's steel tariff rate quota (TRQ) framework and whether it holds up against our WTO obligations and the strategic logic (or lack thereof) behind the GlobalEye defence procurement announcement.

The big question threading it all together: is Canada's patchwork of trade and defence moves building toward a coherent grand strategy – or are we just putting fingers in the dike?

Key topics covered in this episode:

- CUSMA review and renewal: What LeBlanc's letter signalled, why the 'deadlines' may have been less firm than they appeared and what it means as Canada, the U.S. and Mexico enter the next phase of discussions.
- Section 301 tariffs: The U.S. just hit 60 countries – including Canada – with 10 per cent tariffs over forced labour enforcement. Is this a legitimate trade tool or something else entirely?
- Steel and aluminum TRQs: How Canada's global framework stacks up against WTO obligations – and whether it was designed in haste
- China's excess production capacity: A collective action problem with no clear global solution in sight
- The GlobalEye announcement: What Canada's purchase of non-U.S. military equipment says about our emerging defence industrial strategy
- Grand strategy: Is Canada's response adding up to something coherent – or are we reacting one measure at a time?

Sharp, informed and refreshingly direct. This is trade policy for people who want substance over spin.

Transcript

Rambod Behboodi:

This is *The Tariff Home Companion*, a trade podcast, a Canadian trade podcast, that aims to shed light, not heat, on issues affecting Canada. I'm here with Stephen de Boer, former ambassador of Canada to the World Trade Organization, former defense and foreign policy advisor to the Prime Minister, and currently at Wellington Advocacy.

We're here to talk trade, and in the last week alone, much has happened. Stephen, we saw, above all, and the most important piece of information we got was that Dominic LeBlanc, the Minister for US trade relations, has indicated that Canada has asked for the renewal of the

CUSMA past the 10-year, 10-year period that, that we now have to, we now have to look forward to.

And at the same time, we saw that the United States imposed 10% tariffs, under a new instrument, Section 301, in respect of 60 countries, including Canada, for failure to enforce forced labour measures at the border. At the same time as the United States provided tariff relief in respect of agricultural machinery and other matters, for example, ventilation and air conditioning just before the summer season.

So, on the one hand, we see continued uncertainty and fluctuation, in trade policy. On the other hand, we see a recognition on the part of the United States at least that its tariff measures are having a negative impact on the domestic market. And on the third hand, we see, the government of Canada, proposing to extend, CUSMA, proposing to extend and reinforce and strengthen, a rules-based trading framework even as we continue to impose measures on steel and aluminum in the form of tariffs and TRQs.

What do you make of all of this?

Stephen de Boer:

Well, let's start with CUSMA. I thought that was a bit of political genius on Dominic LeBlanc's part to put that letter in. Of course, CUSMA is really important to Canada, so it was the right message to send. I think it puts the Americans a little bit on the back foot.

I also think that there's a lot of misunderstanding as to what is going on with respect to CUSMA. Right now, people talk about the renegotiation or whether CUSMA will be renewed, and that's not really the process that we're in. There is also this notion that there are deadlines, like June 1st was a deadline for putting offers on the table or grievances, I suppose. July 1st is a deadline. USTR, suggested that this all had to be wrapped up by August because then the midterms were going to start. That's a completely false deadline in my view. There's a lot of control the parties have, and so I think... and a lot of misunderstanding in the Canadian public, or the public generally, so I think we really need to take, a pause. But I took a lot of comfort in the letter that LeBlanc sent because I think it suggests he understands what he's up against. He's understanding what he's doing with respect to these negotiations. I think Canada has a good team, so I'm not particularly worried.

I think it's also interesting, the grievances that we know about from the United States are not particularly difficult to resolve. In a way, they're kind of small potatoes. Now, some certain sectors in Canada may not agree, like the dairy industry, but really, these are not insurmountable problems.

There's a new one that I heard about today, which is with respect to, Montana's access to the Canadian power grid. Or the other one is the listing of alcoholic beverages, US alcoholic beverages in Canadian liquor stores. Again, these are not insurmountable, problems. On the 301, I think there's good news and there's bad news on the 301.

I think the bad news is that it suggests that the United States is still in love with tariffs, and they're not at all disciplined as to how they calculate these tariffs. I don't think it's any coincidence that they're coming in at 10 or 12.5%, which is exactly the tariff rates that they negotiated with some of these countries under IEEPA, which is now deemed to be illegal.

It's not clear either that the 301 tariffs can be imposed as a group, so that's also interesting. I think the good news is that it would not apply to CUSMA-compliant goods, and so that suggests, a bit of relief for Canada, and it also suggests that the United States will continue and is continuing to honor, CUSMA.

But as you say, there's a lot of other developments happening right now that I think we probably should dig into a little bit.

Rambod Behboodi:

So, section 301, it's a massive report, covering 60 countries. Canada gets, a whopping one page, considering that we have one of the strongest trading relationships with the United States on that list.

And the allegation, or the finding, is that Canada is not enforcing its existing forced labour laws, largely in the same way as the United States, for example, is. And the statistics that are, mentioned is that Canada has had only 50 enforcements and two seizures at the border. Whereas the United States has had, or the CBP has had 6,000 or some number like that.

And of course, the big challenge whenever we have reports like this is that they will then get picked up domestically and they are amplified, in a way as if, because we are not doing X, therefore we must be at fault for the imposition of these tariffs. So, there are two strands, on this.

One is, as you mentioned, the 301 report essentially picks up where the IEEPA and the Section 122 tariffs have left off and are being left off. Does that suggest to you that this is, perhaps, not entirely done with a good purpose behind it?

Stephen de Boer:

Yeah, absolutely. Let's be serious, the use of forced labour and trading in those goods that are made through forced labour is a problem. And countries are quite right to try to address this. The United States acting like the international police force and then forcing other countries to comply with this through tariffs is probably not the best way to bring about consensus as to how this problem should be dealt with. And so, I question both the mechanism and the method, because I can't believe that they're actually very serious about this.

Look on the numbers, the US over 5,000, Canada 50, I think those numbers need to be pulled apart a little bit. I do know that Canada was fairly slow off the mark to try to discipline this behavior. But I also know that one of the reasons they were slow off the mark is that it was, it's expensive and difficult to actually trace products to their ultimate source.

And so, for the Canadian government, it really was an issue of fairness. And it's really, difficult for the importer of record to actually do that. Like, the traceability of some of these products and inputs is very difficult. My sense is that the United States has a large number because they simply are being a bit more draconian, and they're not worrying so much about the fairness of their regime.

So, I feel to a certain extent, that we're comparing apples to oranges. Which doesn't seem to bother the US administration. I also wonder whether CBSA is underreporting. So, the response... but I'm not sure about this because the response that we got from Prime Minister Carney was, "We're looking to actually stiffen up the law and pass new legislation," which suggests to me that there is an underlying problem.

But again, I'm not sure that using a 301 is the best mechanism to deal with this. But this is what we've seen with the United States, and other... we have other examples of this. I mean, it would be probably a lot more useful to work collectively with trading partners to try to address some of the trade abuses of China, but they've chosen not, to do that.

They've acted unilaterally and then punished others, for not doing enough. But it's, just a different style of trying to build an international consensus and one that doesn't seem to be particularly effective.

Rambod Behboodi:

So, I don't want to belabour this point, but it is, I want to use it as a segue to a more strategic point.

Let me start with the sort of the mechanics of the measures imposed, the 10% imposed on those countries that are not alleged to have forced labour, but that are alleged to, not be enforcing their forced labour laws at the border. So, the issue, it seems to me, is not so much that there are products, let's say originating in China or India that come into Canada and are then exported, or transshipped to the United States, because those products originating from, India or China would be subject to the 12.5% forced labour framework.

Rather, the issue is that Canada is not enforcing its laws at the border, at the same rate, or in the same way as the CBP, the US Customs Authority is doing. And therefore, not so much that the goods are then being transshipped into the US, or re-exported into the US, but because we're not doing that, then we should be punished or non-CUSMA origin products that Canada exports into, the United States should then be punished.

Is that the correct understanding of the 301 findings and the effect of the 301 measures?

Stephen de Boer:

So, I have been trying to figure this out myself, because I don't really... it is a bit nonsensical. I think you're right. I think the way you've described it is probably exactly how the Americans are envisioning this.

The problem is, I don't know if that's the correct application of Section 301, and I don't know if that's the correct application of a tariff. I think it's quite susceptible to yet another legal challenge. It would strike me. I'm not, a US trade law expert, but it would strike me that is problematic.

Rambod Behboodi:

Which brings me to the sort of the meta question, more strategic question. Is this a way for USTR to wrest tariffs away from commerce? Are we seeing, maybe a sort of, for lack of a better imagery, a sort of a palace coup, on tariffs where Secretary, or Ambassador Greer, in a sense says, "Let me take care of this. You've done enough harm"?

Stephen de Boer:

Oh, that's completely fascinating. I think you might be onto something. There's now reports where Greer has actually been directed by Trump on the CUSMA negotiations, and the new structure at Commerce is that Greer is supposed to report to the Commerce Secretary Lutnick. But that doesn't seem to be the case.

We haven't seen much of Lutnick lately. There's been rumours about him being turfed by President Trump. And so, I don't know whether, it's interesting, we're kind of, I feel like we're criminologists here trying to, read what's happening in the United States. But it's an interesting

idea, and it is consistent with the way President Trump has worked, where popularity of various cabinet ministers and acolytes around Trump have, there's, they become popular, and then he, sort of, cuts them at the knees, and then they become popular again. And so maybe we're in one of these waves where Lutnick is now popular, and so Greer is empowered, or Greer is trying to seize some power.

He has said to Trump, "Don't worry about losing the Section 112s and the IEEPA tariffs. I have a way to fix this." And Trump said, "Go off and do it." But it is, it is fascinating, it appears chaotic, although I do think that's partly the point. But yeah, interesting.

Rambod Behboodi:

So, along the same lines, yet another, minor segue that will take us through another 301 conduit back to Canada.

And here's the thing. So, there is, there are other Section 301 investigations going on. And one of them is on the alleged excess production capacity, or maintaining, countries that maintain, excess production capacity. And targets are China, the European Union, Japan, Mexico, South Korea, and India.

So, this whole notion of excess capacity is an interesting one. From both an industrial policy perspective. From a trade perspective. I know that in, global trade discussions, the existence of capacity that is not used, is seen as a sort of a, circumstantial evidence of massive subsidization.

The point being that you always, essentially maintain your production capacity at the level of the market. You ramp up when need arises, but fundamentally, you build for the market rather than building for, or manufacturing or having the capacity for, for greater than what the market maintains.

Now, this excess production capacity issue, is it seems to me, linked to Canada's ongoing measures on steel and aluminum. Especially with aluminum, the numbers are staggering. China has excess capacity that is nearly double the total consumption of aluminum globally. So, they've built up manufacturing capacity in a way that the market by definition cannot accept.

In the meantime, globally, we don't really have a framework to address that. Each country is left on its basically left to itself to deal with that. If there are imports, then we can deal with that through import measures or whether safeguards or anti-dumping or countervailing duties.

But when there's a massive global impact, as we have seen in the past. Whether it's cotton. Whether it's aircraft. What is Canada to do? We could try to bring WTO cases, for example, in respect of, in respect of actual impact on global markets. But we can't really bring cases in respect of potential, deleterious impact on global markets, when it comes to a sector like aluminum.

Which brings me to the measures that we have imposed. So, on the one hand, ideally, we would like to have measures imposed in accordance with existing rules and in accordance with using mechanisms that we already have in place.

And I'd like to, also mention that in fact BLG, has said exactly that in the past to the government and also in a submission that we published last year, that Canada should, we have the mechanisms in place and the government should basically use existing mechanisms rather than going off mechanism for measures of this kind.

At the same time, there is the reality. There is the reality of aluminum overcapacity in certain countries that has a direct impact on our capacity to sell our products abroad, which then has an impact on our capacity domestically to receive and use imported products.

That's a very long question with multiple parts. But I guess the question, boils down to this: There are global frameworks, but the global frameworks have demonstrated themselves incapable of meeting the moment. And against that background, when you have a global framework that isn't fully functioning, and you also have domestic frameworks that are also not built to address the type of challenge that we're seeing, for example, in the aluminum sector, but there are other sectors. What's a government to do?

Stephen de Boer:

Well, that's a really... this is a huge problem. And the Chinese economy is built for export, and the overcapacity issue is not one that's limited to Canada, which also suggests possible solutions.

But the, I think that the big, the best solution would be leadership from the United States where a bunch of countries get together and discuss how to deal with China, how to deal with excess capacity. Start developing rules around that. We've missed that opportunity because the US, as the policeman, has just decided to go unilateral.

I think, what's interesting is that, yes, Canada needed to take action. Nobody is suggesting, publicly anyway, that what Canada's doing actually is inconsistent with our trade obligations, and it is. And there seems to be some sort of understanding that because others are doing this, the United States, or because it's China, we're somehow let off the hook in having to follow trade rules.

I don't buy that. I think that goes against equitable law principles quite frankly, but I don't buy it. I think we should have, I think the Canadian government should have spent more time at least trying to dress up actions that they would have taken in ways that are consistent with our trade obligations, particularly the WTO rules.

So, you mentioned safeguards, you mentioned anti-dumping, you mentioned CVD. I think that would have been useful. I think the EU has done a much better job of trying to dress these things up, in a way that's consistent with the WTO. I think the, so that would've been one option. A second option that I think is, perhaps, it's not trade consistent, but at least it's a little more saleable from a trade policy perspective, would've been to work with our trading partners in concert.

So, what if all of the CPTPP countries had taken action against Chinese aluminum? At least we would've had some cover to say, "This is a problem. This is a problem for all of us. We are going to take collective action." I think that would've been helpful. What also is interesting is I'm not aware, that we actually sat down with China and said, "We got a problem."

And we do have, we have the capacity now, at least to sit down with China. That is an option. I'm not sure to what extent that would be successful. But there were other things. The way that these TRQs were imposed, it seemed easy. It seemed almost like it was done in anger, and it seemed like it was justifiable because all bets are off, either because the Americans are being run by President Trump and/or because excess capacity is such a big problem that the trade rules don't work without making any effort to have a discussion at the WTO, to have a discussion with China, to have a discussion with our trading partners.

At least I'm not aware that those discussions happened.

Rambod Behboodi:

Well, I mean...

Stephen de Boer:

And I, would, I will admit that everything that I proposed is suboptimal compared to imposing a TRQ. But I just think that from a trade policy perspective, they're considerably more justifiable.

Rambod Behboodi:

What is it, 30 years ago that we were working on the supply management case?

Did you ever think that 30 years hence we'd be talking about TRQs on steel?

Stephen de Boer:

No, I did not.

Rambod Behboodi:

And that, we would with decades of, literally decades of experience in TRQ administration, that we would start our TRQ framework with a first come, first served basis, and then move on to an allocation methodology?

Stephen de Boer:

It's terrible to think about. But here we are.

Rambod Behboodi:

I did, I mean, we're getting into the weeds, but, so this, definitely this segment is for nerds only. Trade nerds only. But, okay, so, you know CPTPP. But, first of all, do we not globally have a collective action problem when it comes to China?

Stephen de Boer:

Absolutely, we do.

And I think the United States actions recognize that. But there's been no leadership to take this on. This is the problem with the WTO as well. It's not so much that China doesn't follow the WTO rules, it's that, that the rule book doesn't actually follow the Chinese economy in a meaningful way.

And so those discussions need to happen. And I'm, I'm not naive. I think those discussions are difficult. I think it's unfair to say you're not following the trade rules, the trade rules are the problem. No, it's an absence of trade rules. There should be a collective global discussion, and

we've missed that opportunity.

Rambod Behboodi:

No, but what I mean is that even if the rules were to be able to catch certain aspects of concern. Getting a Brazil or an India or a South Africa to join Canada in bringing an action against China, it seems to me, based on my own conversations in Geneva for the years that we were colleagues there, until recently, the challenge was always that, if we bring an action against China, no matter how justified, there's going to be an impact on our other exports into China. So the collective action problem is not just an absence of rules, it seems to me, but also, self-preservation, which is not, in a sense, not just in a sense, but it's perfectly understandable, is it not?

Stephen de Boer:

Yeah, I think that's fair. And I think, I think it's easy for all of us to say it's the Americans' fault that this hasn't happened. And you've named a number of countries that are hugely problematic with respect to collective action.

So, there's that, and as you point out, there's the self-preservation issue. At, the end of the day, it's about the Canadian economy, and it's not about the CPTPP economy or the economy of the WTO. It's about Canada's economy, and it's about jobs here in Canada. But I don't think we should be pretending that this is justifiable under trade rules.

And I also think that the way that, it's being administered isn't necessarily as transparent or as equitable as it could be. And so there, even in its design, it seems obvious it was done in a hurry and as I said earlier, almost as if it was done in anger.

Rambod Behboodi:

Right. So, you know, when we had the Section 53 measures, the 100% tariffs on electrical vehicles two years ago, I don't know if it was that particular measure was put in place in anger, but it was very clear that it was done hastily, or at least overly quickly. Not to judge. But let's talk about the equities. So yes, there is obviously this first come, first serve kind of approach to TRQ allocations. Probably. Not sustainable over a long term.

That's why we're moving to a new framework. That new framework that requires allocation of TRQs based on some sort of reference point in the past, that will have its own equities, and I'm sure it'll be challenged at some point. But there's another equity issue, and perhaps equity and strategy issue, which is that these steel and aluminum measures, TRQs, and the tariffs were imposed globally.

So on the one hand, one could say that, that isn't very good, because you're capturing everybody, including some of our allies, including some countries that, have traditionally been subjected to anti-dumping and countervailing duties, but they're not anymore, so, you know, are we sort of, are we over-capturing?

But at the same time, by going global, we also reduce our own exposure in a sense for being selective.

Stephen de Boer:

Well and it has the advantage of being non-discriminatory, treating everyone poorly. But I think that there is a virtue in that, and the fact that you're actually harming some of your closest allies actually underlines the point that you are being non-discriminatory.

And I think politically it demonstrates that your number one concern is the Canadian economy. And so, there's also, it's so much easier to administer. If you don't want to sit back and pick friends and go through all the data and figure out what needs to be done, this is much easier. But I do like the fact that it's non-discriminatory, absolutely.

Rambod Behboodi:

So, here's where we are. We had measures, put in place last week by the United States to reduce tariffs on certain goods, such as agricultural machinery and, and air conditioning. I'm sure the fact that we're, it's the summer and that we expect to have a fairly harsh summer that had nothing to do with it, or the midterms.

So, on the one hand, we have a recognition in the United States that tariffs are having a negative impact and could have a negative impact on the domestic market, on consumers. On the other hand, we have these section 301 measures, and I'm not entirely sure that the full impact has been assessed.

I mean, I understand that there is the \$3.4 trillion worth of imports, only about half of it will be affected, in any event. So, we've got those types of measures that are being put in place. And in the meantime, in Canada, we merrily go on and make adjustments to a TRQ and tariff framework. That is going to have an impact on domestic consumption in Canada. Which means on domestic consumption by manufacturers. Which means, an impact on export prices.

What do you make of all of that?

Where are we?

Is there, are we in sort of a mad framework where there are cracks in the dike, in the dikes of the Western industrial economy, and we're sort of putting fingers everywhere to try to stem the, stem the flow of the, what may at some point be a cataclysmic destruction of our economies?

Or is there some method in all of this madness?

Stephen de Boer:

So, I think the Canadian response to me feels like fingers in the dike. Quite frankly. And I think what's missing from the Canadian response is greater sensitivity to business interests and impacts. And I think we all need to recognize that when you have regimes like this, you actually need a bureaucracy to administer them. And it's not clear to me that bureaucracy has been built, within the Canadian system.

But that's the problem with tariffs and tariff administration. There is a lot of paperwork and a lot of bureaucracy involved, and I don't see that has actually been happening on the Canadian side. On the US side, in a way, this is working exactly the way Trump wanted it to work.

He wants to be able to give dispensations and deal with the supplicants who come and see him. Who knows what those supplicants did or what they needed to do in order to get the tariff relief. But I also think what it suggests to me is it's an admission that tariffs are not as beautiful as President Trump believes them to be.

And what I'm really gratified to see is that it seems like business interests are starting to speak up, and they're starting to have an impact. One of the big frustrations with the earlier tariff impositions was that business... I think the Canadian government was hoping, and Canadians generally were hoping that the US business would be able to apply pressure.

And we saw Doug Ford talking to US business interests. The Canadian Embassy in Washington was spending a lot of time talking to US business interests. But they were effectively cut out. And I think, I'm hoping that what happens means that business is actually starting to get listened to.

You mentioned the midterms. There's certainly a theory that says this is being done to give some relief before the midterms. I hope that's not true, because that would suggest there might be a snapback after the midterms, or in winter, and we don't really are concerned about air conditioning anymore.

But we'll have to see. But maybe this is the, to keep working with the finger in the dike, maybe the dike is starting to weaken on the US side.

Rambod Behboodi:

Speaking of supplicants. Let's zoom out from tariffs and specific requests for either extension of tariffs or removal of tariffs to global relations, global security relations, and supplicants, to the United States for the global security umbrella. And related to that is, of course, the announcement last week by Prime Minister Carney of the purchase of non-US military material in Canada's massive enhancement of defense spending.

What do you think is going to happen?

Stephen de Boer:

I find it really interesting that there hasn't been a reaction yet from the US. And I harken back to when Canada announced their over-the-radar system, over-the-horizon radar system, which they purchased from Australia. And there was a US, producer as well, who actually couldn't meet our time deadlines. So there was a legitimate contractual reason not to go with the US provider.

The US was very quiet on that. They're very quiet on this one. Now, the alternative theory to that is they just haven't figured out what we've done yet. The thing about GlobalEye is that it ticks off a number of the boxes that Carney has, in that it helps reach the 2% target, the NATO target. But also, he wanted to ensure that there were industrial benefits for Canada.

This is going to use six Bombardier planes. There's going to be a lot of production in Canada, so it checks those boxes. The alternative is a Boeing product, and I'm not sure that it would have ticked any of those boxes, quite frankly. But I'm also wondering, to my earlier point about over-the-horizon radar, I'm wondering whether Boeing was actually capable of providing the product.

The Boeing system has ... It's been on again, off again with respect to defense Department support. So, it's not 100% clear that it is available. What I have heard is perhaps using Bombardier planes isn't good, or sufficient given the geographic size of our Arctic. But I'm not an expert on that. I don't know if that is the case.

It certainly makes sense to be buying more from Europe. It makes a lot of sense to be working with another Arctic country, another NATO ally, so it checks all kinds of boxes. I think the timing is no coincidence. I think it's also meant to demonstrate to the Americans that we're serious about diversifying, so I think there might have been a CUSMA angle to it.

But the response is rather, or the lack of response is rather, surprising. But I think what Canada has done, if we do have to explain this to the Americans, is completely justifiable. We'll have to see. What's interesting is, and I think this, and I think this bodes well for future purchases. I don't think it's being well received in our own Defense Department, who spend a lot of time thinking about interoperability.

And clearly, this would be interoperable with NATO systems, but not necessarily interoperable with the United States. And of course, the United States is our closest ally. And so, interoperability is an issue. But I also think it's a bureaucratic stumbling block at the Defense Department. So, I'm, I just don't, I think this is going to continue to hound decision-makers. So, there is a, there's a push-pull, on buying American product, quite frankly. But in this case, the pull, the political pull was won by the Prime Minister's office.

Rambod Behboodi:

Decades ago, during university debates, someone was talking about how Canada is being, Canada was misguided in trying to have an industrial policy, and we should be more in the model of the United States, where, you know, the whole idea of industrial policy didn't exist or, so on.

And a friend noted, "No, they just call it defense policy."

Stephen de Boer:

Exactly.

Rambod Behboodi:

And in fact, I mentioned that in my book as well of 30 years ago. That was very clear that a lot of the concerns that were expressed by the United States about quote-unquote, "subsidization" in other countries were basically achieved. The US was doing the same thing, but only in the guise of defense procurement.

Are we in that world now in Canada? Are we moving to a defense industrial policy?

Stephen de Boer:

I, if we are, we might be. But it's not clear to me at this point. When we look at GlobalEye, for example, it's not like we're pouring money into the development of a new product.

We are...

Rambod Behboodi:

Although, allegedly we have poured money into the development of that particular product.

Stephen de Boer:

Fair enough. Okay. But I, don't think...

Rambod Behboodi:

But that was in the guise of industrial policy not defense policy. Now we're reaping the defense benefits of the industrial policy expenditure.

Stephen de Boer:

But I mean, the big part of this for Canada is the use of Bombardier aircraft.

Rambod Behboodi:

That's right, yes.

Stephen de Boer:

Which is an existing platform. So, we didn't spend the ... but, we are starting, and perhaps on some of the things that we don't really think about in the context of defense policy, maybe it is starting to happen. So, on satellites, on geospatial measurement, on some of the, on crypto, perhaps we're starting to move there.

But I don't think we're, nowhere near where the DoD is. And I, think we're going to have to be careful. We know that the US model has resulted in enormous waste, and also issues around graft. And so, it's not a perfect system. It certainly allows you to sidestep subsidy investigations, but there are problems with it. And I don't, I don't mean to throw bureaucrats under the bus, but I mean, really do you want bureaucrats running some of these programs? I don't really think that's the agility that you want to bring to some of this.

So, and I think the Carney plan is to try to lure, to lure existing technology, existing manufacturers, to start building their own technologies here. Not necessarily develop made in Canada approaches.

So, we'll see how that goes. But perhaps we are moving there, but hopefully not in exactly the same way as the US.

Rambod Behboodi:

Well, no. I mean, we just don't have the resources to move in that direction.

And one final point, before we close this first episode of the second series.

What we see in steel in the CUSMA letter, in the GlobalEye announcement are piecemeal announcements and approaches and measures.

Do you see a strategy, a grand strategy behind all of this? Or are we tending at least, at some point, to have a grand strategy? Or again, to go back to the metaphor, is this just one more finger in another crack in the dike?

Stephen de Boer:

Well, with all due respect to the Canadian government, I think it would be very difficult to craft a grand strategy in the current context.

Our closest trading partner, and most important trading partner, is extremely erratic. And I don't... I think that demands that Canada has to be quite reactive. And the problem with developing a grand strategy, and the problem with dealing with the Trump administration, is that things come out of left field. And things that you and I would have thought were completely beyond the pale are actually happening.

So how do you develop a grand strategy in that context? Like, there's, there are unknown unknowns out there that are very difficult to anticipate. Unless you take a grand strategy up to a really high level, which is we need to decrease our dependency on the US, and we need to build a stronger, more independent Canada with a stronger economy.

Sure, and I see...

Rambod Behboodi:

But at that level of abstraction, we're not actually... that's not a strategy.

Stephen de Boer:

It's not really a strategy. But I don't... I think it's, I think it's too difficult at this juncture. Having said that, I think there's probably more that could be done on trade liberalization. Although we're starting to see... and nothing's been announced, but we're starting to see some of that. So, the frequent visits to Europe and trying to deepen that relationship. Even the fact that there's a discussion about Canada joining the EU which...

Rambod Behboodi:

Just to be on the, just to be on the up and up. It will never happen.

Stephen de Boer:

No. It's a possibility.

Rambod Behboodi:

The discussion itself is useful.

Stephen de Boer:

Yeah, the discussion is useful, and people actually openly talking about this is really useful because it talks about our shared values, and it talks about ways that we can deepen the relationship. So absolutely, I think it's an impossibility. I think it's really useful.

But that also suggests it's part of a larger strategy yet to be announced.

Rambod Behboodi:

Something which incidentally I wrote about 25 years ago, this July when I was leaving my post in Brussels.

Stephen de Boer:

This is a really ageless podcast.

Rambod Behboodi:

On that happy note Stephen, thanks so much for joining me again.

Stephen de Boer:

My pleasure. Great to chat.

Rambod Behboodi:

And, for the team here at BLG, I want to thank our producer Jason Chute, and of course the entire BLG communications team that does an amazing job of producing these products and then publicizing them.

Thank you so much, and until next time, let's just hope the world stays more or less sane and stable.

Stephen de Boer:

Can always hope.

Episode 2 – How do you negotiate a deal?

Erin O'Toole, former Leader of Canada's Official Opposition, joins Rambod Behboodi and co-host Stephen de Boer to work through the question at the centre of every boardroom conversation right now: how do you negotiate a binding trade deal with a counterparty who no longer plays by the rules? Recorded just 32 days before talks collapsed and Canada entered a trade "war", this episode serves as the exact blueprint of why the framework ruptured.

Key topics covered:

- The "two negotiation tables" – formal CUSMA review vs. the executive table with Trump (predicting the exact friction that derailed the Aug. talks);
- The U.S. "Liberation Day" policy and the strain on the rules-based trading order;
- Erin O'Toole's argument on why retaliatory tariffs carry hidden costs for domestic supply chains;

- The Canada-U.S. Economic Council – what it actually does and why business voices in negotiations are almost impossible to find; and
- Why a deal before the U.S. midterms is unlikely – and what Canada needs to be ready for when the moment comes.

Transcript

Rambod Behboodi:

We recorded our conversation with Erin O'Toole on July 20th. That was a month ago in real time and about a decade in trade development years. Since then, the latest trade talks collapsed and we found ourselves again the target of punishing tariffs.

Now, we could have shelved this episode, but when you listen to what Erin lays out, you'll realize that the conversation is still current. It's the exact blueprint of the structural vulnerabilities that forced the collapse on August 22nd.

Erin explicitly warned about the two negotiation tables in Washington, which is exactly where the talks broke down.

Erin takes a firm anti-retaliation stance in this episode. Given the developments of this past week and with the PM now launching dollar-for-dollar retaliation, the arguments may well require a review.

Still, understanding his counterargument isn't academic. It's essential risk management for your balance sheet. Here's our conversation.

This is the *Tariff Home Companion*, a trade podcast, a Canadian trade podcast where we seek to shed light not heat, on issues affecting Canada and Canadians. At some point in the course of this discussion, we will be joined by our regular host, co-host Stephen de Boer, former ambassador of Canada to the World Trade Organization.

But I'm happy to say that I'm joined right now by Erin O'Toole who has led a distinguished public service and private sector career in Canada.

A former leader of Canada's Loyal Opposition. He is currently in private practice in Toronto, advising clients on a range of security and trade issues.

Erin welcome.

Erin O'Toole:

Thanks for having me Rambod.

Rambod Behboodi:

It's a pleasure to have you.

So, we before this discussion launched itself, we were chatting about football and about the World Cup, and how we saw yesterday a on the one hand, on the one side, we had a disciplined team working together with hundreds of passes almost flawlessly between them. Playing the long game and the deep game, and very much in control of the game.

And then on the other side you had a somewhat violent at times, cheating at times, team led by someone who would say an over-the-hill star. Disorganized entitled, and certainly a sore loser to boot at the end.

I'm not drawing any parallels, of course. And the only thing to say is that the team with the better hair won.

But we are here to talk trade. We're here to talk principally about Canada-US relations, which I think occupies everyone's minds these days. And it's not just the threats of tariffs, the imposition of tariffs since March 1st 2025, the changing landscape of tariffs and trade between Canada and the United States.

But even in the last week or two we've had additional threats notably taxing the smoke as, as some have said and of course the concerns about the bridge.

Let's start from the very top and this is something that I think it can, we can fairly say occupies both sides of the electoral landscape or multiple sides of the electoral landscape, which is "the deal".

A deal. Some sort of a deal.

In the normal course when we sit down and negotiate a deal with the other side we look at the competencies of our opponents, of our or not even opponents, but rather just the, our partners in negotiations. And we ask ourselves "Okay, so what is it that the other side can do? What is it... How is it they can do it?" And then we negotiate a deal in order to constrain that movement or future movements in order to create security and predictability for our commercial actors.

That essentially is what a treaty is. It's us committing ourselves to a course of action based off on our own competencies, and then creating restrictions on the other side based on theirs.

So we have certain competencies on the side of the United States that we thought we had, tariffs and taxes are the province of Congress, and now that, that calculation has shifted in a way that it seems to me makes it very difficult for anyone to negotiate a deal that will constrain future action.

Up to now we've had you know, the IEEPA tariffs, which were declared illegal, the 122 tariffs, which have lapsed, the 232 tariffs, which are somehow justified under national security, and now the latest is the sort of the tax on smoke. How do we negotiate a deal?

Erin O'Toole:

You've laid it out very well. How do you negotiate a deal with a, with such a chaotic landscape? Going way back, I think you're right.

Starting from the top, the Liberation Day, according to President Trump, is when for the second time in in Trump's time leading the United States, he has upended the rules-based trading order.

He started that in his first term, where we saw 232s for the first time. But with Liberation Day, we saw an all-hands-on-deck repudiation of the rules-based system, which people forget in the years, in the decades following World War II, essentially established the longest period of relative global peace, but certainly prosperity and bringing people out of poverty in many corners of the world at an unprecedented rate.

So while there were certainly some groups and people left behind by globalization, there were problems with it. Throwing out the rules-based order and not replacing it really with anything that gives predictability or fairness has really put the world upside down.

So we've had trade disrupted. We've had threats to multilateral organizations and alliances like NATO. The WTO is essentially almost defunct or not operating as an organization. So Canada has to negotiate for a deal amid this. The one lifeline or the one buoy we have that we can hold on to, to save ourselves from drowning has been CUSMA. The renegotiated NAFTA from the first term of President Trump, which gave most of our economy a degree of certainty and stability.

That is, you know, no help to steel, aluminum, and the auto sectors which are still impacted by the 232s. And then we've been fighting many little trade disputes with the president, as you said at the outset, with the fentanyl tariffs and emergency tariffs, the IEEPA tariffs that were struck down.

Now they're repositioning that for forced labor, potentially forest fires. You know, you're in this area where we will constantly have to respond to the demands of the US while holding on to CUSMA.

And my hope really is the economic damage the tariffs are doing, which in recent days, including on New York Times Daily podcast this morning, reminding Americans that most of the inflationary cost of living crisis that Americans are dealing with beyond the fuel pressures from the president's war in Iran, have come from tariffs, which are being paid for by consumers, which are putting inflationary pressures into the economy at a time when a lot of the people that voted for President Trump cannot afford to pay the higher prices.

So my hope is in the coming months, having sort of thrusted and parried with all of the various chaotic measures of the US administration, we can wrap everything into a, a deal to provide some certainty on the 232s. We can get into the 232s and my experience from them in, in the first Trump administration.

But if we could even get the 232s on steel and aluminum and autos down to a single-digit rate to give predictability for the next few years, I think that would be a win to be honest with you in the circumstances. But you know, my vantage point with the Canada-US Economic Council that I sit on is that everyone is trying to support the government's efforts to navigate this chaotic landscape to get a deal that's as, as strong as possible in the circumstances.

Rambod Behboodi:

Thanks, and let me also welcome our colleague, Stephen de Boer, who's just joined us. This just let me say that this was all my mistake on numerous fronts. But anyway, I'm glad to have you here Stephen. You mentioned the the Economic Council, and I- I'll continue and then let you breathe.

Sure. You mentioned the Economic Council. You know, I'm finishing up *The Mirror and the Light*, Hilary Mantel's third installment in the Wolf Hall Trilogy. And of course, Henry VIII has a council, and everyone sits around the council. Henry VIII stamps his staff, and there's only one person who really dares say anything, and that's his chancellor William FitzWilliam.

I'm again not drawing any parallels with the current situation. But the whole point of the, of the king's council was to stop him from making errors he would regret later. And the question I have for you is what exactly does the advisory council do?

Erin O'Toole:

Well, that's a great setup.

You know, I, none of us council members are risking hanging or anything that, that Henry VIII might have if he didn't like his council. And my son has been making me watch Game of Thrones recently, which I've I'm years late getting onto that bandwagon. And we're not the king's hand either. We're not the, the Prime Minister's hand.

I think there's two elements to the council. There's one that is highly symbolic, that shows politicians of former types colors union leaders, sector leaders CEOs coming together to provide perspective and to row together on the good ship Canada.

But the second part of it is a substantive one, and that's why I agreed to sit on it. I did not think Prime Minister Trudeau's council was a serious one, in part because they weren't able to talk about what they did. They weren't able to seek guidance and report to the Canadians on what we were talking about.

And I had said to Jana Charette that was very important for me to be able to explain to Canadians... explain to my political party how this council was intended to be nonpartisan and as positive to the Canadian effort as possible. And I have found the substantive side of the council to be very helpful, where some of the business leaders on it that have operations in the US are able to funnel in what they're hearing through their various regulatory encounters with the government or what employees and other pressures are saying.

Having union leaders at the table to be able to bring the latest from the auto sector, for example to the table, I think is important. And I wanted to really make sure that security was part of the dialogue, which I think we missed that economic security part in the first negotiations with Trump.

Because while an auto parts industry integration of which is critical for our economy can be an auto parts supply chain, it can also be a defense supply chain if it's contributing to the building of ships and to armored vehicles. And so making stronger connections to the security message with the Americans was key.

So I found the council quite enlightening. I've learned a lot. I know that Minister Leblanc has, and our negotiator, Jana Charette, is there, as well as Mark Wiseman, Canada's ambassador to the United States. So I do think it's a all-hands-on-deck effort, and I appreciate the hard work being done by the Prime Minister's team on trying to get the best deal possible for Canada.

Rambod Behboodi:

Let me rope you in Stephen, at this point because I think there are two aspects to the, both the advisory council and also the point that Erin just mentioned being able to talk about it.

You've been in you've been in Geneva you've been engaged in and advised on negotiations with the United States. In ordinary times things leak out of negotiations or out of positioning that could possibly have an impact on the flow of negotiations, but we don't expect any cataclysmic results out of leaks or out of things said a bit out of school.

Whereas we know at least whether it was the real reason over a pretext, that a simple ad quoting President Reagan could actually put to an end ongoing negotiations.

So, taking note of Erin's valuable point of being able to report back and get input. Is there... do you see, is there a danger also that communication of what goes on in the negotiations could have a negative impact on the flow of negotiations?

Stephen de Boer:

That's always a real risk, but I think that the benefits far outweigh the risks. I think right now the Carney government has a lot of difficulty in these negotiations in large part because the Canadian public is in no mood to engage with the Americans, and the business community and the labor unions really need some, some surety, they need some consistency, so they need an agreement.

So I think messages coming out from this council that suggest these, these talks are difficult or this is where the talks are going are very important for the Canadian public to understand what is going on and just - and in a way I don't mean to sound too crass, but in a way soften up the Canadian public a little bit to understand that we need to make an agreement and concessions will need to be made.

It's interesting, for example, that you say, well, you know, a really good outcome would be a 232 tariffs somewhere in the single digits. A year ago, I think we would have thought that's an anathema, any tariffs at all at any rate. It should be zero. And in fact, Prime Minister Carney has said that at one point.

And so to me, I think it, it's very helpful. I think overall it's more helpful. I do take your point that certain messages could come out that could be harmful because we don't know how Trump is going to react to certain things. He's very mercurial. But yeah I think it's, I'm glad that you are relatively or you're unleashed to talk about the challenges that Canada is facing.

I think it's important for Canadians to hear that.

Erin O'Toole:

Thank you, Ambassador. I find it's, it's, as you said, there's always risks when you have a large group and you're talking about some sensitive matters that some of it will trickle out. But I think everyone is there for the best interests of the country, which is what I really like about it.

And when it comes to the tariff piece, I think it's helpful for the Prime Minister and even Minister LeBlanc to have perspectives from outside of their caucus. One, if I could say, vindicating thing for me in being part of this, is many of the things I was raising in the first Trump administration are being, were being ignored then by, in my view, Prime Minister Trudeau and Minister Freeland but are being taken up by the Carney government.

Defense spending in the Arctic, those were issues that were live in the first Trump administration that we did not address, we did not take seriously. And that process also allowed me to really understand President Trump.

I spent a lot of time, and I said this to Minister Freeland on one occasion, the most important part of this negotiation will be understanding the point of view and the mercurial, to use that term again, nature of the person we're negotiating with. President Trump, whether it was Japan 30 years ago or the Middle East, has talked about the use of tariffs.

He's had an outdated, almost mercantilist view of trade that he then imposes his own winner versus loser binary question on for 30 years, and there's going to be no changing it with him. And I do think you know, Robert Lighthizer who was USTR in the first administration, tried to focus it on the US-China geopolitical tension piece, and that's where the 232s were being used and could be justified under security grounds.

But the President himself, left to his own devices, really views tariffs in two ways. One, we're going to dominate you, and two, he views them as a revenue source. And so many people thought that his Liberation Day approach was a secret way of basically creating a tax by allowing tariffs to be almost like his version of the GST, where he's going to have a revenue source, but not realizing the ripple effect.

So I do think, to your point, that a lot of people thought, "Oh, we've got to just eliminate the tariffs. This is ridiculous." I've always said with Trump's own proclivity related to tariffs, I think a win is probably just getting them down to a token amount on just a few parts of the economy. Because he has a very longstanding view of tariffs that I think we're not going to change.

So we'll see if we can get it down to that amount. Certainly the auto industry in the US is one of the strongest groups lobbying the White House with respect to the negative impact of tariffs. It's just a matter of time. Will this ever sink in with the president?

Rambod Behboodi:

Let me perhaps challenge both of you on this a little bit.

And you mentioned that Erin, that... two things you mentioned. First, we need to understand the president, and there I totally agree. And you also mentioned that the president has viewed tariffs in two ways, one of dominance and the other one as a revenue source going back 30 years.

And there too, I agree with you entirely. And in fact before the elections two years ago, when I was talking about the oncoming potential cataclysm for Canada I was relying entirely on President Trump's stated objectives going back, as you said, 30 years, and then also his experience in the first term.

But here's where I think this is a point of challenge. I think, and this latest Truth Social on the smoke reiterated that his interview right after the finals with Prime Minister Carney standing right next to him, reiterated that. And what we've heard Peter Navarro, his chief trade and economic advisor, say, I think President Trump genuinely believes that foreign governments pay the tariffs. We know that's what Peter Navarro genuinely believes and Mr. Lutnick on more than one occasion has, has said that whether he quite believes that or not is besides the point. That's his, that's the public posture. But, I think President Trump genuinely believes that foreign governments pay the tariffs.

And so whether as a question of dominance or revenue the bigger issue is that the tariffs are coming out of the pockets of other countries.

How do you, how do you make a deal with that?

I mean, instead of single digit or double digit. I mean, that to me is it, to me, that's the intellectual blockage.

Erin O'Toole:

Yeah I agree with you. I do think there's that misunderstanding of who pays and not a recognition of the damage it's causing internally.

Going back to the 232s from the first Trump administration in tariffs can have both a financial impact but also a substitution effect, and I think that's what, how Lighthizer and Lighthizer's right hand was Jamieson Greer, who's now the USTR. That's the way they viewed it, was that they viewed Chinese trade policy and transshipment as hollowing out the US capabilities in shipbuilding and all these other areas, and the inability to have steel and special fabrication because everyone was just sending it, sending their work overseas to take advantage of the cheap Chinese.

So by putting a high cost, it was like a barrier to stimulate a substitution and to provide new options in North America. But I don't think Trump ever looked at it that way. That's how I found the USTR kind of justified the geopolitical competition. And in fairness, the Obama

administration started tariffing steel, chinese steel before Trump was elected.

But it's... I recommend to people to watch Trump's initial speech when he first ran for president. We all remember he, he descended the golden staircase, and, you know, people say, "Did The Simpsons predict this, all this?" Or... But within 45 seconds of speaking, so 45 seconds into Trump's political career, he starts talking about trade and tariffs and winning. We never win anymore. And I wrote about this in my Blue Skies podcast a year or so ago to really... and I even have a little GIF of the elevator in the Substack. You really have to view that speech. When everyone discounted him, he was actually kind of, you know, mocked when he first presented in 2015.

But if you actually see that message of losing and American will win again- actually played in the Rust Belt states to former Democrat, you know, people that were kind of the casualties of globalization, and that hadn't been properly addressed through public, other public policy decisions of governments going back 40 years.

So Trump captured a voter base that was increasingly disconnected from the traditional institutions and his message is one that he firmly believes. And so I'm not sure we're going to be able to change his views on the tariffs, but I think we could maybe have him reduce or eliminate for other reasons.

So if we can say we're partnering on shipbuilding or we're partnering on the, the equip- re-equipping of the US military, I think these are ways we can cut around his narrative on trade.

Stephen de Boer:

Yeah, I think that's the good news on Trump's tariffs. Regardless of how he interprets them and who's paying, he definitely sees them as a negotiating tool.

So I think the challenge for Canada is to try to create the conditions where it looks like, to, to your point, Erin, about win-loss. So it looks like a win for Trump and a loss for Canada, and he reduces the tariffs and that is his negotiating stance. So that, that doesn't suggest zero, but it does suggest perhaps a reduction.

That's what he's done with other countries. It's what he's done with the UK. It's what he's done with the EU. And so there is some hope with respect to that. The other thing I would say, which I continue to find surprising, but this whole notion of CUSMA-compliant goods is, quite frankly, rather surprising given the cavalier fashion in which Trump ignores all other trade commitments.

That one he continues to honor. So how we continue to define that going forward will be very useful, and I would imagine that the tariff discussion will be part of that, and whether we can expand the pie as to what qualifies as CUSMA compliant will be interesting to see.

Rambod Behboodi:

I mean, that change came between February 1st and March 1st- of 2025. And and in fact, it was whether there's a causal relationship, but I'm sure there was an internal discussion. But also there was a swift reaction by the government within two days after the initial announcement of tariffs on February 1st to impose retaliatory tariffs, which I don't think anyone in Washington expected, frankly.

Erin O'Toole:

Let me speak to retaliatory tariffs for a minute. And this is another area- ... this is another area where I feel Prime Minister Carney has vindicated my, my position from years earlier.

You know, there's the great Plato or Aristotle talks about law being reason devoid of passion. It... I used to say to the Trudeau government that as much as it will feel good to bring in retaliatory tariffs, they will have an outsized impact on us, and lose our ability to make case for integrated supply chains as we're negotiating a reduction of their tariffs. And what was really hard for me is when I was suggesting this, I was attacked relentlessly.

And because I served in the military, I, you know, I do consider myself a patriot. My... I still view myself as a veteran before anything else because I joined at 18, and I've done other things since then, but that's still how I see myself. So when I was being accused of capitulating to the Americans and all this stuff, it really upset me on a personal level.

But this is where sometimes you have to forget the emotion and forget the political posturing and say, "What's going to get us a resolution of this dispute? And until we get a resolution, how can we minimize the negative harm on our economy and on our workers?" And the retaliatory stuff was an example of not smart policy particularly when you see Trump.

So it got to the point that I wrote an op-ed and I quoted the Getting to Yes Harvard negotiation method book that, you know, all lawyers learn in law school, where the first rule of getting to yes is separate people from the problem And they forgot that when you've got Donald Trump and you've got our prime minister at the time who was the sort of leading progressive leader in the world, they were making it about themselves way too much when you needed to separate the people from the problem and say, "Short term, does the retaliatory make sense to us economically?"

The answer was no, and a lot of even union leaders and others would say, "This is probably not a prudent effort," but they wouldn't publicly criticize it because it looked like Canada standing up for Canada. And so this time, I think with the prime minister removed those and started to reestablish a much more serious approach on NAFTA, I think it... or on CUSMA and tariffs, I think it gave us a chance to have a better outcome than continuing to flaunt and to antagonize the president was never going to work.

Stephen de Boer:

But just on that, it is definitely consistent with this notion of elbows up. So I think there's... Within the Canadian polity, there was certainly an understanding or a desire for retaliatory tariffs.

It doesn't mean that it's a good idea, but there certainly was pressure, I would say, for that. I think the government as well thought that the threat of retaliatory tariffs had worked very well in the WTO labeling case, and so I think there was some thought that maybe this will work again. The other thing that I would say is what I find surprising, it's not a retaliatory tariff per se, but the delisting of US wine and spirits has really gotten under the skin of the Americans, and now that's becoming a part of the negotiating mandate or part of the ask from the US, which is a bit ridiculous.

It's actually we're playing the US game. The US puts all kinds of things on their side of the scale and then says, "Well, we'll remove this if you do X, Y, or Z," which is exactly what Ontario, Québec, and some other provinces have done. So it does work in some cases.

I would also say, I mean, I take your point completely on retaliatory tariffs as an economic tool being not particularly, particularly useful, but who knows how the Trump administration is going to react to things.

I... the Trump's administrator, Trump himself's reaction to the Doug Ford TV ads, whereas, like, I don't think anyone really anticipated the ferocity of that that reaction. I think the problem now, in my view anyway, with respect to retaliatory tariffs was the I think the government of Canada needs to be careful that it doesn't look like it's unilaterally disarming in order to move negotiations along.

And I think that it becomes less of an issue now that we're past the July 1st, quote unquote, deadline. Which does lead me to a question that I do have and that is where do you think these are going? Like, how long are you going to be on this advisory panel? Like, this... are we talking about... is there some sense that this is going to wrap up before the midterms?

Are we talking this is going to be a long-term appointment?

What are your thoughts on where this is going?

Erin O'Toole:

That's a great question. I don't think there's really been any discussion with the council or even when we were asked to participate on a timeline of it.

And going back to your questions about the unpredictability of the president, I think we will serve at the pleasure or the displeasure of Canadians having to deal with uncertainty with our traditional trade- trading partner and ally.

I do think the council... I really love the ability... you know, I left politics a little earlier than I probably first intended courtesy of the Reform Act vote and the convoy and a whole range of things. But it allows me to contribute in a way that I think is productive and positive.

And even post-Trump, I do think we're never going to put globalization back together in the, in the way it was. I do th- I do think there is a... we're in a world where there's going to be a lot more new multilateral partnerships. The middle powers philosophy the prime minister talked about in Davos, I think that will be more common.

I think there will be a need for a way that we can kickstart new relationships with the United States, regulatory harmonization in some areas, perhaps eliminating tariffs, partnerships on environmental issues. I've always said as Ontario builds out nuclear generation and Québec and Newfoundland and Labrador build out more hydro, can we decarbonize more of the American grid and make our electricity grid more resilient.

So I do think there's probably ways that the council can serve more than just finalizing a deal with the US president. And I do think with Prime Minister Carney, who has a private sector background he's not afraid to get perspectives from the private sector or public sector operatives. I think, I get a sense that the prime minister's team really values input as they make the final decisions. So who knows? I think a lot of us would love a deal quickly. I think there's one possible in the Fall, and if we get a deal and we sort of at least normalize as much as possible, perhaps the council will be stood down, but I don't really know.

Stephen de Boer:

I would just say as a trade policy wonk, having business voices is incredibly valuable and incredibly hard to find.

Normally, you hear from business when there's a problem or there's an irritant, but you don't necessarily get the thoughtful advice from business that you would like in terms of how do we move forward. So I think there's a lot of merit for the council, and I think there's a lot of merit to

keep the council going after CUSMA, because let's be serious, after this review I don't imagine that we're going to extend it for 16 years after... let's say we do have a deal in in the fall. I don't think we'll get to the 10 year- the 16-year extension. Which is a possibility, I suppose, but I think we're going to be into another review and another review. So I think you're in for a long-term position here, Erin quite frankly.

Rambod Behboodi:

Yeah I don't expect I don't expect an announcement in respect of the CUSMA before the midterms. There may be some sort of an announcement of a deal before the midterms if, in fact the administration considers it politically valuable, which I don't frankly think it will be. So...

Erin O'Toole:

Well, I think part of our need will be to make it politically valuable, and this is where, if you notice, I see the Prime Minister, even the new consul general appointments that they're putting in the United States, there's a focus on key business sectors really leveraging.

So we talked about beverage alcohol. You're right it's an irritant. You hear about it all the time. I think the governor of Kentucky calls Doug Ford and other people weekly because Canadians had a lot of they drank a lot of bourbon. But if you look at the F-35 and other deals, there's a whole range of governors and states and closer races that if you start nailing down how a comprehensive deal of lower 232s F-35, maybe some energy security agreement for refineries in Louisiana and Texas.

And as you said, if it's, if Trump can frame it as we have won and Canada has lost, and we quietly know that certainty means that we won anyway, and a lower tariff amount means we won anyway, and if we want to be portrayed as losing, fine if we can get a better deal than current. So I do think we have to cobble all of these sort of policy areas and key sectors together into a framework, which is why I was always pushing the security angle.

And, you know, look at critical minerals and uranium, for example. All of this is connected to an energy security, the energy transition, giving the US preference for new critical mineral developments. That was talked about in the Biden administration under the Inflation Reduction Act. You can tie that all up.

Will it be enough to satisfy the president? Unsure. I tell everyone when they ask me about the situation in the US, and I say there's really two negotiation tables. There's Janice Charette and Jamieson Greer, the formal tables for both the CUSMA review and wider trade issues, and then there's the executive table.

Everyone knows that any final agreement, even a temporary one on 232s, will have to go by the president. And one thing I think Prime Minister Carney has done effectively has established a respectful dialogue with the president that has its ebbs and flows. I'm sure Prime Minister Carney doesn't like waking up to the latest Truth Social posts, but he's established a professional dialogue.

And I think that means Canada will be ready to strike the executive deal if the moment appears. And the fleeting moment of getting Trump in a moment of reasonableness, "I'm willing to make a deal with Canada," might be fleeting, but I think we're at least ready. And then the other table our council and other voices in Canada contribute to Janice's mission.

So I do have to say, of course I'm biased. I'm part of the council, and I really want to see Canada succeed, but I do see a very smart strategy at play including with the new consul general positions. Like, they seem to be really making sure that when that moment comes for a deal, we

strike.

Rambod Behboodi:

Well, on that positive note I'm mindful of the time.

There's of course, a whole lot more we can talk about, and I'm hoping Erin, I'm going to I'm going to be calling on you for another session this time taking advantage of you and and Stephen's past life as ambassador to Poland to talk about security, the impact of security considerations on not just on Canada-US relations but on Canada's global trade and economic security and prosperity.

So, I thank you so much for today.

We'll be back to talk trade and security in due course.

Stephen de Boer:

Great. Thank you.

Erin O'Toole:

I look forward to the next discussion. Thank you.

Rambod Behboodi:

Thank you. Take care.

Episode 3 – Trade, security and Canada's sovereign capability

The escalating trade conflict between Canada and the U.S. is no longer just an economic issue, it is actively reshaping the North American security architecture.

Erin O'Toole, former Leader of Canada's Official Opposition, joins Rambod Behboodi and co-host Stephen de Boer to examine the strategic fallout of a fracturing Canada-U.S. alliance.

Key topics covered:

- The myth of "equal partnership" in North American defence and the future of NORAD;
- Why Canada's procurement decisions (like the F-35) are caught in the crossfire of U.S. industrial policy;
- The concept of "Fortress North America" and the failure of the proposed grand bargain;
- The urgent need for permanent diversification through CANZUK and European defence partnerships; and
- Why the Arctic is the critical testing ground for Canada's sovereign capability.

Transcript

Rambod Behboodi:

I'm Rambod Behboodi, and this is the *Tariff Home Companion*, a podcast, a Canadian podcast, a Canadian trade podcast aiming to shed light, not heat, on issues affecting Canada and Canadians. I'm here with Stephen de Boer of Wellington Advocacy, a former colleague at the Department of Foreign Affairs and a former ambassador to the World Trade Organization.

And we have as a special guest Erin O'Toole with us, a former leader of the loyal opposition and with someone with a distinguished career outside of government and politics. Erin, welcome or welcome back.

Erin O'Toole:

Thanks for having me.

Rambod Behboodi:

It's a pleasure, and it's a pleasure to be back. Now, since our last foray just about a month ago, we've had a lot of developments.

We had the announcement of a whole new raft of tariffs under a provision not yet tested that, that has been on the books since the Depression. We had intense negotiations and then a dramatic walk from the table instructed by the prime minister at the last minute. We had the announcement of new tariffs new retaliatory tariffs, and the announcement of counter-tariffs against the retaliatory tariffs.

And of course, we had the name change of Lake Ontario to Lake America. It's been a difficult month for Canadians for all of us. But that's only the tip of the iceberg when it comes to the challenges that Canada faces globally. Around the same time, we've had developments in Brussels at NATO headquarters, where the United States has announced that it wishes to see NATO change, and it's not entirely clear in what direction.

We've had in the United States just recently at the G20 Summit the presence of a Russian Finance Minister invited by the United States Secretary of Treasury in what must be, must feel somewhat strange to many of us who have been involved in developing and implementing and advising on global sanctions regimes in respect of [Russia] because of the war in Ukraine and elsewhere.

Our economic security is being challenged, and alongside that, our national security is being challenged. We've known this. For a year now, the prime minister has said that the object of whatever it is that the next world is going to be is to address globally and regionally, and of course nationally the inter- interrelationship, the intersection between trade, economics, and national security in the past few months, we've seen a great deal of buzz about it.

I was happy to attend CANSEC 2026 not long ago, and for a security trade show it was remarkably well-attended. The prime minister, I believe, attended as well. In the same period, we've had the announcement of a new defense bank in order to finance defense development. So, there's been a lot of movement across the board on trade, on economic security, national security, and of course, all the infrastructure spending that is required to make it all happen.

Here we'd like to make sense of it. I will be a dilettante, a fly on the wall with the two experts with us on the subject. So, I'm going to launch the discussion by maybe asking starting with Stephen, my co-host on this podcast to give us his views about at a high level, about the interconnection between the trade disruption that is taking place in North America and globally, and the security disruption that is taking place principally globally, but potentially also in North America.

Stephen de Boer:

Well, thank you, Rambod. I... to me, there, there's two issues here and the one that you didn't mention in the European context is the, the fears along the eastern flank with Russia absolutely sabre-rattling and the eastern flank becoming increasingly nervous about what that means for them, and then the response that you had alluded to from the United States giving very cold comfort.

I think in the North American context, not only is what's happening increasing economic insecurity, but it's really difficult to imagine what the future of North American security looks like. Presumably when we buy military equipment, we were continuing to look for interoperability with our NORAD partner.

And there is also a requirement, I think, just because of the fact that we share this North American space, that we cooperate together. But there was also, I would say, almost mythical notion that we were equal partners in North American defense. And what's clear in the conduct of the economic negotiations that we're having with the United States, that they don't buy into that equality notion.

And I'm not even sure the extent to which the United States fully appreciates the interoperability and how NORAD, and how Canada and the US operate together in the NORAD context. And then this also links to the procurement questions. So, we have the possibility of increasing our F-35 fleet, and where the United States I think, obviously would want us to do that, but why do they want us to do, do they want us to do that for commercial reasons or for defensive reasons?

And where is the Canadian public in all of this? And how will the Canadian public take to a decision, for example, to buy more F-35s?

So, I do see the economic insecurity or economic security and our defense security absolutely linked, and our relationship with the United States and how we view the United States as Canadians as being increasingly problematic as we think about our security in the North American context, but also our security in the NATO context.

So, I think this is a really interesting and conundrum that we are we're facing. There's no doubt in my mind that these things are linked.

Rambod Behboodi:

Erin, at CANSEC there were, there was a Gripen for view and there was also a Boeing show that as soon as the Gripen announcement was made, the show itself shut down and there was a sign on it that says, "We'll be back in 10 minutes," for about, you know, 48 hours.

Where are you on all of this?

Erin O'Toole:

Well, and I think you, you meant Lockheed Martin not Boeing maybe in terms of the competition. Look, you know, it was great to see Sweden join NATO. Saab is a great company. Gripen is a capable aircraft. The challenge Canada faces and the RCAF, our Air Force faces, which I still view myself as a veteran before I view myself as any other job or title I've had over the years.

The RCAF right now is stretched, much like operational trades in the Army and Navy. We're generally anywhere between fifteen percent to thirty percent under manning levels that we expect to have for the operators, pilots, navigators. And then if you're short operators, you're going to be short trainers.

You know, if you don't have enough people to deploy, you can't save a number of them to train new people. So, we're in a bit of a quandary that if we suddenly have a dual fleet of fighter aircraft where we have some F-35s and some Gripens, we will complicate the training, the servicing, the maintenance, the parts at a time where we can't really handle that degree of complexity because we're short people in critical areas.

So, there's a lot of things happening. You know, there's outsourcing of training now, Skyline, you know, a CAE-led initiative. We now leverage veterans and the private sector to do training, but we can't adapt as quickly as we might like. And Stephen's right, you know, it's-- we're in a, we're in a quandary.

Do US want us to buy F-35s just for the economic size of that contract, or do we really get viewed as a true partner? The junior partner, no question, in NORAD, but with rhetoric the Secretary of War tweeting at Canadian cadets, like, what type of alliance and partnership of respect do we have? I said a couple months ago that I've been an F-35 advocate since my days in the Harper government, and I'm on the record in support of that aircraft.

But when you're about to buy a car at a car dealership, and the salesperson starts insulting you and throwing coffee on your shirt, are you going to go through with the purchase even if you've loved that car for ten years? Probably not. So, I do think it's smart the government has held back, but we've already committed to 16 of these aircraft.

So even if we stop at 16 and buy Gripens, I don't think we can handle the complexity of it. So, there's a number of things we could do to build up resources in autonomous vehicles to complement a smaller number of fighters, but we're in a bit of a pickle, and I do think it's why we were willing in the trade talks with the Americans to bring in defense issues, right from the F-35 to ballistic missile defense or the Golden Dome now.

The prime minister wanted to drive a grand bargain in order to drive down sectoral tariffs lower. I was a big advocate of that. I've been a big advocate of that since 2018. But sadly, we couldn't come to terms and the talks fell apart. But I hope we can see the long-term interest of some sort of wider deal, but it has to treat Canada fairly.

Stephen de Boer:

Erin when we hear both the United States and Canada talking about Fortress North America, is that truly just in the economic sense, or do you think the Americans or the Canadians... when the Canadians said it, were they thinking the Carney vision, this grand bargain, or was it an economic only sort of, solution? And what were the Americans thinking?

Erin O'Toole:

That's a great question, Stephen. You know, the concept of Fortress North America really came up in the context of the first Trump administration and Robert Lighthizer, who was the first USTR, who clearly wanted to rebalance the geopolitical competition with China.

And what happened then, you know, if the US were concerned about Chinese using their communist state and the size of that and the Belt and Road Initiative and commercial and aid money to dominate steel manufacturing and aluminum and rare earths and critical minerals, the US finally realized that they were at a disadvantage, and they pushed back.

And unfortunately, at the time, Prime Minister Trudeau was running in the complete opposite direction, trying to line up a free trade agreement with China, and he was even talking an extradition agreement with China at one point. So we were completely at odds, and the idea of a

Fortress North America that some of the provinces and the conservative opposition and others came up with is, "Hey, these integrated supply chain jobs in auto and in, in defense are so critical that we have to align on tariff approach to China.

We cannot have our cake and eat it too and try and benefit from the US integration while also having a side free trade agreement with the Chinese." At that time, we were suggesting, "Why don't we also do the grand bargain?" So the conservatives you know, without getting too political, but, you know, I was pushing this and was kind of laughed at the time by Minister Freeland.

I said, "Let's make the grand bargain. Let's finally sign on to ballistic missile defense. Let's reemphasize our commitment to NORAD." At that time, the Polar Silk Road was being built with Chinese and Russian collaboration in a, in an opening Northwest Passage. The Americans were waffling on the Reagan-Mulroney Treaty on the Northwest Passage, where the Americans have never recognized it as a Canadian domestic waterway but had courtesy acknowledgments before they might transit it.

That went out the window under Secretary of State Pompeo. So, I had said, "Let's get a renewed economic security agreement," and we were just at loggerheads. Now we're in a position to actually do all this, but unfortunately the Trump administration has a cabinet that is much more about enabling the president's own particular views and grudges as opposed to looking at the wider thing.

So I have lots of respect for Representative Greer, but he was Lighthizer's Assistant Deputy...

Rambod Behboodi:

Chief of Staff.

Erin O'Toole:

Chief of Staff. Yeah. Yeah, and doesn't have the same view on Fortress North America that Lighthizer had. Lighthizer, on the 232 tariffs, the Americans had a point. The president does have the authority to bring in tariffs if they're worried about the hollowing out of the industrial military base.

So, they were worried about steel and aluminum and shipbuilding. You know, about three years ago, one Chinese shipyard, in I think 2020, built more ships than the Americans have built since World War II. One shipyard. So, talk about geopolitical imbalance. The Americans were trying to catch up, and rather than helping them a few years ago, we were at odds.

Now we want to align, and we-- two years ago, we did come into alignment on steel and aluminum tariffs with China. But unfortunately, this time the Trump administration is much more ideological, much more, you know, meme posting and insulting and renaming lakes. So, I think it's a little harder to get the grand bargain, but I'm still optimistic we might get there because of US economic challenges.

Rambod Behboodi:

So, my reference to Gripen was the wrong one. It was to Global Eye, and that's where Boeing was, but I mean, it's the same company. As I said, I'm a dilettante, not an expert. If, you know, if I recognize... I used to, during the Iran-Iraq War we all became we all had, like, little playing cards with warplanes on them, and we used to play with those. But anyway, those days are gone, and I pay less attention to the details.

But let's let me, because I'm not a, I'm not an expert in, in the details, let me pull back and maybe challenge you a bit on the alignment issue. The, the concept of Fortress North America was, of course, meant to be in specific sectors and not not a general sort of closing of the borders relative to the rest of the world.

So, it was basically there were specific Chinese issues that we have known about, we've talked about I've written about for basically decades. And there, there were, there was a case to be made that the sort of the Global West, such as it is has to come together in order to address the challenges that the Chinese model presents.

And we-- and it's not just Canada, we never could get all of us, never could get our act together. At the same time the, very unilateralism of a Section 232 and the invocation by the United States of a national security exemption in its WTO cases was one of the contributing factors to the breakdown of the WTO as an institution, the breakdown of the law, the rule of law in, in trade matters and which has had its own consequences.

And so, we did not align for whatever reason. But if we had at the time aligned and integrated even more instead of 75%, we would be at 80% dependence on the US market for exports potentially. Where would we be then? That is to say if you have a stable fairly reliable trading partner you can align yourself, you can align yourself on security issues and not worry yourself about not having the industrial base, as you said, to build tanks and to build this, that, and the other.

But if you end up with a partner that objectively is looking at de-industrializing you at that point would alignment make sense? Would greater alignment make sense?

Erin O'Toole:

Great question, and that really comes down to what the decisions, you know, what decisions we need to make as a country. I'm of the view that we have a hybrid approach, which is try and restore economic certainty in relation.

Try and get a deal with the Americans, a deal that's fair, which we fell short of as the negotiation and the direction of the talks with Jamieson Greer started clouding and changing a little bit, shifting sands as I call it, as, as it was getting papered and as other members of the cabinet became involved.

I still think we have to engage in some sort of deal but only a fair one. And in the meantime, we should never forget the need to diversify. What was interesting, my first job in the Harper government was Parliamentary Secretary for Trade at a time that we had the most ambitious trade diversification effort in our history, and Stephen would remember this very well.

And that was really due not because of geopolitical competition between the US and China at the time. It was due to the long hangover after the global recession that the United States economy had. So, when the US economy catches a cold, we get the flu because of that reliance. So, I was involved in the European Union trade negotiations.

We had TPP talks. We had bilateral agreements first one with South Korea, our first one in Asia during the Harper government. A ton of other little improvements to existing agreements. But that was never going to replace the US economy, and then when the US economy roared back at the end of the Obama term, we kind of forgot all the diversification.

We went back to our normal habit. It's like water. If you want water to take a new course, you better dam it and, or it will take the easiest path. And that's something we have to learn. So, this diversification effort should be a permanent part of our economic security policy so that even if

the US returns to a more normal relationship, we never stop trying to grow in the Indo-Pacific and, you know, countries like Indonesia and Vietnam, where we're slowly doing more and more.

But huge populations, better demographics. We could be doing more bilaterally with Mexico, even as there was tensions. We could be doing more in Latin America and Argentina. You know, there's Canadian investors, miners. How can we never stop this diversification effort even if we get back to sort of normal?

Stephen de Boer:

Well, I'm just... I understand that completely, and I really like this water analogy. I'm going to use that later. But I... where does that leave us today? Where does this leave us for the next two years?

You speak optimistically or you express the hope that perhaps we'll be able to reach some sort of accommodation or deal, and I...what if we don't? Or what if we reach a deal that the Canadian public will not accept? What does Canada do then? What is... in addition to continuing to try to diversify, what does that mean for our security posture? Where do we go?

Rambod Behboodi:

Let me add to that by, by talking also about procurement, and not just of highly technical stuff like, like the F-35 or the Gripen or the Global Eye for that matter but rather just basic munitions.

Tanks armored vehicles. We saw quite a few at CANSEC, Canadian-made. They looked impressive. My friends I was, like, taking pictures, and they were telling me what they were. So that was good. But do we need now to start Swedenizing ourselves in a way? That is to say accepting that we're in, in our corner of the world we actually do need to have the capacity to arm ourselves, and what does that entail?

Erin O'Toole:

Well, some great questions there. And, you know, I'm going to steal from the prime minister who sometimes sounds a bit like a management consultant when he talks about variable geometry being used. But that's exactly what we need to do. To, to build from what Stephen said, where do we go if the US doesn't return?

We go to where we started, the UK Australia New Zealand, NATO. When I ran for leader of the Conservatives the first time, I helped launch this concept called CANZUK, Canada, Australian, New Zealand, UK. And boy, it was the number one topic that a lot of younger Canadians and a lot of international Canadians, so keep people that had gone, you know, on their walkabouts around the world or knew the country and knew that Whistler wouldn't be able to operate without the Australians and the Kiwis coming and working there.

The example between Australia and New Zealand in terms of some labor mobility and some of the partnership, there's already little models. You know, the Five Eyes, four of us have the same parliamentary system, the same sovereign, the same rule of law. We don't... We're all impacted by the isolationist and disruptive US administration.

So, we actually can learn from our history where we were doing things with these partners long before the Americans. What I remind people, and I reminded US senators and Congress members when I went there, Canada was in both World Wars considerably months or years ahead of the United States.

In fact, this year we celebrate the 100th anniversary of the Cross of Canadian Sacrifice, which is a cross in Arlington, the hallowed ground where the US military cemetery where Mackenzie King unveiled a monument for the thousands of Americans who died with Canadian units in World War I. They came up and fought with Canadian units in the war.

So, we can find diplomatic aid and even military partners in some of those traditional alliances, and there's the EU. I do think this ridiculous notion some on social media have that Canada will somehow join the EU, I think that is quite silly, but the very fact that-

Rambod Behboodi:

Oh, France will veto that anyway.

Erin O'Toole:

Well, you could say we, we border two European states. True enough. Sure. Yeah. People forget about this. We have Haans Island, which we split in half with Denmark, and we have Saint-Pierre and Miquelon, which ... so we have France about 25 kilometers off the coast of Newfoundland. So technically you could have some weird path into the EU, but better than that is just the partnership.

So, I think it's good that Prime Minister Carney is addressing the EU. This- that'll probably happen before this comes out. But we also signed on to the SAFE Agreement, the Secure Action for Europe, where Canadian defence exporters, many of which my firm, ADIT, we work with can get money from the Canadian BDC or from Industry Canada, and have partner money from the EU to collaborate, and we've already seen Marconi, a Montreal-based business, take advantage of this, and we've seen a Canada-Croatia agreement.

So, there's been two success stories under the SAFE Agreement. They're small deals, you know, \$10 million range, but there's a lot of opportunity for this market. So, we're buying submarines from Germany as part of a group that includes Norway as well. We have longtime collaboration with UK and French suppliers like Thales and Airbus, and we have Canadian companies buying Italian Leonardo jets.

We do training there. There's a London, Ontario-based company called International Test Pilots that, that trains NATO pilots in Canada to become test pilots or fighter lead-in pilots. So, I do think we can have variable geometry both for the alliances and intelligence sharing and in terms of we could make the collaborative combat aircraft for our friends in Europe, and they could make...

Germans make great tanks. So, I think there's an ability to find new partners. We don't love the fact that we're forced into this world, but I don't think the US is going to suddenly tack back to the old ways of doing things. As we saw, Biden didn't change things very much. No. So we have to be committed to not just the long-term diversification, as I said, this ability to find new partnerships.

Final thing I'll say, because, you know, you know, there was elements of the prime minister's speech in Davos that were brilliant, other elements that were a bit, you know... I don't think the middle powers are ever going to have the same sort of rule of the seas and other things that the US once had. But if we're flexible and more self-reliant, I think we can survive and potentially thrive even if the US never comes back.

So while I'm optimistic and I want to have a bit of both worlds ... I think Canada is strong and resilient enough to go it alone as well if we need to.

Stephen de Boer:

Do you sense... you mentioned Australia and New Zealand. Do you sense an openness there from them? You also mentioned the UK.

Erin O'Toole:

100%. In fact, you know, one of the... on the list of 100 things I regret about not ... holding onto my lead between Friday and Monday when the election was in 2021, almost five years ago now is the fact that we had this alignment on CANZUK at the time. Because while it tends to be conservative, you know, parties, there was an alignment in Australia, New Zealand, and the UK to explore this type of collaboration.

And it was a centerpiece policy for me. And so, we lost that window. But if you look, Prime Minister Carney's first domestic trip as prime minister was not to vote rich Surrey or Markham in the GTA. It was to Iqaluit. A seat they didn't even win until they converted the, the MP to come over and cross the floor.

But he was up there to announce an Australian radar over-the-horizon system called the JORN radar system. I thought that was great because we hadn't seen activity of that level in the Arctic since Stephen Harper. And it sent a real signal that we were back to investing in the Arctic, and we went to an Australian partner for that.

So, I do think there's a ton of interest. These are some of our oldest allies that we fought and, in many cases, sacrificed with, and I think there's a willingness to do more. Obviously, Australia and New Zealand's on the other side of the planet, but there is the ability to increase trade, do diplomatic partnership, partner on some of the foreign aid areas that the US is pulling out of.

Maybe there's some unique collaboration that we can use to fill those gaps. Then you add Europe and more enhanced collaboration. We're never going to replace that 75%, as you said, Rambod, but we can start finding the variable geometry to make it work on both a trade and a security basis, and intelligence sharing because I worry the US could actually walk away from Five Eyes, and we are a net user of intelligence, as Stephen would know in a massive way.

We're a net user, but we might have to have more lines of communication to fill those gaps if the relationships keep trending that direction.

Rambod Behboodi:

So, all this talk of CANZUK, I have visions of a reborn D. Fake Baker potentially. But you mentioned Mackenzie King as well, and I'm reminded of the fact that on December 7th, 1941, Mackenzie King brought Canada into war against Japan three hours after Pearl Harbor, and that was before the US Congress declared war.

And significantly before the, the UK did, and he did that as a signal of Canadian independence. So...

Erin O'Toole:

Great memory, Rambod. And can I add one, because I talk about this on a family basis a lot. But we talk about defense of North America. The first time North America was actually defended from attack, Canadians deployed to the United States to help out, and my grandfather was amongst

them.

Rambod Behboodi:

Wow. Amazing ...

Erin O'Toole:

He was part of X Squadron, where we had RCAF deploy to Alaska in the Aleutian campaign. So, Japan actually occupied some of the Aleutian Islands, so that's North America.

Now, by the time we got our act together and got troops up there with the Navy, the Japanese quickly abandoned.

But they're... on islands called Kiska, we actually had the first special service force, the Devil's Brigade, where Canadians and Americans fought together, go to Alaska. But my grandfather had been there flying missions. He got the Air Force Cross for flying around 70 missions over the Arctic oceans looking for the Japanese naval fleets.

So, we are the smaller partner, but we have a history of stepping up and being there, and I think that needs to be remembered as we step up our military spending and become more reliable. We've actually got a much stronger history than Secretary Hegseth might understand from his Twitter stream.

Rambod Behboodi:

Speaking of Secretary Hegseth well, Canada's going to be joining Eurovision for the first time this year.

So, we will see this is not a momentous security event, but it is an important cultural event. This does not mean that Canada's going to join the EU. I'm on the record, this is a pipe dream or pipe nightmare as much as I love the ... I loved living there and and working with the EU.

But that's not going to, that's not going to be on the cards. But Eurovision is a, is at least a good step in the right direction. The UK, for its part has moved to the Pacific. It's now joined the CPTPP. So, there is there is sort of, you know, Canadian movement across the Atlantic UK movement across the vast Eurasian landmass and the Pacific.

It's going to be an interesting world. Final words of wisdom, Stephen?

Stephen de Boer:

Well, I ... first of all, that story about your grandfather is fantastic, and it's not one that I heard before, which just goes to show you that there's ... we don't know enough about our own history, nor the, do the Americans, and the Americans should be told that story.

But it seems to me, given what you were saying, it certainly struck me that NSAF, or North Strong and Free, is really is probably the right direction for Canada to be going, the value add in the NORAD space, but also in the NATO space and with some of these allies like Norway and Sweden and Finland.

Concentrating on the Arctic and keeping that secure, regardless of our relationship with the United States, will be incredibly important. Obviously, it would be better if it was fully in concert with the United States. But I'm assuming that you would agree that the Arctic is a really appropriate focus for Canada.

But if you don't, I'd like to hear that as well.

Erin O'Toole:

100%. And, you know, some of my friends joke that you're always praising Prime Minister Carney, Erin, where he's a conservative leader. I said, "Yes, but he's implementing my platform from '21." So, I've got to be pretty happy. And to be honest, I always viewed myself as the inheritor of Harper's commitment in the Arctic.

I went to the Arctic at, when I was in the Air Force with a Hercules crew and overflew a few times, landed in Iqaluit when, before Nunavut had actually been created. It was still part of the Northwest Territories at the time. And I started appreciating the enormous size of the Arctic and the long-term commitment you have to build you have to have for infrastructure.

So, Stephen Harper had three centerpiece projects in the Arctic: the High Arctic Research Station, CHARS, the road to Tuktoyaktuk, and the naval port at Nanisivik. None of them were completed while he was prime minister, nine years. And some of them, Nanisivik had to be abandoned recently because it was so challenging from an infrastructure need that the needs of the Navy actually evolved over the period of time that they could actually get the thing done.

The High Arctic Research Station I visited on a sovereignty trip on a study I led, and nobody had officially gone up there to open the place yet for the government because they're so remote. So if you don't build in a bit of bipartisanship to our Arctic sovereignty, you'll never get anything done.

And I'll tell you, because I've given a lot of shout-outs to my old prime minister, Stephen Harper. Bill Graham was a great minister-

Rambod Behboodi:

Absolutely, yeah ...

Erin O'Toole:

... of defense. He actually stepped foot on Hans Island and left some of the famous whiskey for the Danes and the Danes would leave the schnapps.

So, we had this friendly border dispute that was quickly resolved after the full invasion of Ukraine. So, I think the Arctic, Stephen, is totally the way to demonstrate that this ramp-up of defense and security spending is actually having a tangible benefit.

And I'll end with this. There are a lot of members of Congress and Senate that do appreciate the history.

I presented a reproduction of a Canadian War Museum painting called Briefing at Kiska. Not my grandfather in it, but his sort of crew, one of these iconic pieces of war art, and I gave it to Senator Dan Sullivan from Alaska a US Marine himself. He knew the history, and the Alaska

delegation, Senator Murkowski, knows the history as well. And what we need to do is leverage more and more of those allies.

We may not see immediate return on this, but over time, educate, engage the ones we have, and show that we can be a dependable ally, but also show that we're willing to do it ourselves if they don't want to work collaboratively. And I think Canadians now know that we need a lot more sovereign capability in this country for the next decade, perhaps two.

Rambod Behboodi:

Erin, thank you so much for your time with us. Stephen, thank you so much, and of course, my thanks to Jason Chute and the production team here at BLG. Thank you.

Stephen de Boer:

Great chat. Thank you, Erin.

Erin O'Toole:

Thank you, gentlemen.

About the hosts

Rambod Behboodi – Senior counsel, BLG

Rambod Behboodi is senior counsel at BLG with decades of experience in international trade law, WTO dispute settlement and trade policy. A former trade diplomat and adviser, he brings a rare combination of legal rigour and policy insight to every episode – including the occasional 25-year-old prediction that turns out to be relevant.

Stephen de Boer – Wellington Advocacy

Stephen de Boer is a member of the Strategic Advisory Board at Wellington Advocacy. He served as Canada's ambassador to the World Trade Organization and as foreign and defence policy adviser to the Prime Minister. Stephen brings first-hand experience at the highest levels of trade negotiation and international diplomacy – with a refreshingly direct take on what's working and what isn't.

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