

EMBASSY

October 26, 2011 - <http://embassymag.ca/page/printpage/buyamerican-10-26-2011>

Congressman who pushed Buy American defends move

By Carl Meyer

The American lawmaker who may have stoked the fire of a potential Canada-US trade war is defending his efforts in the wake of a fresh crop of cross-border disputes.

Democrat Chris Murphy, who represents Connecticut's 5th congressional district, originally wrote to United States President Barack Obama on Sept. 7 urging him to insert a Buy American provision in his administration's \$447-billion American Jobs Act that would shut out foreign firms.

The inclusion of that provision led to fresh questions in Ottawa whether the Harper government's efforts to sew up the Buy American issue in 2009-10 had any lasting effect—especially after US Ambassador David Jacobson called on Canadians on Oct. 18 to ignore the provision. Canada-US expert Chris Sands has called the new provision an "embarrassing defeat for Canadian diplomacy."

In an exclusive interview with *Embassy*, Mr. Murphy said it wasn't lost on him that pushing for the provision would irritate the country's biggest trading partner. But he said his obligation was to protect jobs in his state.

"We've been devastated by the private and public dollars out of Connecticut manufacturers," he said.

"If I'm telling my constituents that I'm voting for a piece of legislation that's going to create jobs in the United States, I have to make sure I'm telling the truth."

The bill has hit a wall of Republican opposition, but the White House has moved to implement it piece by piece, and is looking to enact some measures by executive order.

That has groups like the Canadian Manufacturers and Exporters worried that some of the pieces, like a proposed National Infrastructure Bank, would contain yet another Buy American provision.

"I'm watching every appropriations bill...frankly this could pop up anywhere," said Birgit Matthiesen, CME's Washington-based senior adviser on US government relations, in an interview with *Embassy*.

Trade Minister Ed Fast, who spent two days in Washington last week meeting with US officials, shot back at Mr. Jacobson that the Buy American provision was "wrong" when it first cropped up two years ago in a 2009 American stimulus bill, "and they remain wrong now."

"With over eight million Americans depending on trade with Canada and over two million Canadian jobs depending on trade with the United States, trade-restrictive policies hurt us both," he said in a statement.

But Mr. Jacobson said the provision was necessary to help along a bill that would ultimately benefit both countries' economies. Besides, he argued, the provision would be interpreted in accordance with international trade commitments.

Mr. Murphy, meanwhile, pushed for a Buy American provision in part because he is fighting the impact of the

US Department of Defense issuing hundreds of thousands of waivers from a previous Buy American law, which has led to roughly \$53 billion going to overseas manufacturers, according to a press release from his office.

And he told *Embassy* the latest provision was "nothing new to American purchasing policy."

"There's been a group of us making a stink about the amount of US federal stimulus dollars that don't stay in the US economy. The administration knows that there's many of us worried that our economic stimulus often doesn't find its way to American companies and American taxpayers," he said.

"We're not asking for a degree of protectionism that is different from what we've applied to US purchasing in the past."

The 2009 US stimulus bill saw Canada spend a year in talks with the Americans, eventually culminating in a February 2010 deal that then-trade minister Peter Van Loan said showed the government had "stood up for Canadian businesses and workers."

Canada got access to seven US stimulus projects, and in return allowed American companies to bid on Canadian provincial and municipal procurement contracts.

Both sides also agreed to hash out a permanent deal in the future. But such a deal has so far not been negotiated.

"What CME is calling for is a next 'big bang,' a next big agreement that gets us past these many, many battles that we always have to fight, and that is based on true reciprocity," said Ms. Matthiesen.

She said her pitch to American officials has been that inserting Buy American provisions would only hand more of an argument to those in Canada and elsewhere who are calling for protectionist measures.

"That's a slippery path nobody wants to go down," she said.

A flurry of bilateral issues

In addition to the latest Buy American flap, over the past few weeks the Canadian government has been forced to fight the US on several fronts.

On Oct. 21, Mr. Obama signed into law a repeal of a Canadian exemption to a \$5.50 US travelling fee for air and sea passengers, meaning all Canadians flying to or docking at US destinations must now pay the fee.

Mr. Jacobson defended it in an Oct. 24 statement as "not in any way an action against Canada." But Mr. Fast shot back again in a statement the same day that "raising taxes at the border just raises costs on consumers."

There was also the US Federal Maritime Commission's Oct. 6 vote that called for an inquiry into cargo ships on the British Columbia coast. As well, there is a push by the US Internal Revenue Service to track down dual citizens who have not filed tax returns in the US.

Both issues were also tackled by Mr. Jacobson in his speech Oct. 18: he played down the cargo spat as simply a study, and assured Canadians that IRS officials are sympathetic to dual citizens that may have been broadsided by its latest drive.

Then there is also the continued debate over the proposed Keystone XL pipeline that would carry Alberta crude to Texas.

And all of these could threaten to derail the major Canada-US perimeter deal that had been expected to be wrapped up this fall.

Experts say Mr. Jacobson was acting on orders from Washington to send a message to Ottawa officials to calm

them in a period of several trade issues cropping up at once—right before the 2012 US presidential elections.

Paul Frazer, a former Canadian diplomat who is a Washington-based specialist in government relations, said he suspected someone told Mr. Jacobson to broadcast the idea that "we've got to get through this together."

"What the ambassador couldn't say clearly and easily is that this is really the silly season in Washington, all sorts of things are going to happen, and things are going to be said, and initiatives will be prompted, all because the presidential election is underway," he said.

Mr. Frazer, who is also now the Canadian Chamber of Commerce's special adviser on Canada-US relations, argued Buy American provisions consistently fail to create any noise in the US capital.

Canada-US expert Mr. Sands, who is a Hudson Institute senior fellow, agreed that while there has been a huge diplomatic effort on the Canadian side to address new provisions up front, the Americans have not taken the issue as seriously. He also said that Mr. Jacobson was thinking about 2012.

"There's not going to be a lot of room to get anything done in an election year, as you can probably already tell. We need to put all our effort into at least getting these things going, and the last thing that we need is a fight on Buy American," he said.

On the other hand, he said, the introduction of a new provision was a "pretty embarrassing defeat for Canadian diplomacy."

cmeyer@embassymag.ca

<http://embassymag.ca/page/printpage/buy-american-10-26-2011>