

# WebMemo



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## Obama's Visit to Canada: Forging Stronger Alliances and Economic Cooperation

*James M. Roberts and Ray Walser, Ph.D.*

When Barack Obama takes the traditional first foreign trip as the new U.S. President to Ottawa on February 19, our northern neighbors will be watching closely—and somewhat nervously.

Canada is one of America's closest friends, as “reflected in the staggering volume of bilateral trade—the equivalent of \$1.5 billion a day in goods—as well as in people-to-people contact. About 300,000 people cross the shared border every day.”<sup>1</sup> We are connected by everything from shared democratic values to the everyday matters like integrated auto manufacturing and professional sports teams. Will the new U.S. leader seek to impose an anti-trade, environmentally extreme agenda in line with his campaign promises? Or will he embrace Canada as a partner in a renewed effort to continue the historic policies of economic and entrepreneurial freedom that has produced record prosperity for both countries?

**Buy Canadian—Not Just American.** One of President Obama's campaign promises was to “upgrade” and “retool”<sup>2</sup> the North American Free Trade Agreement (NAFTA). If the “Buy American” provisions in the recently signed \$787 billion “stimulus” package are an example of the sort of NAFTA changes coming under the Obama Administration, they are sending decidedly chilly headwinds ahead of Air Force One. Canadians are justifiably skeptical of the stimulus bill promises that the provisions will be WTO-compliant, as evident in a *Globe and Mail* column (“While the bill was amended to comply with international law, we believe these reassurances are largely false”<sup>3</sup>).

The U.S. and Canada have the highest scores of any Western Hemisphere country in the 2009 *Index of Economic Freedom*, published by The Heritage Foundation and *The Wall Street Journal*, and are ranked among the top 10 countries in the world. Both have benefited by allowing “labor, capital, and goods to move freely, and refrain[ing] from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.”<sup>4</sup>

**Let the Private Sector Restructure the U.S. and Canadian Auto Industries.** The auto sector is extremely important to the health of the Canadian economy. It employs hundreds of thousands of workers and “accounts for a higher percentage of Canada's manufacturing output than that of the United States.”<sup>5</sup> Heritage Foundation analysts have reported extensively on the folly of U.S. government efforts to “rescue” the American auto industry from decades of mismanagement and overly generous labor agreements.<sup>6</sup>

Unfortunately, Canadian Prime Minister Stephen Harper has made the same mistake as his U.S. counterparts in backing Canadian government bailouts of the Canadian subsidiaries of the Big Three.<sup>7</sup>

This paper, in its entirety, can be found at:  
[www.heritage.org/Research/WorldwideFreedom/wm2299.cfm](http://www.heritage.org/Research/WorldwideFreedom/wm2299.cfm)

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214 Massachusetts Avenue, NE  
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**Don't Bury America's Energy Future in Alberta's Tar Sands—Use Them.** President Obama was elected by appealing to global warming alarmists, among other groups on the left. Will he cave in to their demands to leave untouched the vast oil sand deposits in Alberta that could provide millions of barrels of oil to fuel economic growth in both countries for decades to come? Development of Alberta's energy sector would be led by U.S. companies, too, thereby boosting growth on both sides of the border.

According to *Time*, “Canada may become the new Saudi Arabia,”<sup>8</sup> but not if the U.S., which represents the major market for Canadian oil, tries to block development of the tar sands on environmental and climate change grounds. Extreme environmental blinders will leave Americans feeling more complacent about buying “cleaner” Venezuelan oil from anti-American Hugo Chávez, who periodically threatens to cut off oil sales to the U.S., than in partnering with Canada's free market development of its “dirty” oil sands.

**Recognize Need for Continuing Canadian Role in Afghanistan.** The meeting with Prime Minister Harper comes shortly after the announcement that the Obama Administration plans to deploy an additional 17,000 troops to augment the 65,000 allied troops currently stationed in Afghanistan in response to a “deteriorating situation.”

Since 2006, Canada has made a substantial commitment to NATO's International Security Assistance Force, especially in hard fighting in southern Afghanistan. As of February 2009, it had lost 108 Canadian military personnel and three diplomats and aid workers. Between 2001 and 2007, Canada allocated \$741 million for Afghan reconstruction and development.

Canada is scheduled to withdraw its combat units in the summer of 2011. President Obama should thank Canada for its major contribution and lay the groundwork for a continued Canadian presence in Afghanistan after 2011. Canada, moreover, can work with the U.S. to enlist support from other NATO members who have been far more reticent in committing boots on the ground and resources to the critical front in Afghanistan.

**Keep in Step with Canada on the Arctic.** The geopolitical and geo-economic importance of the Arctic region is rising rapidly, and its mineral and hydrocarbon wealth will likely transform the region into a booming economic frontier in the 21st century. Russia has recognized the importance of the Arctic and has designs on a large part of it—an area the size of Germany, France, and Italy combined. With the shrinking of the polar ice cap, extended navigation through the Northwest Passage along the northern coast of North America may soon become possible with the help of icebreakers.

1. U.S. Department of State, Bureau of Public Affairs, “Canada,” November 2008, at <http://www.state.gov/r/pa/ei/bgn/2089.htm> (February 17, 2009).
2. Jeffrey J. Schott, “The North American Free Trade Agreement: Time for a Change?,” address at 7th Annual North American Regional Meeting of the Trilateral Commission, November 22–23, 2008, at [http://change.gov/open\\_government/entry/ustr\\_nafta\\_paper](http://change.gov/open_government/entry/ustr_nafta_paper) (January 23, 2009).
3. Op-ed, John Ibbitson, “How Harper Should Handle Obama,” *Globe and Mail*, February 16, 2009, at <http://www.theglobeandmail.com/servlet/story/RTGAM.20090216.wibbitson17/BNStory/International/home> (February 17, 2009).
4. Terry Miller and Kim R. Holmes, 2009 *Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2009) at <http://www.heritage.org/index>.
5. Ian Austen, “Canada Agrees to Supplement Aid to Auto Industry,” *The New York Times*, December 12, 2008, at <http://www.nytimes.com/2008/12/13/business/worldbusiness/13canada.html> (February 17, 2009).
6. James L. Gattuso, “Auto Bailout Bill: Nationalizing Detroit?” Heritage Foundation *WebMemo* No. 2164, December 9, 2008, at <http://www.heritage.org/Research/Economy/wm2164.cfm>.
7. Frank McGurty, “Canada Unveils Plan to Help Auto Industry,” Reuters, December 20, 2008, at <http://www.reuters.com/article/businessNews/idUSTRE4BI3UY20081221?feedType=RSS&feedName=businessNews> (February 17, 2009).
8. *Time*, “Well-Oiled Machine,” May 22, 2008, at <http://www.time.com/time/magazine/article/0,9171,1808610,00.html> (February 17, 2009).

Use of the Northwest Passage is a contentious issue between the U.S. and Canada. Resolving this dispute amicably is essential for both countries. The United States has a strong interest in cooperating with its Arctic neighbors, especially Canada, in developing offshore oil and gas fields and policing the region. Opening the Arctic is a major opportunity for U.S. and Canadian companies to enhance the energy security of North America.

**Continue the Strong Alliance for Freedom.**

The U.S. and Canadian economies, national security concerns, and cultures are deeply interwoven; both face daunting problems. Increasing efficiency in trade between the two countries will benefit both sides.

- Obama should pledge to seek immediate removal of protectionist “Buy American” provisions in the stimulus law and commit to further measures to deepen and strengthen NAFTA.
- Obama and Harper should commit both countries to seeking private sector restructuring of the U.S. and Canadian auto industries.
- Obama and Harper should commit to sensible, private-sector-led development of the vast oil sand deposits in Alberta.
- Obama should use the opportunity to cement a viable and sustainable security partnership with the Canadian government in Afghanistan, in the Arctic, and elsewhere.

—James M. Roberts is Research Fellow for Economic Freedom and Growth in the Center for International Trade and Economics (CITE) at The Heritage Foundation, and Ray Walser, Ph.D., is a Senior Policy Analyst for Latin America in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation.