

Obama to Talk Trade, Energy in Canada on First Foreign Foray

By Edwin Chen and Theophilos Argitis

Feb. 19 (Bloomberg) -- President **Barack Obama**, traveling to Canada today on his first foreign trip since taking office, will focus on many of the same economic issues that are dominating domestic debate in Washington.



Obama's meeting in Ottawa with Prime Minister **Stephen Harper** will likely include talks about trade, energy, finance and the environment as both countries battle the global economic crisis.

"Jobs, jobs, jobs will be very much the mantra," said **Paul Frazer**, a former Canadian diplomat in Washington. "Their focus is on truly getting down to business because both leaders face some pretty harrowing challenges right now."

Lawrence Summers, the top White House economic adviser, is to accompany Obama, along with energy and climate coordinator **Carol Browner**. Their presence signals that "the global economic issue is going to probably be the No. 1 topic of discussion, and energy and environment will be a second," said Jodi White, who was former Canadian Prime Minister **Kim Campbell's** chief of staff.

U.S. National Security Adviser **Jim Jones** and Deputy Secretary of State **James Steinberg** are also slated to travel with Obama. Canada has sent more than 25,000 soldiers to Afghanistan since 2001. The government has said it intends to withdraw all troops by mid-2011.

Canada, which is the biggest market for **U.S. exports** and trails only China as a source of U.S. **imports**, was among countries voicing concerns about "Buy American" requirements in the \$787 billion economic stimulus package Congress passed last week. The provision was modified in the final legislation to bar requirements if they violate trade agreements.

Trade 'Sensitivities'

Canadians "shouldn't be too concerned," Obama told the Canadian Broadcasting Corp. in a Feb. 17 interview. While "there are a lot of sensitivities right now because of the huge decline in **world trade**," Obama said it's "not in anybody's interest to see that trade diminish."

The U.S. will abide by the **North American** Free Trade Agreement and World Trade Organization rules, he said. Obama threatened during the 2008 campaign to pull out of Nafta unless Canada and Mexico agreed to stronger labor and environmental protections. Since then, he has pledged to work with leaders in Canada and Mexico to improve the trade pact.

Canada, the world's eighth-largest economy, is mired in a **recession**, with slumping prices for oil and other commodities and weak U.S. demand for **lumber** and automobiles. Canada lost a record 129,000 jobs in January, when its **unemployment rate** rose to a four-year high of 7.2 percent.

Trade Deficit

In December, Canada had its first monthly trade deficit since 1976. U.S. imports from Canada, at almost \$20 billion in December, have fallen 36 percent since oil prices peaked in July. Canada is the biggest exporter of oil and natural gas to the U.S.

Obama's stress on **clean energy** and measures to slow climate change are a potential source of friction. Harper wants a climate-change agreement with the U.S. that protects Alberta's abundant tar sands from potential new U.S. rules.

Obama has condemned U.S. reliance on "dirty oil" and his advisers have specifically mentioned oil from tar sands. Environmentalists say the process of extracting oil from tar sands generates more greenhouse gases than pumping conventional crude oil.

Clean Energy

In his interview with Canadian television, Obama said he will work with Canada to find ways to capture and store carbon dioxide to make tar sands a clean energy source.

Even with possible areas of disagreement, the leaders likely will focus on "the big issues" during Obama's one-day visit, said **James Blanchard**, a former U.S. ambassador to Canada.

"The No. 1 issue is generating public confidence in the future of the economy and jobs," said Blanchard, who also was a Democratic governor of Michigan. "People have to believe that our president and our government, and Canada's prime minister and its government, is having a positive influence on the direction of the economy. Without that, all else fails."

The chance for Obama and Harper to establish a personal bond is another summit goal, Frazer said.

"It's an opportunity for the two to get a measure of each other, face-to-face, to establish a rapport and, we hope, a very long-standing, constructive relationship," said Frazer, now a senior adviser at **mCapitol Management**, an international consulting firm. Harper's goal will be to "get a better sense of what the president is interested in moving on, what timetable, and where he's going to move first."

'Important Signal'

It isn't lost on Canadians that Ottawa is Obama's first foreign destination. "Canadians see this as a very important signal," White said.

Both countries would welcome a diplomatic entente after tensions between former President **George W. Bush** and Harper's predecessors, provoked largely by U.S. foreign policy after the 2001 terrorist attacks. Harper, a Conservative, took office in February 2006.

"Bush was not very popular in Canada," said **David Biette**, director of the Canada Institute at the Woodrow Wilson International Center for Scholars in Washington. "Obama's very popular. That gives the prime minister a little bit more leeway to be friendly with the American head of state."

While Obama isn't scheduled to make any public appearances in Ottawa, authorities there are planning for large crowds attracted by the U.S. leader's visit.

Troops in Afghanistan

Obama will talk with Harper about Canada's experience in Afghanistan, said **Denis McDonough**, White House deputy national security adviser. About 2,800 Canadian troops are now in Afghanistan, and 111 Canadians have been killed, including a diplomat and two aid workers.

Obama this week ordered the deployment of an additional 17,000 U.S. soldiers to Afghanistan.

Canada has a keen interest in the Obama administration's decisions about aid to U.S. automobile manufacturers, which have substantial operations north of the border. About a quarter of Canada's trade with the U.S. is auto-related, Blanchard said.

Earlier this week, **General Motors Corp.**, and Chrysler LLC said they are seeking as much as \$21.6 billion in new federal loans during efforts to restructure their operations and avert possible bankruptcies.

Another issue of concern to Canada is red tape at U.S. border crossings that have "caused an economic slowdown," White said.

Making Introductions

With a long list of bilateral issues, some things aren't likely to get a full airing -- which isn't necessarily a bad thing, according to Frazer.

"This is a get-to-know-you meeting," he said. "It's important not to overload or overburden the first meeting."

And should their talks falter, Obama and Harper could fall back on jock talk.

"We also have two sports enthusiasts," Frazer said. Obama is an avid basketball player, and Harper is finishing a book on hockey.