

Mounting Canada-US frictions over “Buy American” provisions of stimulus package

Keith Jones
16 June 2009

Complaints from Canadian business organizations and political leaders over the impact of the “Buy American” provisions of the Obama administration’s \$787 billion economic stimulus package are becoming increasingly shrill.

From diverse sources have come warnings that the “errors” of the 1930s could be repeated. The “beggar thy neighbor” policies that the major capitalist powers adopted in the early 1930s enormously exacerbated the Great Depression and helped give rise to the Second World War.

“If the ... world’s two largest trading partners cannot avoid protectionism and cannot avoid job losses and restrictions on trade, then heaven only help the rest of the world in trying to avoid falling into the same spiral of protectionism,” the president of the Canadian Manufacturers and Exporters (Association), Jayson Myers, told a Washington press conference last week.

Canadian Foreign Affairs Minister Lawrence Cannon raised the “Buy American” issue with US Secretary of State Hilary Clinton when they met at Niagara Falls on Saturday to mark the centenary of the Canada-US Boundary Waters Treaty. Speaking to reporters at a joint press conference following their meeting, Cannon said it was “crucial” the issue be addressed, adding that protectionism can only “bring everyone down.”

The previous day, in a Fox Television interview, Conservative Prime Minister Stephen Harper said that “an increase in protection” and “particularly a [government] procurement trade war between Canada and the United States” would be “the worst possible signal that we could send to the world right now.”

The Federation of Canadian Municipalities narrowly voted, at its annual meeting earlier this month, in favor a non-binding resolution to deny infrastructure and other municipal contracts to US-based firms if the “Buy American” provisions have not been rescinded by early September. The 189 to 175 vote in favor of retaliatory measures came despite an appeal from International Trade Minister Stockwell Day to the country’s mayors to support the Canadian government’s efforts to convince Washington to exempt Canadian companies from the “Buy American” clause through negotiations rather than “threats,” including the offer of a Canada-US government procurement free trade pact.

Championing the Federation’s threat to exclude US-based firms from municipal contracts, the Mayor of Sherbrooke, Quebec and Federation president, Jean Perrault, declared, “The US protectionist policy is hurting Canadian firms, costing Canadian jobs and damaging Canadian efforts to grow our economy in the midst of a worldwide recession.”

Canada’s provincial premiers issued a statement June 9 voicing support for “a renewed era” of Canada-US collaboration “to ensure open markets between the two countries,” including a “reciprocal procurement liberalization agreement.”

But many Canadian business and political leaders are skeptical about the federal Conservative government’s push for a Canada-US procurement pact. This is for three reasons. First, they fear a pact will take months if not years to conclude and thus will do nothing to secure Canadian companies a share of stimulus-package contracts. Second, many of Canada’s provinces and municipalities already have their own discriminatory procurement policies—whether favoring Canadian companies or those based within their respective provinces—and they are loathe to give them up. Third, negotiations on a Canada-US procurement liberalization agreement would potentially give Washington leverage to demand changes to NAFTA or other trade concessions.

According to the Canadian Manufacturers and Exporters, more than 200 Canadian firms have been denied contracts under the “Buy American” provisions of the American Recovery and Reinvestment Act.

These provisions stipulate that infrastructure projects funded under the act must use only US-made steel, iron and manufactured goods.

Under pressure from Canada and the countries of the European Union, the Obama administration did secure an amendment to the legislation as originally proposed that says the “Buy American” provisions shall not contravene US trade treaties. But in most cases, including NAFTA, these trade treaties do not cover state/provincial or municipal government procurement. And, as the *New York Times* noted in a June 3 editorial titled “The Peril of ‘Buy American,’” the Office of Management and Budget in guidelines it issued in April on how the stimulus money should be spent did not order or encourage local governments to abide by US federal rules.

Under conditions where private sector demand has contracted sharply on both sides of the border, Canadian-based companies thus find themselves shut out of much of the US stimulus package-financed infrastructure- spending, threatening not just their short-term profitability, but potentially their survival.

In relative terms, Canada-US trade, long the world’s largest single bilateral trading relationship, has shrunk significantly over the past year. Trade with the US accounts for 88 percent of the decrease in Canada’s exports since last July. Whereas in July 2008, the US accounted for 77 percent of all Canadian exports, in April its export share was just 72.3 percent.

Powerful sections of the US business establishment are also urging that steps be taken to exclude Canadian-based companies from the

“Buy American” stipulations. They argue that given the high levels of integration between the two countries, rules of national origin are arbitrary and absurd and that their application often proves highly detrimental to US-based firms. Also, “Buy American” is provoking retaliatory protectionist measures that threaten to deprive US companies of contacts and to stoke wider and more damaging forms of economic protectionism.

Appearing alongside Myers of the Canadian Manufacturers and Exporters, US Chamber of Commerce Vice-President Myron Brilliant last week urged President Obama to work with Canada’s Harper to defuse the mounting trade frictions.

“We need presidential leadership,” said Brilliant, “because the president has the capability of telling the country why it’s so important that we not look inward (on trade issues). ... We are sending exactly the wrong signal to our trading partners and we are very concerned about the impact it could have—there could be retaliation that spirals out of control.”

Hilary Clinton, following Saturday’s meeting with her Canadian counterpart, rejected any suggestion that the Obama administration is stoking protectionism. “I deeply respect,” said Clinton, “[Minister Cannon’s] comments, but as President Obama said, nothing in our legislation will interfere with our international trade obligations, including with Canada.”

Clinton said that the US wants to “grow” the “mutually beneficial relationship” with “our No. 1 trading partner,” and suggested that this could include taking “a closer look” at government procurement. But no plans were announced for negotiations on a free-trade procurement pact issue or for waiving the current “Buy American” provisions.

On another major issue of contention between Canada and the US, Clinton did appear to offer an olive branch to the Canadian elite, suggesting that the two countries should work more closely together to develop and uphold common interests in the Arctic.

The US has long refused to accept Canada’s claim to sovereignty over the Northwest Passage, which as a result of global warming may soon emerge as a major and lucrative seaway. The Harper administration, as part of its push to stake the Canadian bourgeoisie’s claim to a large share of the mineral wealth of the Arctic, has in recent months been seeking to stress a North American interest in countering Russia in the far north.

Said Clinton, “Obviously there are questions of sovereignty and jurisdiction [in the Arctic] that have to be acknowledged and respected. But what we don’t want is for the Arctic to become a free-for-all.

“If there is going to be greater maritime passageways through the Arctic, if there’s going to be more exploration for natural resources, if there are going to be more security issues, I think it’s in the Canadian and the United States’ interests to try to get ahead of those.”

Toward that end, Canada’s US ambassador, Michael Wilson, met earlier this month with Leo Gerard, the USW president, and its Canadian director Ken Neumann.

Like the rest of the official labor movement on both sides of the border, the USW has responded to the ever-widening assault on the working class over the past three decades by integrating itself ever more completely with management. The USW has imposed massive job losses and wage cuts and other concessions on its members, while espousing chauvinism and economic protectionism as a means of deflecting workers’ anger against the bosses and capitalism and of splitting the working class.

The USW is opposing the Conservative government’s attempt to overturn the “Buy American” provisions, claiming that the Conservative stance is too rooted in free trade ideology. Instead it advocates that Ottawa attach its own “Buy Canadian” provisions to the Canadian government’s economic stimulus package. This could then serve, or so the argument goes, as a means of pressing for a common “Buy North American” procurement policy and more fundamentally the adoption of a common North American protectionist program aimed at defending “North American industry”—that is the profits of the investors in Canadian and US enterprises—over their European and Asian rivals.

Under conditions of the greatest capitalist crisis since the Great Depression, the union bureaucracy is spearheading the push for protectionism, which serves to pit workers against each other in a fratricidal struggle for jobs and to embroil them in trade war. This goes alongside and complements its imposition of wage and jobs cuts.

The Canadian Auto Workers, another advocate of a “Buy Canadian” procurement policy, has just imposed wage and benefit cuts of about \$20 per hour, per worker, on GM and Chrysler workers.

Workers in Canada, the US and all over the world confront the drive of big business to make them pay for the capitalist crisis through the destruction of jobs, living standards and public and social services. The only means for working people to repel this attack and assert their interests is to mount an international struggle in defence of the jobs and rights of *all* workers and for a radical reorganization of the world economy, so that production and employment can be based on social need rather than the profit imperative of a handful of capitalist investors.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact

Unions spearhead protectionism

The Harper Conservative government has sought to enlist the support of the United Steelworkers (USW), one of the principal proponents of the “Buy American” provisions of the US stimulus legislation, in lobbying the Obama administration on the issue.