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This new series, written by Paul Frazer, the Canadian Chamber of Commerce's Special Advisor on Canada-U.S. Relations, will be providing briefs on an issues and events that have implications for Canadian businesses. Based in Washington, DC, Mr. Frazer has ten years of experience and is a well-known and influential player in Canada- U.S. issues.

The fall horizon: Rough weather: The previous newsletter noted the increasingly acrimonious political situation in the Congress and suggested this would worsen as the November mid-term elections drew closer. Nonetheless, I had expressed some cautious optimism that despite the antagonistic political mood and the loaded legislative agenda, the Congress might still come to grips effectively with something substantive on energy and climate. Congress will not pass the legislation before its summer recess, nor perhaps in the fall, anything close to even a minimalist energy bill that many stakeholders had preferred. Despite diminishing chances in the last few weeks for legislative action on energy/ climate, private sector coalitions continued to support efforts for a Senate bill. Although far from united on all aspects, these groups were keen to have some certainty to assist their decisions on investment and strategic planning on greenhouse gas emissions, the purchase of green technology and the advancement of research and development to reduce their carbon footprint. It is doubtful the Senate will have the political stomach (let alone the 60 votes) required to return to this battle in September. It is more likely that this issue will be addressed after the elections on November 2.

Political road: The House and the Senate will have major legislative issues beyond energy/ climate to deal with in September. The fiscal year ends on September 30th and the Congress has not yet passed the appropriations (budget) bills. This will require a continuing resolution to provide temporary funding for government operations. Political gamesmanship will increase in intensity in the fall. Any legislative move by the Democrats will be fought aggressively by the Republicans. All 435 members of the House and a third of the Senate are up for election, many in hard fought campaigns and this puts a strongly partisan political mind-set to every single legislative vote. In fact, everyone is exceedingly cranky and just needs a "time-out".

Congressional landscape: Many leading analysts are calling for a Republican majority in the House post-November 2 and a reduced majority in the Senate. Some suggest the Senate would go Republican as well--- for a variety of reasons this is less likely. Nonetheless, the President will continue in office for two more years. He, by necessity will have to engage Republicans in a very different manner in order to make any legislative progress.(Bill Clinton did this successfully when faced with a loss of his majority in 1994). We cannot overlook the fact that disunity on key issues within the Democratic Party has been a major stumbling block for the President. Democrats in the House and many in the Senate are not satisfied with the President's lack of presence/ leadership at critical moments in helping to pass legislation – more recently on the energy/ climate front. I would suggest that the President saw that the votes were not there and he was not going to waste his political capital without some reasonable chance of success.

What this means for Canada: On energy/climate, Ottawa will assess just where this set of circumstances leaves Canada. It doesn't have many options. The Congress returns in early September for a month before Members return to their districts to campaign. The November vote will have a direct impact on both the mood of legislators and on the decision of the leadership to have a "lame-duck" session or to remain in recess for the most part until the end of the year. It is possible that a lame-duck session will occur for a brief few weeks and strangely enough it is possible to pass bolder legislation when outgoing Members have nothing to lose. To do this will require real leadership from the top and that at the moment is a question mark. As mentioned previously it is critical for Ottawa to determine what it can do to protect Canada's economic interests without boxing itself in while waiting for the United States to act.

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