

Summer 2011

This series, written by Paul Frazer, the Canadian Chamber of Commerce's Washington, DC-based Special Advisor on Canada-U.S. Relations, provides briefs on issues and events that have implication for Canadian businesses. Mr. Frazer has over 15 years of experience in this area and is a well-known and influential player in Canada-U.S. issues

Mid-terms: Gridlock

The process is underway to reach a bipartisan consensus on what the new budget will look like (including significant spending cuts) and what the proposed ceiling for the new permissible deficit level will be. The working group of Democrats and Republicans is hopeful that it will be able to present something for Congressional consideration within the next few weeks. Divided government permits legislators to engage in serious and frequent games of chicken. This is likely to worsen as we move increasingly into the context of the presidential campaign.

Republican Damage Control

There are only five more weeks when the House and the Senate will be in concurrent session prior to the summer congressional recess. We are now seeing what appears to be a core group of Republican candidates for president. With this group in play, we can expect that every issue, of significance or not, will be commented upon and fought over—very much in the context of a partisan political campaign.

The general view is that the Republicans over-reached in their budget proposal which, among other things, would revamp the way Medicare would be financed. This has created high anxiety among senior citizens and has already affected the outcome of a special election where the Republican candidate in a “forever” Republican district in New York just squeaked to victory. This is causing a major re-think on the part of the Republicans in Congress. A major question remains: how much should the Republican Party move to the right in order to satisfy the never satiated Tea Party and freshmen conservative members?

The U.S. political process is always messy at best and in a presidential campaign cycle it is downright rowdy. This is more so now with the Tea Party members and their fellow travellers who appear to have a “take no prisoners” approach to legislation and policy. Many of the 87 freshmen Republicans won their House seats in November by a very slim margin. It is critical that the Republicans find the means to step back from their politically radical proposals on entitlements if they wish to hang on to these seats.

Although the November election outcome provided the new Republican Speaker of the House with enough seats to drive the legislative agenda, the Speaker in fact has been forced to spend much time herding cats while trying to limit the political damage that the right wing of his party has caused. He is also competing with other members of the House Republican leadership who are younger, very ambitious, impatient and willing to work more closely with the Tea Party

advocates. At the end of the day, this may create a very vulnerable political situation and provide the Democrats the opening they need for a winning political strategy.

We should not ignore the situation at the state level where there are now 29 Republican governors and where Republicans are in the majority in over half of the state legislatures. Their actions to slash budgets and reduce entitlements early in their respective mandates could well create a more negative reaction to Republican efforts even among Republicans and Independents and lead to more trouble nationally for the eventual Republican presidential candidate.

Presidential Campaign Underway

It is difficult to overcome a sitting president but not impossible. The volatile domestic economy, the uncertain international environment, and the high anxiety among Americans do not favour the president. Voters are far from decided on where they will place their support for either party. The president has an enormous amount of work to do to shore up his polling numbers. He also needs an inordinate amount of good luck.

I am reminded again of the need to work with members on both sides of the political aisle. For Canada and for Canadian companies this is extremely important as a practice. Although the Republicans hold a solid majority in the House and the Democrats have a majority in the Senate, this should be seen as what will appear as an outcome of the 2012 presidential election. Granted, anything is possible in politics but, in this town, to place one's fortunes with one group or another is very risky.

This heightened partisan environment is a sensitive period and one in which Canadian interests could well be affected. It will be important to keep in mind that the primary campaigns which move first are not reflective of the subsequent presidential campaign. Things are said during the primaries that often have no bearing whatsoever on the presidential campaign platforms of either candidate. Remember the NAFTA challenges made during their primary campaigns by both candidates Obama and Clinton?

The jockeying within the Republican Party will become more vigorous over the course of the next five months. The primaries begin in January 2012. The closer we get to that date, the smaller will be the legislative window. That works to the advantage of any stakeholder who does not want to see action in his/her area of interest. However, on the bilateral front, Canada will have to work to further the Harper-Obama undertaking on improved border security and the free flow of goods and people across that border. In the bigger picture, priority will be given to budget matters and, even on that score, there is precious little time to do all that is necessary on that front.

Canadians will understandably keep a close eye on campaign developments. A prudent and analytical approach would best serve Canadian interests.

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