

Buy American rules 'of grave concern to Canada': Clement

BY SHELDON ALBERTS, WASHINGTON CORRESPONDENT, CANWEST NEWS SERVICE MAY 20, 2009



Minister of Industry Tony Clement, as seen in a file picture in Ottawa, slammed the U.S. Congress for expanding "injurious" Buy American rules that bar Canadian firms from bidding on American economic-stimulus projects.

Photograph by: Blair Gable, Reuters

WASHINGTON — Canadian Industry Minister Tony Clement on Wednesday slammed the Democratic-led U.S. Congress for expanding "injurious" Buy American rules that bar Canadian firms from bidding on American economic-stimulus projects, suggesting Capitol Hill lawmakers are ignorant to the potential for their actions to backfire on the U.S. economy.

Clement, who is on a two-day trip to Washington to press Congress to resist protectionist impulses, told reporters the situation is "of grave concern to Canada."

"What's happened is that these provisions seem to be expanding in scope and they are cascading down the system," he said.

The Harper government has grown increasingly alarmed in recent weeks amid evidence that Buy American provisions attached to the massive \$787-billion U.S. economic-stimulus legislation are finding their way into several other pieces of legislation.

One of those new appropriations bills is the Water Quality Investment Act, which will provide \$13.4 billion for local governments in the U.S. to improve their drinking-water systems. It's been approved by the House with Buy American rules and is awaiting Senate passage.

But the fallout from Buy American is already being felt among Canadian firms — from sewage pipe manufacturers to water treatment companies — that are being shut out of valuable infrastructure contracts being awarded to local and state governments receiving stimulus funds.

President Barack Obama succeeded, after pressure from Canada and other U.S. trading partners, in persuading Congress to insert language into the stimulus legislation requiring that Buy American provisions respect America's international trade obligations under NAFTA and the World Trade Organization's government-procurement agreement.

Since those trade deals don't extend to state and local governments in the U.S., the Buy American rules are being broadly interpreted to disqualify foreign bidders.

In addition, the U.S. has approved rules excluding Canada from the list of nations from which some state and local governments can buy materials using stimulus-legislation money.

Clement protested the provisions during a meeting with Representative Bernice Johnson, (D-Texas) who chairs the House transportation subcommittee on water. He'll also seek relief for Canadian firms Thursday in meetings with U.S. Commerce Secretary Gary Locke, who last month had an earful on the subject from International Trade Minister Stockwell Day.

Banning Canadian companies from the U.S. waste-water industry could cause \$3.7 billion Cdn in lost business, Clement said. But in their rush to stimulate the U.S. economy, protectionists in Congress have overlooked potential dangers to American businesses. More than \$6 billion in U.S. exports to Canada in the waste-water industry could disappear if Canadian jurisdictions retaliate with trade rules barring American firms, he said.

"My understanding actually is that a lot of folks in the U.S. Congress didn't understand the enormity of what they were getting into when these (stimulus) budgets were passed through Congress in a very quick way," Clement said. "You know what, all I know is if this continues, it is going to be injurious to us, but it's also going to be injurious to them."

Already, the city of Halton Hills, Ont. — in response to complaints about Buy American from a local waste water equipment manufacturer — has responded by banning the purchase of all goods from any country that bars Canadian products. Other Canadian municipalities are considering similar measures.

"This is a huge market for Americans, and if that becomes subject to a Buy America situation, it actually hurts Americans more than it hurts the Canadians," Clement said. "A proper understanding of their own self-interest would indicate and dictate that they would be with us in resisting the protectionist pressures."

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