

U. S. stimulus stifling Canada

'Buy America' rule boils down to protectionism

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When Barack Obama came to Ottawa in February, Canadians lowered their defences and surrendered, seduced by the new President's promises that the United States would stand by its international trade obligations and resist protectionism.

It was an object lesson in why politicians should be judged on results, not their intentions.

The reality is that Canada and the United States are engaging in skirmishes that threaten to erupt into an all-out trade war.

John Hayward runs an industrial equipment company, Hayward Gordon, in Halton Hills, Ont., but is in the process of transferring some of his company's manufacturing capacity to the United States from Canada, with the loss of Canadian jobs, because he is being shut out of the American market by President Obama's stimulus bill.

"It boils down to the fact a very large number of Canadian companies, who have been competing in the U. S. for decades, have been told overnight that they can't sell to the U. S.," he said.

Mr. Obama's American Recovery and Reinvestment Act includes a section that stipulates all iron, steel and manufactured goods used in projects paid for with stimulus funding must be sourced from the United States.

When he came to Ottawa, the President reassured Canadians that the stimulus package would be subject to NAFTA and World Trade Organization rules, which specifically bar discriminatory practices.

However, those agreements don't apply at sub-national level and Canadian companies like Hayward Gordon say they are already being squeezed out of projects at the state and municipal levels, even if those projects are funded with federal dollars.

Worse is likely to come, since new legislation governing the billions of dollars to be spent by municipalities in the U. S. on drinking water improvements include the same Buy America provisions.

The Water Quality Investment Act has already passed through the House of Representatives, replete with language that bars foreign firms from bidding on waste and sewer infrastructure projects, and the legislation is set to begin debate in the U. S. Senate next week.

Jayson Myers, president of the Canadian Manufacturers and Exporters, said there are concerns that similar resolutions could apply to state and municipal procurement in sectors ranging from housing to transportation.

The inevitable response in Canada has been a call for retaliation. "My members are saying 'I'm being locked out of the American market but Americans have unfettered access to Canadian procurement'. There are growing pressures to have Canadian municipalities impose some reciprocal provisions," he said.

The Town of Halton Hills has already passed a resolution that stipulates only companies from countries that have not imposed their own trade barriers can compete for infrastructure projects. "This supports the notion of free trade and is very distinct from a Buy Canada resolution," said Mr. Hayward, who promoted the resolution's adoption. "Halton Hills is a small town and this action is largely symbolic. But it will be presented to the Federation of Canadian Municipalities and if they acted it would not just be symbolic."

Stockwell Day, the International Trade Minister, was in Washington this week, where he told the U. S. Chamber of Commerce that the rising tide of protectionism in the U. S. risks provoking retaliatory measures in Canada.

"It is a textbook case of how when doors begin to close, and when trade barriers go up, economies go down," he said.

Mr. Myers said he doesn't advocate protectionism but the threat of retaliation is effective because it encourages American manufacturers who export to Canada to protest state and municipal moves south of the border. "The Halton Hills route is not the way we want to go but it's an important bargaining tool," he said. "President Obama said Canadian

companies shouldn't be concerned but that's small consolation for those being closed out of the American market."

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