

US Trading Partners Complain about Protectionism

By Desmond Butler
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WASHINGTON -- America's largest trading partners are warning that protectionist moves by Congress could poison global trade relations, despite President Barack Obama's assurances that he wants to keep U.S. markets open.

Businesses in the European Union and Canada complain they have been shut out of U.S. markets because of the "Buy American" provision in the massive stimulus bill, passed in February, which requires the use of U.S.-manufactured products.

EU and Canadian officials worry the practice is widening, as Congress is considering adding similar measures to other spending bills.

Buy American supporters want to make sure that the billions of U.S. taxpayer dollars being spent to revive the economy create jobs at home. The U.S. unemployment rate is at its highest level in 25 years.

Many U.S. exporters fear the provisions will backfire, costing American jobs as other countries retaliate. Some municipalities in Canada have begun organizing boycotts of U.S. products, and EU and Canadian officials say they are reviewing their options.

The Obama administration is looking for ways to reassure trading partners as it prepares to detail its trade policy in coming weeks.

Though much of the trading partners' ire is aimed at Congress, there also is uncertainty about Obama's commitment to free trade. As a candidate seeking support from working-class voters, Obama had criticized some U.S. trade agreements.

The EU Commission's ambassador to Washington, John Bruton, said he would like to see the White House take a harder line with Congress on the issue.

"My concern is increasing because we are seeing protectionist measures being introduced under the guise of other measures," Bruton told The Associated Press. "I think it is something that arose from the presidential and congressional election. We saw heated election rhetoric, and I suppose that that is now reflected in Congress."

The Obama administration says it is committed to keeping the U.S. market open but has limited influence over Congress.

"We will continue to work closely with Congress to craft and implement the best trade policy possible," said Carol Guthrie, a spokeswoman for the U.S. trade representative, Ron Kirk. "President Obama has been very clear about the United States' commitment not to turn inward."

The Buy American provision in the stimulus bill favored U.S. steel, iron and manufactured goods for government projects financed by the bill. Obama negotiated a softening of the bill to ensure that trade agreements would not be violated.

However, the trading partners say that even without violating agreements, such legislation could spark tit-for-tat retaliation that could poison global trade relations and lead to rising protectionism. They argue that the United States, which has the world's largest economy, must lead the world out of its current economic troubles. They point to the role that protectionism played in deepening the Great Depression in the 1930s.

Canadian Industry Minister Tony Clement urged the United States to reverse Buy American during a trip to Washington last month and warned of repercussions for American businesses.

"If this continues, it's going to be injurious to us, but it's also going to be injurious to them," Clement said.

In response to the Buy American policy, Canadian mayors passed a nonbinding resolution Saturday that could shut out U.S. bidders from city contracts. Two weeks ago the city council in Halton Hills, Ontario passed a policy that prohibits American bids on local work after companies complained they were being shut out of American markets.

Bruton said he worries that Buy American is spreading. He cited bills being considered on improving water quality and improving environmental efficiency in public schools that would also favor U.S. companies.

"There is a real sense that this approach has now become the default position," he said.

Of course, the United States is not alone in seeking to protect its manufacturing industries. Tension has emerged recently within the EU as some countries have sought to bail out companies and guarantee local jobs.

In the United States, the Buy American provisions are supported by labor groups that have long been among the most important constituencies for Democrats, who control both chambers of Congress as well as the White House.

The Democratic lawmaker behind the Buy American provision in the schools bill, Rep. Pete Visclosky of Indiana, said it will be a big boost to U.S. steelworkers, whose industry has been hard hit.

"We must do everything possible to ensure that American taxpayer dollars are going to build American schools with American steel," Visclosky said in a statement he issued after the bill passed the House last month.

Some U.S. companies say they have been hurt by Buy American requirements. They say their foreign subsidiaries are unable to bid on projects, and confusion over what counts as a foreign-manufactured product has prevented some U.S.-based units from winning contracts.

"Good companies are hesitant to bid," said Dawn Champney, president of the Water and Wastewater Equipment Manufacturers Association, a Washington-based industry group. "Buy American has had a completely stifling impact for our market so far."

She added that many of the export companies she represents are cautious about expanding their payrolls because they fear impending retaliation by foreign governments.