



MARKETWATCH

Deal Exempts Canadian Companies

Deal Exempts Canadian Companies from Protectionist Buy American Provisions

By Jennifer Ditchburn, The Canadian Press

OTTAWA - Canadian companies can now bid on procurement contracts in 37 U.S. states, and be temporarily exempted from Buy American elements of Washington's US\$787-billion economic stimulus package under a deal struck by the two countries.

The multi-faceted pact comes after an unprecedented, albeit 11th hour, show of unity among the provinces and territories working with the federal government to combat U.S. protectionist measures.

In exchange for access to state-level procurement markets, Canadian provinces and territories will also have to provide access to their contracts. How this might apply to municipally awarded contracts will be worked out case-by-case, officials said Friday.

Canada and the United States will be using provisions of the World Trade Organization's government procurement agreement as the basis for their own bilateral deal.

"With this agreement, we are sending a clear message: the best way to create and keep jobs is by opening economic opportunities, not by closing them," Trade Minister Peter Van Loan told a news conference.

"Canadian suppliers will have guaranteed access to sub-federal procurement in a range of American states and U.S. suppliers will enjoy the same guaranteed access to provincial procurement."

Certain sectors, such as health care and education, might be exempted from the deal under conditions yet to be negotiated.

The other element of the deal, the waivers on certain parts of the mammoth U.S. stimulus program, will apply to projects run by departments Canadian suppliers often deal with, such as the U.S. Department of Energy and the Environmental Protection Agency.

Although the deadline for accessing cash under the American Recovery and Reinvestment Act is Feb. 17, Canadian officials said there is much money that has yet to be spent.

The U.S. government said \$200 billion of \$275 billion in contracts, grants and loans remains to be allocated. Canadian officials could not speculate on how much Canadian businesses can benefit from the remaining money.

The third part of the deal is a commitment to fast-track negotiations on future funding programs and their possible Buy American provisions.

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The same protectionist measures are in the massive jobs bill currently working its way through Congress and are expected to pop up in other pieces of legislation in the weeks and months ahead.

All this must be signed by the provinces and territories, and the federal cabinet. In the United States, it will be dealt with by executive order.

David Jacobson, the U.S. ambassador to Canada, posted on his website Friday that the deal was good news for all concerned.

“Now the first question at every public appearance can be about something other than ‘Buy American,’” Jacobson quipped.

Liberal Trade critic Scott Brison said the agreement is too little, too late.

“The fact is much of the stimulus has been spent, and the rest will be expiring soon,” Brison told reporters.

“The government has failed to negotiate a good agreement in a timely manner, and as a result Canadian jobs have been lost and Canadian competitiveness has been affected negatively.”

And whether individual states will actually abide by the deal is another issue. Officials told reporters that a campaign will be mounted quickly to inform all the players that the agreement has been signed and that Canadian businesses should have equal access to contracts.

Buy American has been a major trade irritant between the United States and Canada since Congress inserted the provisions in the American Recovery and Reinvestment Act a year ago. That legislation was aimed at pulling the U.S. out of a devastating recession.

Ottawa complained bitterly that Canadian exporters were being excluded from bidding on projects under the stimulus package because the protectionist measures prevent foreign-made components from being used on infrastructure projects.

Canada argued that American and Canadian supply chains are so intertwined that the measures were hurting businesses on both sides of the border.

The U.S. Chamber of Commerce and several blue-chip American corporations have also long railed against Buy American. Canadian municipalities had threatened Buy Canadian retaliation against the U.S., but that course of action was put on hold as the talks progressed.

Canada-U.S. trade experts had questioned how it's possible for Americans to drastically increase exports to global markets while shutting out countries with Buy American and other protectionist trade provisions.



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