

## Buy American predictions coming true

Despite Obama's anti-protectionism rhetoric, Canadian manufacturers are finding themselves suddenly cut off from U.S. markets as his \$800-billion (U.S.) stimulus plan takes effect

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**BARRIE MCKENNA**  
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WASHINGTON — [bmckenna@globeandmail.com](mailto:bmckenna@globeandmail.com)

More than a half-dozen times since taking office, President Barack Obama has implored recession-weary nations not to build walls around their economies.

From Ottawa and London to Prague, Ankara and back home again, the U.S. President's message has been consistent: protectionism "hurts us all in the end."

Apparently, the warning didn't reach the Camp Pendleton Marine base in Oceanside, Calif., where last week a contractor installing a sewage line ripped a section of Canadian-made pipe out of the ground, complaining it didn't meet new "Buy American" rules.

"They exhumed the product and replaced it with an identical product," complained a disheartened Veso Sobot, whose company Ipex Inc. of Don Mills, Ont., made the pipe. "The only problem was that it said 'Made in Canada.'"

The offending plastic pipe was made at an Ipex plant in London, Ont., one of the Belgian-owned manufacturer's 15 Canadian factories. And according to Mr. Sobot, the sewage project isn't even covered by any foreign content restrictions.

"This is protectionism run amok," Mr. Sobot said in an interview.

What happened at Camp Pendleton is an insidious consequence of the strict Buy American provisions in the Obama administration's \$800-billion (U.S.) stimulus package, Canadian manufacturers and government officials warn.

The dire predictions about Buy American are coming true. From pipes and water pumps to steel beams and office furniture, a wide range of Canadian manufacturers are suddenly finding themselves shut out of traditional markets south of the border, according to industry and government officials.

The stimulus package has exemptions that allow the government to buy foreign products if the items can't be found in the United States or if the rules are inconsistent with "the public interest."

But on the ground, where government money is being spent, contractors and project managers are increasingly giving the nod to domestic goods and services.

Now, the language and intent of the stimulus bill is also finding its way into other U.S. spending bills, potentially putting tens of billions of dollars worth of business out of reach.

Canadian Manufacturers and Exporters (CME) has compiled a list of seven pieces of legislation now before Congress that contain overtly protectionist language. They include bills to fund local sewer and water projects, expand broadband access, build smart electrical grids, replace Air Force One, purchase 100,000 hybrid vehicles, and build and renovate government buildings.

And as the Camp Pendleton case demonstrated, even where there are no restrictions on foreign content, contractors and suppliers are choosing to play it safe by buying domestically.

"We're already seeing a chilling effect through the supply chain," CME president Jayson Myers said.

Canadian steel makers and fabricators are feeling the impact of Buy American restrictions, which were inserted into the stimulus bill to appease U.S. steel makers and workers. Companies are losing orders, threatening \$1-billion-a-year worth of exports, according to Ed Whalen, president of the Canadian Institute of Steel Construction.

"Much of that will dry up," Mr. Whalen conceded.

U.S. wholesale steel vendors, who typically carry both foreign and domestic product, are choosing not to carry Canadian-made steel for fear it won't qualify for the orgy of infrastructure projects now getting started, he explained.

"They're saying they don't want the hassle," Mr. Whalen reported.

"There's so much ambiguity."

Buy American is interfering with what is a highly integrated North American steel market. Mr. Whalen pointed out that Canadian fabricated steel products, such as beams for buildings or bridges, are typically made with raw steel imported from the United States. But once further manufactured, those products are deemed Canadian.

"They still want to sell to us, but we can't sell to them," he said.

Ipex and other Canadian manufacturers complain that some long-time customers are demanding written certification that products are made in the U.S. before placing new orders - a pledge most can't make. So they're walking away from business they've had for decades.

The ultimate solution for many companies may be to shift production to the U.S., rather than supplying the market from Canadian plants.

The drawback, of course, is that it adds to the cost of doing business in North America.

"We're starting to figure out our options," Mr. Sobot acknowledged.

"Do we expand our U.S. facilities? How do we navigate this?"

Pump maker Hayward Gordon Ltd. of Halton Hills, Ont., is in a similar quandary. Faced with losing millions of dollars worth of lucrative U.S. business, the small manufacturer is looking at moving some production across the border to New York State, a move that would likely force the firm to lay off workers in Canada.

"Overnight, I'm being shut out of the U.S. market," president John Hayward said. "And the U.S. has no restrictions in the Canadian market."

Shifting production to the U.S. would be a blow to one of its key suppliers, Wabi Iron and Steel Corp. of New Liskeard, Ont., which makes pump casings for Hayward Gordon.

Wabi president Peter Birnie said the Buy American controversy has badly shaken his faith in the benefit of free trade. "We're going to have to do the same thing they're doing," he said.

Seeking to overcome the liability of being a Canadian company in this environment, Toronto industrial automation consultant Real Time Systems Inc. opened an office in Chicago two months ago.

President Vic Briccardi said he made the move after noticing that a growing number of government contract documents contained language that disqualifies foreign bidders.

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