

'Buy American' bill eased



RON EDMONDS/ASSOCIATED PRESS FILE PHOTO
U.S. President Barack Obama is urging the speedy passage of his stimulus package.

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WASHINGTON—Prodded by Barack Obama and his former rival John McCain, the U.S. Senate last night took the air out of the "Buy American" bubble, easing fears of a trade war in the president's first month in power.

Senators in a voice vote agreed to change a protectionist provision inserted into the U.S. government's economic stimulus bill with the addition of a crucial clause – that the bill be "applied in a manner consistent with U.S. obligations under international agreements."

The wording approved by the Senate appears to go a long way to meet the concerns of the Canadian government, which has argued that the United States should not enact laws that contravene its commitments to liberalized trading regimes under the World Trade Organization and the North American Free Trade Agreement.

Analysts said the amendment should restore calm in Canada, Europe and elsewhere in the orbit of American trade relations, where nerves had frayed amid concerns the world's largest economy was turning inward under the duress of a global downturn. Canadian government officials could not be reached for comment.

"Canadians should be able to take a deep breath. But this should not give us a false sense of confidence in the road ahead," said

Paul Frazer, a former Canadian diplomat and Washington consultant.

"This 'Buy American' bubble we have seen in the last few days should be a wake-up call. It is a reminder that these issues may subside, but they can emerge again very quickly, as this one did. This is a serious matter and Canada doesn't want to be sideswiped down the road.

"Ottawa, the provincial governments and Canadian business all have to do their work to ensure that people in Washington understand the increasingly integrated nature of world economy."

Frazer said the U.S. Senate amendment means Obama can proceed unhindered in his first international travels, including a brief visit to Ottawa on Feb. 19, and a European journey in April.

The vote in the U.S. Senate came a day after Obama intervened with a warning that new protectionist measures could spark a damaging wave of beggar-thy-neighbour trade policies around the globe.

McCain, an Arizona senator, said yesterday the protectionist language was "ignoring the lessons of history. We can't have this kind of protectionism. It hasn't worked in the past. It won't work now."

McCain last night introduced an amendment to kill the protectionist provision outright from the bill that's ballooned to almost \$900 billion.

However, the amendment from the former Republican presidential candidate was voted down 65-31.

Obama's action was welcomed by Prime Minister Stephen Harper, whose government has been burning up the phone lines in Washington in a bid to discourage protectionist leanings in Congress.

"We are very encouraged, all Canadians should be very encouraged by the words of the president," Harper told the Commons yesterday.

Obama's intervention Tuesday came as the U.S. Senate debated its \$900 billion version of the stimulus bill, including a stipulation that would have barred nearly all foreign-made manufactured goods from being used in public works projects funded by the package.

The Senate legislation went further than a House of Representatives bill, already passed, that says only American-made iron and steel could be purchased for the public works projects. In the Senate, Democrats lack

the 60 votes needed to overcome potential Republican delays and were ready to make compromises to earn bipartisan support for the legislation. Republican leaders in the Senate oppose the "Buy American" provisions.

But Obama's intervention prompted pushback yesterday from lawmakers in steel-producing states. Representative Pete Visclosky, the chair of the steel caucus and an Indiana Democrat, told reporters he was confident the "Buy American" provision would survive, despite efforts to have it killed by many leading U.S. business groups worried about retaliation.

- With files from Star wire services