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Commentary

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Common History, Shared Future

Towards a Stronger Canadian-Australian Strategic Partnership

Andrew Pickford and Jeffrey F. Collins

Canadian policy debates over energy and climate change are closely linked to developments in the United States. This is because its energy system is connected through trade, regulation, infrastructure, and markets, as recently evidenced by the tortuous approval process for the Keystone XL pipeline. As a result, energy and climate policy actions by Washington have become a reference point for Ottawa.

This close association between US and Canadian policy settings in energy and climate files was challenged during a mid 2014 visit to Canada by then Australian Prime Minister Tony Abbott, and a joint press conference with Canadian Prime Minister Stephen Harper. Much of their commentary related to domestic messaging by the two leaders. At a deeper level though, the visit revealed that the substance and nature of the Australian-Canadian relationship has changed significantly over the past decade. This period of closer engagement began when the previous Australian Prime Minister, John Howard, formed a close connection to the then-new Prime Minister Stephen Harper. Informal interactions between the conservative party secretariats in both countries helped build relationships between the key strategists who would play important roles in the Howard, Harper, and Abbott Governments. It would be in both countries' interests to continue and even deepen this relationship under Justin Trudeau and Malcolm Turnbull.

Like other bilateral engagements between similar countries, interaction occurs between government officials with very little fanfare, but also includes ministerial level engagement, especially through the expanding Australia-Canada Economic Leadership Forum. This biennial gathering has been growing in prestige and importance and has the potential to become a key, bi-partisan event. Uniformed and civilian practical collaboration with both militaries is extensive, if understated and little known. A section of the Canadian Department of National Defence website notes that: "up to 500 high-level and working-level visits take place each year, both in Canada and Australia, between the two countries, including a Ministerial-level visit in 2011" (Canada 2012). It also describes the close work in Afghanistan under the NATO mission between the two nations.

Economic connections between the countries are deepening, especially in the resource sector, where the TSX is a favoured place to list for Australian junior mining companies. Both countries are participants in the recently concluded negotiations of the Trans-Pacific Partnership. While at different ends of the Earth, technology has shrunk the practical distance. There is now a direct air link between Sydney and Vancouver with project teams in Melbourne–Toronto and Perth–Calgary frequently collaborating. With such similarities, including the export of large volumes of energy, should Canada and Australia form a closer strategic relationship?

A MORE SUITABLE PARTNER?

Geography has placed Canada next to one of the largest economic entities on Earth. Over the 20th century there were considerable benefits from economic interaction. This trend culminated in the NAFTA agreement, which provided significant gains for Canada. The US will remain a key market well into the future, yet the relative high growth of emerging markets will change the mix. Australia's trade is focused on East Asia with increasing interests in Latin America. Canada's hemispheric and deeper connections in Latin America are understood in Australia. Within Ottawa foreign policy circles, close attention is being paid to Australia's expanding list of free-trade agreements with Asian countries. Unlike Canadian interaction with the US, Australia-Canadian interactions are more like those of equals, with both seeking to reorientate their economies towards growth markets.

FLEXIBLE FEDERALISM

It should be remembered that Canada began as a confederation, which deliberately delegated significant power to the sub-national (provincial) level. This was not a single step, but the beginning of a process that continues to this day. Newfoundland and Labrador, for instance, only joined in 1949; and, following the creation of a new territory in 1999, Nunavut, the Yukon, and the Northwest Territories have had province-like powers for land and resource management devolved to them by Ottawa. Negotiations for additional devolutionary powers to Nunavut are still occurring. While Quebec's secessionist ambitions may form the bulk of constitutional and national outlooks, the idea of Canada as a fixed geographical concept is relatively recent.

Similar to Canada, Australia was formed as a federation of British colonies. Provision was made in the Australian constitution for New Zealand to be a state and Fiji was also expected to be part of a greater Australasian entity. As late as the 1912 Summer Olympics, Australia and New Zealand competed together under the Australasia banner. For security and development reasons, Papua New Guinea and East Timor were at times proposed to become Australian states during the second half of the 20th century. More recently, with some small, South Pacific nations struggling to remain viable entities, proposals have surfaced to link or incorporate them into Australian states.

Within Canada and Australia, discussions of expansion are not based on an acquisitive mindset, but rather around bringing smaller entities "into the fold" for strategic and economic purposes. This usually involves limited centralization of decision-making and the keeping of a local representative body. The tradition can be traced back to the Magna Carta, which itself drew on earlier practices of Germanic tribes that convened councils to make decisions. Quebec is not unique in its aim for more autonomy. Western Australia almost succeeded in the 1930s and remains cautious about centralised power in Canberra.

In a discussion of a new international landscape, perhaps it is time to consider a deeper strategic partnership between Canada and Australia that could offer both nations scale in an increasingly fragmented and contested world. Derek Burney and Fen Osler Hampson (2014) in *Brave New Canada* offer this very suggestion in terms of security and defence. However, a formal mechanism to work closer on international issues such as energy and climate policy, as well as aligning diplomatic and international development projects would magnify both nations' collective power. This has the potential to save significant resources from stretched aid and diplomatic budgets. There is already considerable familiarity from the "Five-Eyes" intelligence-sharing agreement in which Australia and Canada, along with New Zealand, link with the US and UK to provide greater access to information at much lower cost than creating their own, respective, global networks. Furthermore, facilitating closer economic interactions helps businesses achieve scale and access larger internal markets.

LIMITED HISTORICAL INTERACTION

For two countries with such similar histories and outlook, there has been very limited formal interaction between Canada and Australia. This is not an accident. Both were part of the British Empire, and were subsequently integrated into a US-led security framework after the Second World War based on Cold War realities. Accordingly, discussions took place with London and then Washington directly, rather than between one other.

The evolution in the Canada–US–Australia triangular relationship was evident from June 8–9, 2014, when Australian Prime Minister Tony Abbott visited – along with Foreign Minister Julie Bishop – Ottawa for talks with Canadian Prime Minister Stephen Harper. It was significant that Abbott met with Harper before the Australians' official visit to Washington, DC, to hold talks with US President Barack Obama. Both Abbott and Bishop were interested in re-orienting Canada toward the Pacific. There are also efforts to increase cooperation between the two countries on polar strategic issues, diplomatic coordination, and defence.

Unfortunately scholarship on Canada–Australia relations is quite limited. Two substantive studies focus on similarities as evidenced from their titles: *Strategic Cousins* (Blaxland 2006) and *Parties Long Estranged* (MacMillan and McKenzie 2002). The grounds of comparison are straightforward and predictable: the common British heritage, participation in UK- and later US-led military operations, similar cultures, federal parliamentary systems with a relatively large landmass and small population, and economic orientation towards commodity extraction and export (coupled with small local markets and protected economies for most of the 20th century). As a result, the political classes of both countries have comparable policy challenges and global outlooks.

ALIGNING ENERGY AND CLIMATE POLICY

In more immediate matters, as two large energy exporters, there have been informal efforts to align Canadian and Australian international positions ahead of the Paris climate conference to be held November 30–December 11, 2015. From an economic perspective, both are working to ensure that any international agreement in Paris helps promote a global approach, but does not adversely affect their energy-exporting economies. There is however an understanding that Canada will ultimately have to align with any eventual legislated US climate agreement, just as it has with fuel efficiency standards. Nevertheless, it has proven

difficult to get climate-related legislation through the US Congress and it is unclear if the next US president will continue or reverse some of the executive orders of the incumbent.

At the G-20 2014 Brisbane, Australia summit, diplomatic observers noted that US President Obama's informal comments about Keystone and a longer speech on climate change referencing the Great Barrier Reef were indirect snubs directed at Canada and Australia respectively. If this pattern continues at the Paris negotiations, Canadian–US and Australian–US relations may temporarily weaken. (Insiders have noted that interaction with the US, which usually covers a range of issues, is now heavily weighted on discussions about climate policies.) This may not be a one-off event. There are increasing instances in which US and Canadian–Australian interests diverge. For example: economic relations with Iran, the Chinese Asian Infrastructure Investment Bank, and development goals in Latin America and Africa. Within political and diplomatic circles, Australian and Canadian officials privately concede that increasingly strident directives from Washington do not always consider the national priorities or domestic political dynamics of Australia or Canada. Pushing back on US preferences is difficult individually, but doing so jointly provides strength as a sizable *bloc* that must be seriously engaged with.

SHARED DIPLOMACY

With a shared past and a general alignment on economic, trade, and security matters, Canada and Australia often have similar positions on international issues. Both countries are active members of the Commonwealth and are also members of the WTO, G20, OECD, and APEC.

Canada and Australia have fought together in a number of conflicts, collaborated on peacekeeping operations, and continue to cooperate on security matters. Public servants from both countries deal with comparable public and foreign policy challenges, and regularly interact through the Canada-Australian Public Policy Initiative. Aid agencies in both countries also cooperate through the framework of the Memorandum of Understanding, signed in 2011 between AusAid (now Department of Foreign Affairs and Trade) and the Canadian International Development Agency (now Department of Foreign Affairs, Trade and Development).

Through the 1986 Canada–Australia Consular Services Sharing agreement, the two countries provide consular assistance to each other's citizens. This agreement was renewed in 2001 to include 14 Canadian posts (predominantly in Africa) and 14 Australian delegations (predominantly in the Pacific), where consular services are shared. This is not a "merger" of consular services, but an informal joint-venture model that could be expanded to a much wider range of diplomatic and consular activities.

CANADA, NEW ZEALAND, AND AUSTRALIA

The CANZ grouping is the informal diplomatic partnership between Canada, Australia, and New Zealand within the UN. The three countries also aim to rotate positions on the Security Council, so that the CANZ grouping always has a consistent influence. For example, Canada opted not to compete for a Security Council seat in 2014 as it was New Zealand's turn in the three-state rotation. When a consensus exists between the three nations they regularly work together to convince the general assembly of the merits or shortcomings of a proposal, most prominently on humanitarian and security matters.

AUSTRALIAN-CANADIAN ENERGY REALITIES

Canada and Australia are two middle-sized, developed nations, but are unusual in that both are significant exporters of commodities, especially energy.

Australia's top three exports are iron ore, coal, and natural gas. Together, coal and natural gas make up AUD$56.3 billion in export receipts. Canada produces and exports significant amounts of oil as well as natural gas, with a large proportion of production occurring in Alberta's oil sands industry. Total export receipts for mining, oil, and gas extractions in 2014 were CAD$151.9 billion.

While both Canada and Australia export significant amounts of fossil fuels, at provincial and federal levels there have been an array of climate-related policies. This includes Ontario joining with Quebec to form a cap and trade system, British Columbia's carbon tax, Alberta's carbon levy, and the various feed in tariff schemes in a range of Australian states as well as an Australia-wide renewable target. Australia previously had a national-level carbon tax, but this has since been repealed.

In 2013, for Canada and Australia respectively, direct employment in the energy sector totaled 288,500 and 170,000 and the energy sector as a percentage of GDP totaled 9.9 percent and 6.7 percent. With the drop in energy prices beginning in 2014, the employment and relative size of the sector will decline in both countries. However, this is a cyclical phase which will not necessarily be permanent. Australia may be less affected in the energy sector, as much of its gas production is geared to long-term LNG contracts.

Over the coming decades, as countries in the Indo-Pacific region urbanize and industrialize, they will demand ever greater quantities of energy, primarily fossil fuels. China, and soon India, will be part of this transition. Australian and potentially Canadian energy sources will be key suppliers of energy as some of these fossil fuels displace less-healthy forms of fuel, such as burning cow dung. This lifts living standards. Accordingly, choices regarding energy mix and climate policy in developing countries are different to those in developed nations.

Looking ahead to the Paris climate talks, it appears that Canada and Australia have a similar challenge in reconciling energy and climate priorities. This probably will result in a common or close position, which may be amplified by formally partnering for the process. In the US, due predominantly to shale gas displacing coal, President Obama is able to pursue more ambitious carbon reduction targets. Due to a shift in its internal energy mix after the Fukushima nuclear disaster, Japan has lowered its targets, which may see it gravitate towards the Canadian and Australian camp. Australia is in the process of upgrading its security links with Japan, which may include a submarine purchase. Also, Japan is a key buyer of Australian LNG which could also prompt Australian–Japanese alignment in Paris. Since the decisive election win of the Conservative Party in May 2015, British Prime Minister David Cameron has pushed ahead with reforms to enable hydraulic fracturing. Under the previous coalition with the leftist-LDP, this was not possible and indicates that energy security is a higher priority for the UK. In the process of distancing the UK from the European Union, Prime Minister Cameron may have more flexibility in Paris than he did in the last government.

Before the Paris talks, there will be much manoeuvring and bold claims. Canada and Australia will be targeted by some as "laggards". However, despite the rhetoric, mainstream political parties in Canada and Australia understand that any agreement that does not take into account their large energy export sectors will have a material impact on their economy and employment. Opposition rhetoric quickly changes with governing reality. For this reason, it will be informative to monitor the actions of the new, leftist NDP provincial government in Alberta where the realities of balancing climate and energy policy are most stark.

With President Obama reaching the lame duck period of his term and an ascendant Conservative Party in the United Kingdom, Australia and Canada may find the international political landscape quite different by December 2015.

WHERE TO FROM HERE?

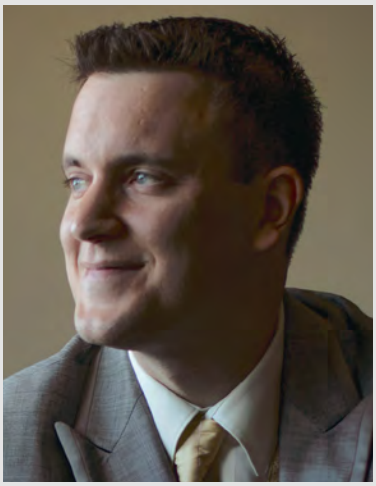
Canada and Australia are often referred to as middle powers. Combining their efforts would produce a much more significant presence in global meetings. Together they would be the fifth-largest economy, just behind Germany. The election of Justin Trudeau and his Liberal Party in Canada to a majority government on October 19, 2015, and the Australian leadership coup in September 14, 2015 which resulted in Malcom Turnbull becoming prime minister is seen as an end to the climate change policies by Abbott and Harper. However, even with a more environmentally focused agenda, Prime Ministers Trudeau and Turnbull will still need to navigate the reality of the economic base of their respective economies which includes large fossil fuels export sectors.

Within both Canada and Australia, a group of aging baby-boomer foreign-affairs officers clings to an ideal of the previous era, which was viewed as the golden age of multilateralism. This period, if it ever existed, is finished. What comes next is much more contested, economically competitive, and fragmented. During this period of intensified competition, developing countries will become dominant powers and economies. This will mean that successive Prime Ministers of Canada and Australia will face a world much different than today's. While business was once done in European capitals, most of the key meetings in the 21st century will be made in the Indo-Pacific region in languages, forums, and via mechanisms very different from those of the 20th century.

The fallout from the end of the Paris climate talks will doubtless be less dramatic than the theatre of the actual conference. Despite the expected ramping up of commentary and activism in the second half of 2015, the quiet work between Canada and Australia will continue. It may result in a closer partnership for the challenges of the 2020s and 2030s.

About the Authors

Andrew Pickford works between Perth, Australia and Mont-Tremblant, Canada in the areas of strategy, economic analysis and natural resources with a range of organisations, both private and public. He is currently an Economic Advisor with the Chamber of Commerce and Industry Western Australia, Adjunct Research Fellow, Energy and Minerals, Institute University of Western Australia, Research Fellow with PerthUSAsia Centre, a Strategic Advisor to Centric Digital, a Senior Fellow with the International Strategic Studies Association, and a Research Fellow with the Mannkal Economic Education Foundation.



Jeffrey F. Collins is a research associate with the Atlantic Institute for Market Studies. His research interests include defence policy and procurement, regional economic development, Atlantic Canadian energy policy and politics, and international security. Before joining AIMS, Jeff was a political staffer and researcher for several provincial and federal politicians including the Ministers of National Defence and Veterans Affairs, New Brunswick's Legislative Secretary for Military Affairs, and the Chair of the Senate Committee on National Security and Defence. He is a frequent commentator in the media. His first book, co-edited with Andrew Futter, is titled, *Reassessing the Revolution in Military Affairs: Transformation, Evolution and Lessons Learnt*, was published in October.

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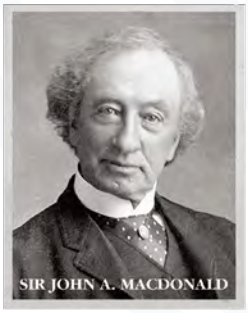
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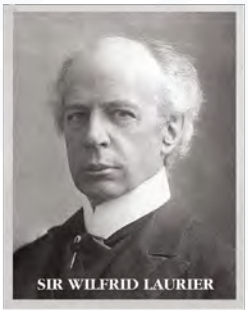
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CONTACT US: Macdonald-Laurier Institute
8 York Street, Suite 200
Ottawa, Ontario, Canada K1N 5S6

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