Canada-China trade

Are U.S. energy policies forcing Canada into a long-term trading relationship with China?

PRO

A policy that shuns Canadian oil will push our best ally to China

By Andrew P. Morriss

U.S. energy policies – specifically President Obama's delay of a decision pending further environmental-impact study for a part of the Keystone Pipeline – are pushing Canada into a closer trading relationship with China.

Just ask Canadian Prime Minister Stephen Harper, who in January of this year told Mr. Obama that the delay meant Canada would focus on "diversifying" energy exports.

Or ask Canadian Natural Resources Minister Joe Oliver, who told the Canadian Broadcasting Corp. that same month that "we currently have one customer (the U.S.) for our energy exports. That customer has said that it doesn't want to expand at the moment. So it certainly intensifies the broad strategic objective of the government to diversify to Asia."

Will China want to buy Canadian oil? Absolutely! China's hunger for petroleum products will continue to grow. Chinese car ownership is still below U.S. levels in 1920. Even if all future car sales in China are hybrids and even if China's frenetic economic growth slows, as Chinese car ownership rises, the demand for petroleum will soar over the next two decades. And India is also developing a taste for automobiles. If we don't want Canada's oil, there are many who do. This is a major mistake for three reasons.

First, domestic oil production is insufficient to meet U.S. needs. According to the Energy Information Administration, oil provides 94 percent of our transportation energy and 37 percent of our total energy. But domestic production met only 45 percent of our 2011 oil needs. Oil also is a key raw material for the U.S. chemical, plastics, and pharmaceutical industries. It is impossible to avoid importing oil.

Our three largest foreign suppliers are Canada (29 percent), Saudi Arabia (14 percent) and Venezuela (11 percent). Of those, only Canada both respects human rights and shares our commitment to democratic government. In short, Canadian oil is what Canadian journalist Ezra Levant terms "ethical oil" – oil that does not undermine our values by funding corrupt and hostile regimes.

Second, buying Canadian oil puts dollars in the hands of one of our best trading partners. In 2009, Canadians invested $261.3 billion here. Canada is the No. 1 export market for 34 U.S. states; $1.6 billion in goods and services cross the U.S.-Canada border daily. By contrast, sending dollars to Saudi Arabia and Venezuela does little for the U.S. economy.

Third, Canada is a reliable energy supplier. With approximately 12 percent of total world reserves, Canada ranks third in the world. And Canadian oil largely comes to us via pipeline, environmentally safer and militarily more secure than ocean transportation.

Why is the Obama administration so set on delaying a decision on a secure source of ethical oil? A crucial financial element in Obama's re-election strategy is the support of environmentalists such as Hollywood's Robert Redford and Laurie David.

These activists don't mind if oil prices go up as they can afford higher gas prices. But they are passionately committed to reducing other Americans' use of oil and so object to any efforts to tap into Canadian oil.

And – at least until recently – the administration's top energy policymaker explicitly focused on raising gasoline prices. In 2008 Energy Secretary Steven Chu said his goal was to raise the price of gasoline to European levels – about $8 a gallon. Although Chu has since said he no longer holds that view, the National Journal notes that Chu "seemed to equivocate, pause, and stumble over his words" when backtracking, making his disavowal less than credible.

Canada is one of our oldest allies and best trading partners. "Defriending" Canada on energy is not in our national interest – militarily, economically or environmentally.

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CON

Canada will pursue trade with China regardless of U.S. policies

By John W. Maxwell

Let's be clear at the outset, the Obama administration's decision to delay building part of the Keystone XL pipeline has contributed to Canadian public dialogue about the need to seek alternative markets for its oil reserves.

After November, I believe construction of the pipeline will go forward regardless of the outcome of the presidential election.

The decision to delay the pipeline was based on a political calculation not to alienate Demo-cratic supporters who identify themselves as environmentalists. However, building the pipeline will provide economic benefits at little or no environmental costs since Canadians will sell their oil regardless and so the eventual decision to proceed with the pipeline is almost inevitable.

So why am I arguing against the notion that U.S. energy policy is forcing Canada to pursue a long-range trading pact with China?

Simply because one should not make the mistake of equating short-term public discussion with long-term public policy. The Canadian government likely knows that the pipeline will be built and a delay of a few months is unlikely to affect long-term Canadian policy.

It is a mistake, however, to believe that long-term Canadian trade and energy policies are driven by current U.S. energy policies. Simply put, the Chinese economy is far too important for Canada to ignore.

In the past Canada found itself in the fortunate position of being the neighbor of the world's unrivalled economic powerhouse, but that is not the reality we live in today.

While the U.S. economy is still the world's largest, China is gaining fast and Canadians would be foolish to ignore this fact.

Canadians know full well that crude oil is a commodity that commands a world price no matter where it is sold. If that were the end of the story, then selling to America would be best because transportation and other transactions costs would be lower. That isn't the end of the story, however.

Under the North American Free Trade Agreement, the sale of Canadian crude oil to the United States cannot be restricted. The sale of crude oil, however, is less profitable than the sale of refined oil.

Many Canadians feel their government negotiated a bad deal under NAFTA because they would like to sell refined, not crude, oil to the U.S. If Canada builds a pipeline over the Rocky Mountains to its west coast it could refine the crude and sell the product to China at a greater profit than selling crude to the United States.

At the same time if Canada establishes itself as a reliable supplier of oil to China and other parts of Asia, it would raise its importance as a trading partner with these nations, which will only become more important in the future.

We all know about the value of portfolio diversification, and with Asia surging while America struggles it is readily apparent to Canadians that diversification in trade is beneficial for them.

Like any sovereign nation Canada will pursue policies that are in its own best interest, and with a rising Asia it is naive to assume that American energy policy is dictating Canada's choices.

A pipeline over the Rocky Mountains to Canada's west coast may not be built, but if it isn't, it will be due to opposition from Canada's "greens" and skepticism about doing business with Chinese state-owned oil companies, not U.S. energy policies.

It is interesting to note that environmentalists make the same naive assumption about U.S. energy policy dictating Canadian actions. They want to stop Keystone XL because they think by doing so they will slow or stop oil sands – which they label tar sands – development.

This is untrue; Canadians will develop their oils sands regardless. Ironically the U.S., if it chooses not to develop Keystone, will lose a bit of leverage regarding how these reserves are developed.

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Online poll: You weigh in

Question:
Do you text and drive?

www.the-leader.com

Recent question:
What fruit or vegetable planted in your garden are you most looking forward to picking and eating?

Tomato	47%
Cucumbers	11%
Squash	5%
Zucchini	7%
Strawberries	7%
I didn't plant a garden; I will take whatever my neighbor will give me.	21%
Total votes:	327

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POLITICS | SEN. TOM O'MARA

New security for New York

It's been estimated that identity theft costs more than eight million American consumers an estimated $40 billion annually.

In fact, according to the Identity Theft Data Clearinghouse, in 2009 New York State ranked eighth in the nation in per capita identity theft complaints. So it's clear that the availability of information in computer databases and the rapid growth of Internet commerce have produced a new gang of criminals who abuse technologies to steal consumer information and ruin consumer credit. Indeed, identity theft is considered the No. 1 and fastest-growing financial and consumer crime of this era.

The tactics of today's cyber criminals change as fast as our technology – usually faster. It all serves to highlight the ongoing challenge to keep identity theft prevention strategies ahead of identity thieves. New York became the 43rd state in the nation to enact an identity theft law in 2002. But security studies continually point to the overriding reality that we have to update our laws as frequently as cyber criminals update their ability to break them. It's no easy task.

Identity theft was just one of the topics covered at last week's 15th Annual New York State Cyber Security Conference in Albany. Recognized as the Northeast's premiere conference for cyber security education, it's co-sponsored by the State Division of Homeland Security and Emergency Services' Office of Cyber Security (OCS).

That's right, New York government operates an office dedicated to focusing on the short- and long-term challenges surrounding cyber security – yet another indication that these issues of economic and information security pose some of the most difficult and urgent challenges of the 21st century.

"As all aspects of our daily lives become increasingly reliant on Internet-connected devices, those devices are constantly subjected to sophisticated and evolving attacks," said state OCS Director Thomas D. Smith. "Consequently, it is necessary for those responsible for information security to work to maintain the skills required to operate in this challenging environment. This conference brings together experts from government, the private sector, and academia to share information on the latest threats and the means to address them."

Or, as noted by Peter A. Bloniarz, Dean for the College of Computing and Information Assurance, a conference co-sponsor, "With so much of our society and economy on-line, the conference is a terrific opportunity to get high-quality information about keeping ourselves and our information safe."

It's a concern at every level of government. At a recent federal hearing of the House Financial Services Committee, one cyber security banking official testified on the proliferation of the latest online "phishing" scam whereby criminals send emails to unsuspecting victim claiming to be from a group such as the National Automatic Clearing House Association, the Electronic Federal Tax Payment System or the United States Postal Service. Once the victim clicks on the link, his or her computer is automatically infected with malicious software that captures online banking information.

From identity theft to threats to children on the Internet, the concerns addressed at last week's Cyber Security Conference have become a fact of everyday life for most citizens.

One of the most effective means of prevention remains this one: inform yourself, and your family and friends about online safety.

One great place to turn for this vital information is the state Office of Cyber Security at http://www.dhses.ny.gov/ocs/. In addition to an overview of last week's conference, you can also find a "Daily Cyber Security Tip," a Cyber Tips newsletter, and cyber advisories and alerts, as well as information on local government security and keeping children safe online.

■ Sen. Tom O'Mara is a Republican from Big Flats.