

**U.S. Congressional Election and Canada:
CanAm Relations Best Ever,
Border Movement the Big Issue,
Democratic Victory Might Help Canada**

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS for publication in
the *Financial Post* October 30, 2006**



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1.0. Introduction

Canada's relations with the United States are the best in a longtime thanks to Harper's election, according to the COMPAS panel of CEOs and business leaders. Yet, paradoxically many of these panelists also believe that Canada might benefit if the Democratic party made gains in the upcoming mid-term Congressional elections.

The key bilateral issue, say the panelists, is the trans-border shipment of goods. This remains a major problem. No single issue, indeed no cluster of issues, matches cross-border movement as a concern.

Looking to other bilateral economic issues, some panelists are beginning to see the possibility of a U.S. quest for greater ownership and control of Canadian petroleum resources.

These are the principal findings from the weekly business web-survey conducted by COMPAS for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0. Big Improvement in Canada-U.S. Relations under Harper

Thanks to the election of Stephen Harper, Canada-U.S. relations have experienced a major improvement according to panelists. For the first time, those who believe that relations are better than average outnumber those who perceive relations as worse than in the past, as shown in table 2. The total proportion perceiving relations as better than average or among the best is now 65%, about eight times higher than the 8% who felt this was during the end of Paul Martin's rule.



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The absence of gratuitous anti-American outbursts appears to be major factor in why relations have improved under Harper. While the Liberals are not in power and not in a position to capture as much media attention with expressions of anti-American animus, some panelists are concerned that an anti-American animus persists among the public at large. As one CEO put it, "The U.S. has been the biggest benefactor in world history. They are Canada's biggest customer. They bailed us out in two world wars. Why can Canadians not understand they deserve some respect?"

Table 2: (Q1) Canada – U.S. Relations – Better or Worse than Historically¹

	October 2006	March 2006	December 2005	August 2005	March 2005
	%	%	%	%	%
The very worst we've had	1	1	4	1	6
Among the worst	3	16	30	24	31
Worse than average	29	50	56	58	54
Better than average	61	29	7	14	6
Among the best	4	2	1	2	1
The very best we've had	1	0	0	0	0
[UNPROMPTED] Don't know or no opinion	2	2	2	2	2
%better - % worse	33	-36	-82	-67	-84

¹ (Q1)Thinking back over more than a century of Canada-U.S. relations, would you say that Can-Am relations in October 2006 are... [ROTATE POLES]



3.0. Slight Inclination to Favour Democratic Victory; Border Controls the Main Bilateral Issue; Some Concern about Future U.S. Oil Grab

Panelists appear to welcome by a slight margin a Democratic victory in mid-term elections from the perspective of what is best for Canada and Canada-U.S. relations. Those who see GOP victories as most helpful to Canada number 24% while those who see as most helpful the Democratic capture of at least one of the Houses of Congress number 44%, as shown in table 3A. The remaining panelists either do not believe that control of Congress matters for Canada or are uncertain.

Table 3A: (Q2) Which of the following hypothetical Congressional election outcomes would be best for Canada and Canada-U.S. relations? [NO ROTATION]

	%
Increased Republican control over both Houses	8
Unchanged Republican control over both Houses	14
Continued Republican control of the U.S. Senate and Democratic party victory in the House of Representatives	16
Loss of both Houses by the Republicans to the Democrats	28
The outcome would not matter	24
Don't know or no opinion	10

Historically, the GOP has in fact more pro-free trade, a position that favoured Canada in its relations with the United States. The large plurality of panelists who perceive the Democrats as better for Canada may feel this way because they perceive a new Democratic regime, at least in Congress, as potentially more open to Canadian entreaties by virtue of its newness. Panelists do not volunteer an explanation of their views about how Canada would be impacted by alternative Congressional outcomes but they do insist that border



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irritations are the main Canada-U.S. problem, followed by a mix of trade issues, as shown in tables 3B and 3C.

CEOs have been expressed concern about the border for many months. As one CEO put it rhetorically this week, "Crossed a border into the U.S. lately? Their personnel are on a mission."

Table 3B: (Q3) What do you see as the most important Canada-U.S. issue that needs to be resolved?

	%
Border crossing issues/security	62
Improved trade relations/FTA/BSE/Softwood	20
Improve our relationship with U.S./U.S. protectionism	8
Arctic sovereignty	4
Missile defence	3
Other	5

Table 3C: (Q4) Please score each of the following areas of priority for Canada on a 7 point scale where 7 means the goal should be a high priority for improvements and 1, a low priority. [ROTATE]

	Mean	7	6	5	4	3	2	1	DNK
Better cross-border movement of Canadian exports									
October 2006	6.3	55	27	13	3	0	1	1	1
March 2006	6.3	51	29	17	3	0	0	0	0
Better cross-border air service arrangements									
October 2006	5.4	24	26	24	18	4	0	3	2
Better U.S. position on beef									
October 2006	5.4	22	24	31	14	3	1	1	4
March 2006	5.9	34	31	23	8	3	0	0	1
Better treatment of Canadian companies in U.S. courts									
October 2006	4.9	13	20	21	28	6	4	2	7



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	Mean	7	6	5	4	3	2	1	DNK
March 2006	5.0	21	18	26	19	8	5	3	1
Better access to U.S. government competitions									
October 2006	4.8	9	18	31	25	8	5	1	4
March 2006	5.0	18	16	34	18	11	1	3	0
More favourable U.S. tax treatment of film production and other U.S. economic activities taking place in Canada									
October 2006	4.4	8	14	23	29	9	10	4	4

Table 3D: (Q5) Given world demand for petroleum and the international security situation, do you foresee growing U.S. interest in directing Canadian oil policy? If so, what form might U.S. intervention take?

Do you foresee growing U.S. interest in directing Canadian oil policy?	%
Yes	81
No	19
DNK excluded from calculation	51
Possible U.S. interventions...	N=65
Increased ownership or control of Canadian oil or natural resource companies	38
Trade pressures in favour of U.S.	22
More direct investment in Canadian oil companies	15
Preferential/regulated pricing	6
Other	19

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted October 25 - 27, 2006. Respondents



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constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 127 are deemed accurate to within approximate 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

