

Canadian Prime Minister Trudeau's State Visit, March 2016

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Canadian Prime Minister Justin Trudeau is scheduled to make a state visit to the United States on March 10, 2016. It will be the first state visit by a Canadian leader since 1997, when then-President Clinton hosted then-Prime Minister Jean Chrétien. Occurring less than five months after Trudeau's Liberal Party regained power following 10 years of Conservative Party rule, the state visit may provide an opportunity to reset the U.S.-Canadian relationship, which has been [strained in recent years](#).

Canada's Domestic Scene

Trudeau was sworn in as prime minister on November 4, 2015, after his Liberal Party won [184 of 338 seats](#) in October 2015 parliamentary elections. Trudeau and the Liberals have moved forward on several [campaign pledges](#) since taking office, enacting a middle-class tax cut, withdrawing Canadian aircraft from combat missions in Iraq, and resettling [more than 25,000](#) Syrian refugees. They also established an independent board and a nonpartisan, merit-based process to advise Trudeau on candidates for Canada's appointed Senate. The Liberal Party's platform included additional pledges to reform the electoral system, legalize marijuana, enhance civil liberties protections in the country's antiterrorism legal framework, and work with Canada's provinces and territories to develop a plan to reduce carbon emissions.

Trudeau's agenda may be constrained, however, by Canada's lackluster economic conditions. Canada's economic recovery since the 2007-2008 financial crisis largely was predicated on a commodity boom fueled primarily by China's development. The [slowing Chinese economy](#) and the recent oil price collapse have taken a toll on the Canadian

economy.

Canada was in recession in the first two quarters of 2015 and finished the year with 1.2% GDP growth. During the boom, the high value of the Canadian dollar made Canada's manufacturing sector relatively uncompetitive, and the sector has struggled to recover despite the precipitous [fall in the Canadian](#) currency's value in the last few years. Trudeau campaigned on a pledge to run modest deficits in order to spend an extra C\$10 billion a year on infrastructure to jump-start the economy. He likely will follow through with the infrastructure pledge in his March budget, but a deeper deficit will be required because of Canada's economic downturn.

U.S.-Canadian Relations

The U.S.-Canadian relationship is "[one of the closest and most extensive in the world](#)," bound together by a 5,500 mile border, more than \$2 billion per day in bilateral trade in goods and services, and mutual security commitments under the North Atlantic Treaty Organization (NATO). (See CRS Report 96-397, [Canada-U.S. Relations](#).) During the state visit, President Obama and Prime Minister Trudeau are [expected to announce](#) a strategy to address climate change and a border pact designed to facilitate travel and trade while bolstering security. The border pact may build upon the [preclearance agreement](#) covering all modes of transportation that the United States and Canada signed last March. Defense, trade, and energy ties also are likely to be discussed.

Defense

In accordance with a campaign pledge, Trudeau ended Canada's combat mission in Iraq in February 2016, withdrawing six CF-18 fighter jets that had conducted [251 airstrikes](#) as part of the U.S.-led bombing campaign against the Islamic State. Despite the departure of personnel associated with the CF-18s, the total number of Canadian Armed Forces members deployed to the region will increase from [650 to 830](#). Canada will continue to provide a refueling aircraft and two surveillance aircraft to support coalition operations and will increase the number of Special Forces troops training and advising Iraqi security forces from 69 to more than 200. Additionally, Canada has pledged to provide [C\\$1.1 billion](#) in humanitarian and development assistance over three years to support those affected by the conflict.

During the campaign, Trudeau also vowed to scrap Canada's purchase of 65 F-35 Joint Strike Fighters, open a competitive procurement process for "[more affordable](#)" fighters, and invest the savings in the Royal Canadian Navy. Canada joined the F-35 consortium in 2002, pledging to invest [\\$150 million](#) in the development of the aircraft. Its withdrawal from the program reportedly would increase the price of each F-35 purchased by the U.S. military by [about \\$1 million](#). While Trudeau has reopened the bidding process to replace Canada's aging fleet of CF-18s, the [Pentagon reportedly expects](#) the F-35 to compete in the new process and the [Canadian government reportedly intends](#) to make the annual payment required to remain in the Joint Strike Fighter program this year.

Trade

In 2015, Canada lost its long-held position as the United States' largest trading partner to China; however, Canada still has a \$575 billion merchandise trading relationship with the United States. Canada is a party to the proposed [Trans-Pacific Partnership \(TPP\)](#) free trade agreement and signed the agreement with the United States and other parties on February 4, 2016. The Liberal government officially has yet to endorse the TPP—which was negotiated primarily by the prior Conservative government—and is engaged in "consultations with Canadians" over the pact. Under the accord, Canada would provide certain additional protections for intellectual property rights but would provide only incremental additions to its largely closed market for dairy, poultry, and eggs.

Other bilateral trade issues may arise, such as the perennial dispute over softwood lumber. The Softwood Lumber Agreement, which had regulated bilateral lumber trade since 2006, expired in October 2015. Unless a new agreement is approved, U.S. producers may begin filing antidumping and countervailing duty trade cases in October 2016.

Energy

The supply glut and price collapse in the world [oil market](#) has hit Canada especially hard. Oil, primarily from the bituminous oil sands of Alberta and Saskatchewan, is the largest Canadian export to the United States. Canada remains

the largest source of imported oil to the United States, but the value of oil imports plunged 43% in 2015 from 2014, although the quantity of oil imported increased by 8%.

The Obama Administration rejected the [Keystone XL](#) pipeline in November 2015. Since that decision, TransCanada, the pipeline company, has launched an [investor-state-dispute-settlement arbitration](#) under the North American Free Trade Agreement (NAFTA) seeking \$15 billion in compensation over the decision. It also has challenged the constitutionality of the decision in U.S. courts.