



Panel 8 – German-Canadian Cooperation in the 21st Century Economy

Introduction

The panel, chaired by The Honourable Dr. Kevin Lynch, was a departure from previous RODA panels in that it was devoted to bilateral issues and cooperation - as opposed to multilateral - and Atlantic Bruecke Canada which regularly conferences on the relationship played a large part in its organization.

But the global context was still very much top of mind for panelists. The Chair noted the unprecedented degree of uncertainty and volatility in the world today, and the inevitable, seismic changes that will occur. The challenges, risks, and opportunities arising from these dramatic changes – notably the digital revolution and de-carbonization, as well as in geo-politics, the global pandemic, populism and supply chain disruptions – were cited by multiple panelists as reasons to deepen cooperation between Canada and Germany, in business ventures and digital services; in targeted areas of science, technology, research; in culture; in technologies to advance de-carbonization and environmental remediation; and, in people-to-people links.

Previous RODA panels were animated by an affinity of policy purpose and "like-mindedness" of the two countries in their shared commitment to an effective rules-based multilateral system for addressing global issues such as climate change, global health, migration, human rights, and economic equity. Panelists saw a natural extension of this sense of affinity to the regard with which Canadians and Germans view each other as mutually valued and trusted **bilateral** economic partners. But this well-spring of goodwill and alignment has yielded disappointingly little in the way of a deepening of trade, commercial, innovation, and investment linkages.

At the Chair's urging, discussion in the panel explored concrete initiatives to convert this goodwill and alignment into productive, mutually beneficial realities. Panelists were urged to offer: a) clarity on defining an overall "game plan," which could cover the conceptual framework for partnership activity, especially in advanced digital technologies and transformative green industrial applications; b) a concrete, proactive political and institutional agenda to support closer collaboration; and c) ideas for a concurrent emphasis on communications, the "need to bring the whole society along with elites", and improved people-to-people connectivity.

Report: Scene-Setting

Opening the event, CIC President Ben Rowsell outlined the RODA project as an exploration of untapped potential for contributing together to solutions to international affairs that also engage citizens at a time of challenging structural and environmental changes.

Nik Nanos, Chair of Atlantic Bruecke Canada, and Dr. Norbert Eschborn, Director for Canada of the Konrad Adenauer Foundation, also welcomed the opportunity to apply the purposeful spirit of RODA to the untapped but rich bilateral potential before the panel.

The two Ambassadors then urged the panel to look ahead with optimism to opportunities for a much closer relationship, given the synergies that exist between the countries' interests and aptitudes.

Ambassador Dion said the "game plan" will emphasize the extent of transformation taking place in the digital economy and in the development of the clean energy sector, where a partnership between German and Canadian players has strategic interest for both sides.

He greatly welcomed the creation of a joint Germany-Canada committee of Deputy Ministers to oversee and stimulate partnership activity. The intense and extended experience of consultation over the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) has raised German consciousness about the merit of Canada's partnership potential. He and the Embassy have engaged the Green Party which will join the governing coalition, and which evinced a welcoming attitude toward cooperation, particularly on de-carbonizing technologies.

Ambassador Sparwasser agreed that the driving force in the relationship will be the transformational impact of new technologies. Recent years of accelerated change, and the pandemic, have exposed constrictions to supply chain reliability amid rising nationalism and protectionism, underlying the need for greater self-sufficiency that can equally be advanced by reliance on trusted partnerships such as Canada's with Germany and the EU. The two countries share outlooks, social values, compatible and often complementary structures, and extensive experience in scientific collaboration. Germany values access to Canadian strategic minerals, appreciates Canada's leading role in artificial intelligence innovation, and assesses that the green transition positions Canada to be a leading source of green hydrogen.

The Ambassador urged the two countries to build up together the regulatory framework (as foreseen by CETA) which would support Canada's advantages as an innovator in key technologies such as artificial intelligence.

Political goodwill is optimal but general and needs to be channeled into practical effect and institution-building for the future. The Ambassador sought ideas for this from the panel, given that the two papers had been mainly concerned with documenting the past.

Paper Presentations

Dr. Matthias Diermeier introduced the global tour d'horizon he had co-authored with Prof. Dr. Michael Huether. The patterns of the last decades document the extent to which world trade has slowed in relation to growth, having been from 1980-2000 a bigger driver than financialization. The vexed reputation of globalization that was hastened by public aversion to the 2008 financial crisis abraded the confidence of civil society, animating nationalism, and contributing to the de-coupling of supply chains.

Dr. Diermeier postulated that de-carbonization and developed country "carbon clubs" were risk factors that could further hinder trade that could harm poorer countries. They are additionally apt to be further disadvantaged by the emergence of productive technologies such as additive manufacturing that will re-shore work at their expense and reinforce the value of services over physical trade.

He urged Canada and Germany to take these hazards into account in designing the joint "Industry 4.0" roadmap for development of digitalized and data-driven manufacturing.

Dr. Jack Mintz provided an accounting of Canada-Germany and Canada-EU flows in trade in goods in recent decades which he depicted as being relatively "small" historically though they have increased by 27% since the signing of CETA.

Traditional respective continental pulls of physical proximity have favoured Canadian concentration on the US market (75% of goods) and German on the EU (66% of goods).

On the other hand, there is obvious room for growth, and the risks of over-dependence on adjacency argues for diversification of relationships. The Canada-Germany partnership could well be boosted by the shared interest in cooperating in new technology and carbon abatement technologies, Canada's favourable position in strategic minerals and digital industry, especially Artificial Intelligence (AI). Dr. Mintz urges that attention be paid to the maintenance of competitiveness, and to shrinking labour supply as the two societies age.

Guidance from the Chair

Dr. Lynch thanked the paper writers for the analytic caution they laid down for the panel. He urged the panel now to lift their sight to the opportunities and requirements of building for a future that will depart from past patterns.

The world has entered a period of uncertainty and massive change, presenting abundant opportunity for much, much greater German-Canadian cooperation. How to identify those opportunities and exploit them? How to set concrete milestones for success in deepening the relationship? How to engage business, academic researchers, governments, and the public in establishing such a purpose and plan?

- CETA. The blueprint for 21st Century economic cooperation between Canada and the EU represents a means to support this goal, but it is not an end in itself. Have we invested sufficiently in promoting CETA to our business communities and assisting them in the building of new markets and supply chains to realize its potential?
- Geographic proximity has long shaped trade in goods, but applies much less so to digital commerce and services, which are of increasing prominence as drivers of trade, growth, and prosperity. Does "place" matter as much in a digital world, or are new, technology-intensive partnerships no longer castled in very specific locales like Silicon Valley.
- Supply chains, which evolved to benefit "the US consumer and the Chinese worker", are being rethought because of a lack of resiliency to shocks such as COVID and geopolitics. "On-shoring" is one defensive response, but more likely is a "portfolio approach" that includes several global suppliers. Trusted supply partners and trusted countries that do not intervene in commercial arrangements will be worth a premium over higher costs.
- Diversification of long-standing economic relationships is a logical step for countries like Canada and Germany in the face of worrisome trends in the behaviors, at home and abroad, of both the US and China.
- Technological change is driving change, creating new products and services, and anchoring future success. Canadians are doing well at start-up innovation in areas ranging from AI, quantum, cloud services, etc, but less successful at scaling up these firms to critical size. The potential for synergy with Germany is high, given its vast experience in scaling up industrial transformations and dense manufacturing. In the rapidly growing, and transformational, digital info tech space, both Germany and Canada have great incentives to break out of the current domination of US and China firms.

- Getting to net zero will take many things, but new technologies, new science, new industrial processes, new energy sources such as hydrogen are key elements. Given the urgency and magnitude of the challenge, there is much potential for applied research and commercial partnerships to build on each other's diversity and strengths.

The Panel Debate

("Chatham House" rules that apply to this report protects the anonymity of interventions, so this summary of the debate is an aggregate narrative in which it is hoped each participant will recognize their contribution.)

Panelists were unanimously supportive of the Chair's invitation to look forward to chart Canada-Germany cooperation in terms as substantive and concrete as possible.

Three themes wove through the interventions: the need for a) "a game plan" to plot the course of building cooperation, within an agreed framework, with milestones to ascertain progress and supported by better bilateral data; b) a political/institutional/financial/business framework support agenda; and c) a communications agenda and practices to nourish interest and opportunity, including on a person-to-person level.

a) The Game Plan

Panelists rallied to the challenge to identify a course for action.

The assertion that technology leaders are winners in history needs the support of an operating framework for common standards and shared data to succeed.

The two governments need to take "a deep dive" on common standards to facilitate cooperation across the board (as anticipated by CETA) to promote recognition of respective professional credentials and techniques, as appropriate, including fiscal reporting requirements.

The past trade relationship in goods and commodities needs to transit to understanding the evidence-based potential for beneficial partnership in a digital economy of services. A more complete data set of the full scope of the relationship's economic content is vital;

It was pointed out that new technologies are decentralizing in all sectors, such as agri-food, health care, advanced manufacturing (such as fuel cells), and climate adaptation technology. Specialized application developers in such as nano-technologies and phototonics, are proliferating independently of geography.

This year is the 50th anniversary of the Canada-Germany Science Agreement that has enabled over 1000 projects. The relationship's vitality is reflected by Canada's preponderance for Max Planck Institute centres (3 in Canada; 1 in the US) and the location in Canada of 7 of 20 of DFG's (German Research Foundation) global partnerships in science with foreign universities.

Canadian funding for science and research lags behind Germany's as a % of GDP (1.5% to 3.2%) and while science collaboration in university venues is flourishing, there are more worthy Canadian policy proposals than scant funding can accommodate.

b) Political/Institutional Support

The general perception is that Canadian and German governments acknowledge the "like-mindedness" - as evidenced by then-Foreign Minister Freeland's close collaboration with German political-level colleagues over CETA and the Alliance for Multilateralism. The potential for beneficial enhanced economic cooperation is recognized.

However, follow-up and concrete support languishes because of a paucity of institutional support combined with business and public interest. The federal government in Canada should establish a "hub" for facilitating the trade and other advantages prescribed by CETA, as had been done very successively for NAFTA (Germany might do likewise). Further, there is no supportive federally-funded foundation for non-military trans-Atlantic cooperation as exists with the Asia Pacific Foundation of Canada.

There has been recent closer collaboration on substantive topics. Ministers of the Environment of the two countries joined efforts to lobby internationally prior to COP 26 for developed countries to meet their 2009 pledges on funding for vulnerable and poorer countries for adaptation costs from climate change. There should be close Government-to-Government collaboration on carbon pricing. Together, the two governments could deploy more joint leverage internationally (which is the objective of RODA) on multiple topics of concern.

Parliamentary cooperation is lame because Canadian parliamentarians have been too often unprepared for their occasional encounters. German parliamentarians are generally more internationally interested and literate about the relationship, but the opportunity is seldom developed to build stronger parliamentary ties.

Germany's position as a world leader (along with the EU) on standards and regulatory principles offers abundant relevant collaborative potential.

All of these attributes afford ample opportunity to explore further cooperation on specific projects of mutually benefiting science and technology.

Generally, panelists hoped in principle that CETA would be ratified soon by Germany and all EU states but that it did not impede practical purposes as the treaty's provisions are 95% valid in effect (except for a specific judicial review procedure).

As to whether an eventual US/EU version of CETA (a "TTIP") emerges, judged unlikely with a US Congress adverse to trade agreements, it was disputed this would diminish German interest in Canada. CETA was premised on the expectation that it was setting terms that a TTIP would need to align with rather than the usual order of rule-taking and rule-making that puts Canada in a second position.

C) Communications

There were a variety of similar observations that despite abundant evidence of deep mutual relevance, there is less than adequate attention to **communicating** a sense of this mutual relevance publicly.

Recent decades have grown populist resistance to globalism. It is vital for our two globalist countries that a public aversion to climate change mitigation and adaptation expense does not emerge making climate change "an enemy of the people" as happened with globalization, and in the US, even globalism.

The benefits of Canada-Germany enhanced high-end economic cooperation and of joint support of effective and equitable multilateral action to address essential, even existential, international needs have to be presented as benefits in "real-life" terms to citizens.

More citizen exchange and participation programs are needed - for youth, for specific vocations (e.g., journalism where the economics of foreign coverage have diminished reporting on Germany in Canada and vice-versa), for business and tech incubators, bearing in mind that personal connections generate business

partnership opportunities.

In closing remarks, Ambassador Dion urged greater validation of cultural diplomacy. (The presentation of creative cultural content has a cross-over promotional role for a country's image as innovative). He also urged each country to keep awareness of the other's specificities when planning sanctions or compensating regulations meant to counter the offending behaviour of third countries.

Ambassador Sparwasser expressed satisfaction that the discussion had gone beyond trade in goods into our full relationship, allowing the celebration of our rich bilateral collaboration in science.

There are imperatives and opportunities involved that engage the two countries internationalist instincts and vocations. The more productive and outward-looking relationship the panel envisages for Canada and Germany could be a positive signal to others also determined to resist pressures on inclusive democracy and from nationalistic protectionism. In an age of growing uncertainties and volatility, a self-confident partnership between Canada and Germany, two generally admired countries, could be an international nudge in the right direction for others.

Ben Rowsell pointed out, in closing, that this leadership role is the reason the RODA project was created, to engage the advice and support of civil society and experts - that the panel so usefully provided.