# Buy American Disadvantage

### Buy American DA 1NC

#### There will be no new “Buy American” transportation spending bills --- any new “Buy American” provision will undermine the US/Canada procurement agreement.

**Rayner**, 5/8/**2012** (Martin – independent consultant working in the customs brokerage and international trade logistics field, held executive-level positions in the trade logistic industry, “Buy America” Exceptionalism, International Trade Compliance Strategies, p. <http://tradecompliance.ghy.com/2012/05/buy-america-exceptionalism/>)

Pressured by Canadian exporters complaining that the latest “Buy America” measures violated market access exemptions under the North American Free Trade Agreement and were therefore unfairly costing them business and jobs, the Harper government entered into negotiations with the Obama administration that eventually reached a procurement agreement in early 2010 which provided limited relief and access to some Recovery Act projects for Canadian goods. Key to the accord was persuading the Canadian provinces and territories to finally open up their procurement markets to U.S. suppliers by signing onto the WTO’s Government Procurement Agreement (GPA); a multilateral arrangement mandating that member countries provide reciprocal access to federal procurement projects and, in some cases, at the sub-federal level (i.e. states, provinces and cities). Although the protracted dispute over the “Buy America” provisions effectively scuttled bidding access for Canadian exporters to most Recovery Act projects – funding having already been allocated by the time waivers pursuant to the Canada-US Procurement Agreement were finalized – it was widely assumed at the time that the bilateral accord and new commitments made under the WTO GPA had largely resolved the nettlesome issue of government procurement going forward. Evidently not. In October 2011, President Obama proposed the American Jobs Act, a massive spending bill designed to inject billions of federal dollars into infrastructure projects such as the renovation of schools, the construction of roads and bridges and improving transit. Much to the surprise and frustration of the Canadian government and trade community the new bill included the exact same “Buy America” constraints of 2009’s Recovery Act. “Canadian manufacturers that supply America’s building, transportation, and state and municipal infrastructure markets will be seriously affected if these new restrictions become law,” said Canadian Manufacturers & Exporters president and CEO Jayson Myers. In fact, there was no chance of that ever happening given the bill was politically doomed from the outset and never even made it out of the Senate. Following defeat of the American Jobs Act, the White House decided to break up the $447 billion package and re-introduce it to Congress in the form of several standalone bills. The most significant of these to Canadian exporters was the Rebuild American Jobs Act that would have provided $60 billion for various transportation infrastructure projects and the creation of a National Infrastructure Bank. Like its predecessor, however, this bill also contained the same protectionist “Buy America” provisions requiring that all “iron, steel, and manufactured goods” used in public buildings or works be supplied by American firms. It too failed to gain passage in the U.S. Senate. With an election looming at the end of the year, it seems highly improbable that any more federal legislation involving significant new government infrastructure spending proposals saddled with contentious “Buy America” provisions will be advanced by the current administration. That said, there are still numerous appropriation bills pending before Congress to fund the U.S. government through 2012 and beyond – any of which could be subject to amendments by lawmakers eager to protect domestic suppliers and/or score political points irrespective of (or oblivious to) government procurement agreements already in place.

#### The plan results in Buy American provisions that undermine the Canadian economy.

**Morton**, 5/9/**2012** (Peter, Buy American provisions could block Canadian bidders, Torstar News, p. http://www.thespec.com/print/article/721511)

Canadian companies hoping to bid on the crumbling road and bridge system in the U.S. may find themselves behind yet another “Buy America” law that would prohibit them from bidding on any government-funded construction project even if it has the smallest amount of federal funding. U.S. Senator Sherrod Brown, a Democrat from the steel-producing State of Ohio, convinced the Senate to endorse a new and onerous Buy America regulation as part of a sweeping transportation funding bill called Moving Ahead for Progress in the 21st century Act, or MAP-21. Brown’s amendment, which was accepted by the Senate in March, would prohibit state governments from contracting outside the country if any part of the project receives U.S. government funding. Both the Senate and the House of Representatives are now in complex negotiations to finalize the law, which is also known as the Surface Transportation Reauthorization Bill. “The proposed MAP Act includes provisions that represent a significant departure from existing ‘Buy America’ preferences,” Amgad Shehata, chair of the Washington-based Canadian American Business Council, said in a letter to the Senate and the House conferees this week. “Specifically, if at least one contract for a project receives any federal funding under this act, then all contracts for a project, regardless of their funding source, would be subject to Buy America preferences” he said. Canada and the U.S. have long butted heads on various Buy America laws dating as far back as 1933. The various Buy America provisions try to create U.S. jobs through restrictions on imported construction materials, mostly steel and iron. Canada thought it bought some peace in February 2010 when the two governments agreed on reciprocal bidding in each other’s countries on infrastructure projects such as bridges and roads after President Barack Obama brought in a $787-billion economic stimulus bill. But to support his state’s struggling steel industry, Brown successfully included a new Buy America provision in the Senate bill that would essentially prevent foreign suppliers of steel and other construction products from bidding on any government contract that includes even the smallest amount of federal funding. “We leave our manufacturing sector vulnerable when we buy steel and iron from foreign countries,” Brown said earlier this year. “When taxpayer dollars are invested in highway and infrastructure projects, they should be spent on American-made goods.” Although the amendment is mainly at Chinese steel and iron producers, the CABC feels Canadian bidders would get side-swiped. “‘Buy America’ provisions applied to Canadian companies will inhibit, not create, economic growth in both the U.S. and Canada given the integrated nature of our two countries’ economies,” said Shehata, vice-president of the delivery service UPS.

## Uniqueness

### U – AT: Jobs Act

#### Jobs Act was too small to trigger protectionism.

**Kennedy**, 10/18/**2011** (Mark, ‘Buy America’ provision won’t harm ‘strong’ U.S.-Canada relations: diplomat, Financial Post, p. <http://business.financialpost.com/2011/10/18/%E2%80%98buy-america%E2%80%99-provision-won%E2%80%99t-harm-%E2%80%98strong%E2%80%99-u-s-canada-relations-diplomat/>)

Canada had won an exemption from Buy America provisions in a $900-billion stimulus bill in 2009, but did not get such treatment in Obama’s second round of stimulus this fall. Jacobson said this is “making some folks see coffins among the flowers of the Canada/U.S. relationship”, adding there is more to the issue than meets the eye. He said the latest Jobs Act is a $445-billion bill to help get the U.S. economy “back on track” and that most of the legislation consists of proposals for payroll tax cuts for the middle class, extensions of unemployment benefits, and education investment. “A small part of the bill relates to repairs of infrastructure and rebuilding of schools. It was to these parts — and these parts alone — to which Buy America applied. And, of course, most of these expenditures on infrastructure and schools would be for things like land and labour which Canada couldn’t supply anyway.”

## Links

### Link 2NC

**Oppenheimer**, 2/5/**2009** (Andres – Latin America correspondent for the Miami Herald, Reject ‘Buy American’ clause or risk a trade war, The Salt Lake Tribune, p. Lexis)

Forget about Iraq, the Middle East or searching for a new White House puppy. President Barack Obama's first key decision will be whether to support a "Buy American" clause. It is strongly supported by his Democratic Party and labor unions, but U.S. allies say it would trigger a trade war like the one that led to the Great Depression. Which way will Obama go? Will he risk antagonizing Senate Majority Leader Harry Reid, House Speaker Nancy Pelosi and the AFL-CIO, whose support he badly needs to pass his almost $900 billion economic stimulus package? Or will he heed the calls from the European Union, Canada, Brazil and other U.S. trade partners, as well as key Republicans in Congress? Or, to put it more bluntly, will Obama conclude that he has little choice but to govern with the solid support of the Democratic majority in Congress or will he risk sacrificing some Democratic votes in exchange for a small minority of Republicans in hopes of building a bipartisan, centrist, legislative base? The "Buy American" clause, included in the administration's stimulus package that the House passed last week, calls for ensuring that funds for infrastructure projects such as highways and bridges be only used to buy U.S.-made steel, iron and other materials. A Senate version of the bill further demands that the stimulus package's funds for infrastructure projects be used exclusively to purchase U.S.-made manufactured goods, such as shovels or cranes. "It's basic common sense," AFL-CIO policy director Thea Lee explained to me. "American taxpayers will spend close to $1 billion to stimulate the U.S. economy and create U.S. jobs. To the largest extent possible, within our international obligations, we should try to use those dollars to buy American products." Supporters of the bill reject claims that the "Buy American" clause would violate the spirit -- if not the letter -- of U.S. international trade commitments. "There are waivers and exceptions built into our trade obligations that allow us to give a preference to American goods to a certain level," Lee said. "There is no reason why not to take advantage of provisions that we have negotiated into these trade agreements." Leading U.S. trade partners see it differently. Passage of the "Buy American" clause would lead to "a rush of protectionist actions" that could "create a downward spiral like the world experienced in the 1930s," Canadian Ambassador Michael Wilson said in a letter to congressional leaders earlier this week. Brazilian President Luiz Inacio Lula da Silva told reporters that "protectionism at this moment will aggravate the crisis." Trade experts say that Brazil would be among the most hurt by the "Buy American" clause because it exports steel to the United States and -- unlike Canada, Mexico, Chile or Peru -- does not have a free trade agreement with Washington that would exempt it from many of the measure's provisions. Pro-business groups note that U.S. exports fell by nearly 25 percent in December, and that other countries are suffering similar drops in trade. "In that context, any U.S. moves that are seen as protectionist could really give a moral sanction to governments around the world to raise trade barriers themselves," says John Murphy, vice president of the U.S. Chamber of Commerce. Asked by ABC News about his position on the "Buy American" provision, Obama said Tuesday that he wants to avoid measures that would "signal protectionism," adding that there is "a potential source of trade wars that we can't afford at a time when trade is sinking all across the globe." While critics of the "Buy America" clause cheered Obama's words -- it was the president's first indication of where he's leaning since Vice President Joe Biden had made comments that appeared to back the measure last week -- they caution that the White House may back a watered-down version of the bill that could still be perceived by U.S. trade partners as protectionist. My opinion: Your statement was right on the mark, Mr. President! What's important is not only the letter of the law, but the signal it sends to the rest of the world.

#### Democrats will push for Buy American.

Szakonyi 11 (Mark Szakonyi, Daily Content Editor, The Journal of Commerce Online - News Story, “Democrats Push Tighter 'Buy American' Infrastructure Rules,” Dec 1 2011, <http://www.joc.com/infrastructure/democrats-push-tighter-buy-america-infrastructure-rules>) T. Lee

House Democrats want to expand provision from 60 percent to 100 percent¶ House Democrats proposed a transportation bill on Thursday that tightens ‘Buy American’ provisions on materials used in infrastructure projects, countering a Republican plan to tie expanded energy production to transport funding.¶ Under the proposal, the requirement for U.S.-sourced construction materials would be expanded from 60 percent to 100 percent by fiscal 2016. The bill allows exemptions to the Buy American provisions if there is an insufficient supply of the needed materials or using U.S. materials would increase the cost of the project bymore than 25 percent.¶ The bill "will ensure that all future bridges and similar transportation and infrastructure projects financed by U.S. taxpayers will be stamped ‘Made in America’ crafted with American workmanship, and will create and sustain good-paying jobs in our local communities – not overseas,” said Rep. Nick Rahall, D-W.V., who is sponsoring the bill.

#### Plan includes Buy American.

LaHood No Date (Ray LaHood, US Secretary of Transportation, USDOT, “Buy America,” <http://www.dot.gov/buyamerica/index.html>) T. Lee

Welcome to the U.S. Department of Transportation’s Buy America webpage. The Department of Transportation is committed to maximizing the economic benefits of the Obama Administration’s historic infrastructure investments through Buy America provisions that keep American companies healthy and families working.¶ Buy America provisions ensure that transportation infrastructure projects are built with American-made products. That means that Department of Transportation investments are able to support an entire supply chain of American companies and their employees.

### Airports Links

#### Federal aviation projects have ‘Buy American’ restrictions

Canada International No Date (Government of Canada, “Buy American Act and Aviation Projects” <http://www.canadainternational.gc.ca/sell2usgov-vendreaugouvusa/procurement-marches/aviation.aspx?lang=eng&view=d>) T. Lee

The vast majority of sophisticated airport equipment (e.g. sensing devices, computer systems for other than air navigation, airport safety and security systems, baggage handling equipment, road graders, snow plows) is not purchased directly by the FAA. Similarly, contracts to expand airports, build runways, install ground communication equipment or terminal facilities, or to purchase maintenance equipment are most often managed by state or local government, or by private sector corporations that receive funds from the Department of Transportation. Typically, the FAA grants funds for these purchases to state and local airport authorities, and these funds have Buy American conditions attached. While not an outright prohibition, these requirements are a significant barrier.

#### Airports are under ‘Buy American’

Waldron et al. 9 (Roger Waldron , Carol J. Bilzi and Simeon M. Kriesberg, President at The Coalition for Government Procurement, Counselor of International Trade Law and Regulations, Top Lawyer on US Export Laws and Partner at Mayer Brown, Mondaq, “United States: Meeting the Recovery Act's Buy American Standards: US and Foreign Firms Face Complicated Regulatory Guidelines,” May 12, 2009, <http://www.lexisnexis.com.proxy-remote.galib.uga.edu/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T15212025822&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T15212025826&cisb=22_T15212025825&treeMax=true&treeWidth=0&csi=149522&docNo=1>) T. Lee

Apart from the Recovery Act, the current statutory scheme distinguishes between the Buy American Act, 41 U.S.C. § 10a-10d, which applies to federal contracts, and the Buy America Act, which applies to federally funded state/local highway projects, 23 U.S.C. § 313, as well as mass transit projects, 49 U.S.C. § 5323(j), and airport projects, 49 U.S.C. § 50101. The Recovery Act and the implementing regulations do not make this distinction and instead use the term "Buy American" with respect to all Recovery Act-funded projects.

### Mass Transit Links

#### Mass Transit is under ‘Buy American’

Waldron et al. 9 (Roger Waldron , Carol J. Bilzi and Simeon M. Kriesberg, President at The Coalition for Government Procurement, Counselor of International Trade Law and Regulations, Top Lawyer on US Export Laws and Partner at Mayer Brown, Mondaq, “United States: Meeting the Recovery Act's Buy American Standards: US and Foreign Firms Face Complicated Regulatory Guidelines,” May 12, 2009, <http://www.lexisnexis.com.proxy-remote.galib.uga.edu/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T15212025822&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T15212025826&cisb=22_T15212025825&treeMax=true&treeWidth=0&csi=149522&docNo=1>) T. Lee

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### National Infrastructure Banks Links

#### NIB will include Buy American provisions.

**Shearman and Sterling** LLP, 9/19/**2011** (What a National Infrastructure Bank Could Mean for the US Renewable Energy Sector, p. http://www.shearman.com/files/Publication/306c512e-4db8-4ae2-bf96-accd4d919a0c/Presentation/PublicationAttachment/ca714d13-05a7-41a6-ac98-783ce83012ba/PD-F-Infrastructure-Bank-Update-091911.pdf)

A number of proposals have been put forward by key figures in Washington for the creation of a national infrastructure bank to stimulate private capital investment in domestic infrastructure projects. President Obama, in his recent speech on job creation, reinforced the need for a national infrastructure bank and supported the bi-partisan bill introduced by senators John Kerry and Kay Bailey Hutchison earlier this year. This bi-partisan bill has been imported into the American Jobs Act delivered to Congress and is expected to be put on the legislative calendar later this year. The American Jobs Act of 2011 calls for the creation of an American Infrastructure Financing Authority (“AIFA”). AIFA would be an independent agency funded by a one-time appropriation of $10 billion and would be authorized to provide direct loans and loan guarantees to eligible infrastructure projects. Within the renewable energy sector, this includes the new construction of projects involving pollution reduced energy generation, transmission and distribution, storage, and energy efficiency enhancements for buildings. In order to be considered for financing by AIFA, an eligible project must have projected project costs that are equal to or exceed $100 million, of which up to 50 percent are eligible for AIFA financing. The term of the financing can be no longer than 35 years and scheduled repayment of principal and interest on direct loans must commence no later than 5 years after substantial completion of a project. AIFA financings are required to be subject to credit and security terms which are commonly seen in project financings and will be subject to Buy-American and Davis-Bacon Act requirements.

### Natural Gas Vehicles Links

#### Natural Gas Cars and Fueling Stations would all be “buy American”

Lamm 12’ (Harvey Lamm, Chairman and CEO of Subaru of America, Inc., “Natural Gas as The “Buy American” Energy Alternative” July 13, 2012)

One can’t turn on the TV or read the paper without hearing that either the electric car is the vehicle of the future or that rumors of its troubles—technical, mechanical, financial, or sales—are overblown. All may be true. Technology is a moving target. There is no ‘finish line’ or silver bullet that we can see now for how the nation’s 250 million cars now on the road burning 350 million gallons of gasoline a day or the approximately 15 million cars and light trucks being added each year will be powered. One thing is certain, though—relying on gasoline alone or electric alone or even hybrid electrics won’t get us to energy independence. But there is an alternative fuel that will, in combination with oil and gas and electrics and hybrids, and that is a fuel source America is blessed with in abundance—natural gas. America is the Middle East of natural gas. We have the world’s sixth largest proven reserves. We have over 100 years of natural gas energy not counting non-traditional gas reserves such as shale gas, which now accounts for 37 per cent of U.S. natural gas production, a number which is expected to grow to 60 per cent by 2035. Compressed natural gas (CNG) is 40 per cent less expensive than gasoline, 20 per cent cleaner, and safer. It doesn’t have to be shipped, refined, stored, transported over highways, and then stored again like gasoline. Natural gas is pumped via pipeline from the well to pump. It has the same equivalent energy content as gasoline and its most important attribute is that it can be easily used in today’s internal combustion engines without sophisticated or complex conversion technology. Already America’s Big Three and other automakers are manufacturing either Compressed Natural Gas or CNG bifuel vehicles for the world’s 15 million natural gas-powered vehicles. An engine that can run on both CNG and gasoline is most easily and least expensively configured by an Original Equipment Manufacturer, such as GM, Ford, or Chrysler. What’s more, switching from CNG to gasoline or vice versa can be done easily—automatically or manually. Fill-ups are similar and CNG vehicles’ OEM cost in more developed natural gas vehicle markets is only several thousand dollars above gasoline-only vehicles. So in coordination with the price advantage of natural gas, payback to the vehicle owner can occur within a few years of ownership. With economies of scale, it could be cost-neutral. It is also convenient for fueling networks. Natural gas service already is available for many gasoline stations or new locations for added convenience in fill-ups. CNG bifuel vehicles also require less maintenance than gasoline-only vehicles because they run cleaner. They also have considerably higher resale value than EVs because there is no battery pack to replace. In time, with greater natural gas fueling stations, cars and light trucks could run on CNG alone. Natural gas is the seamless bridge to America’s energy future. Larry Fink, Chairman and CEO of BlackRock, the largest money management firm in the world with $3.5 trillion in assets, said that America is at the tipping point of no longer being dependent on Middle East oil. The treasure trove of natural gas, new oil fields, and alternative fuels have the ability to make the U.S. and North America “energy independent” in the next 10 years if the proper infrastructure is put in place to take advantage of our natural gas. After an era of declining production, the U.S. is awash in a treasure trove of natural gas at historically low prices. Natural gas is $2/BTU in the U.S., $10/BTU in Europe, and $15/BTU in Asia. That makes it not only cost-effective for use in the U.S. but a potential and lucrative export commodity. Similarly, Daniel Yergin, the author of “The Quest: Energy, Security, and the Remaking of the Modern World” and chairman of IHS Cambridge Research Associates, calls natural gas part of America’s “new energy story” accounting for “billions of dollars of new investment—and a lot of new jobs”— 600,000 jobs by 2010 that is expected to grow to 870,000 by 2012, according to a January 2012 IHS Global Insight study (http://press.ihs.com/press-release/energy-power/shale-gas-supports-more-600000-american-jobs-today-2015-shale-gas-predict). Growing American shale gas production, sourced primarily by domestically-based suppliers, the study found, are expected to further increase U.S. manufacturing and high-paying jobs in trucking, steel fabrication, heavy equipment manufacturing, transportation, and education. Further the natural gas industry will generate increases of $933 billion in additional tax revenues to local, state, and federal governments over the next 25 years, with $924 more in annual household disposable income by 2015 as a result of a switch to natural gas fueling costs for cars and utilities. This is an investment we cannot afford to pass by. The Achilles Heel for natural gas for cars today is that it is not now viable for auto manufacturers to make CNG bifuel cars without an alternative fuel incentive. It is similarly not viable for companies to invest in a natural gas fueling network on the scale needed to support a national fleet of cars and light truck consumers without customers who want to buy them. Currently the CNG vehicle population is about 120, 000 vehicles nationwide comprised chiefly of heavy duty trucks and buses—such as trash trucks and city buses. Some municipalities fuel their fleet cars on natural gas whose use is local and which can be refilled at night in the nation’s 1000 natural gas fueling stations, half of which are privately owned. The greatest beneficiary of natural gas is the nation’s fleet of light-duty vehicles which account for 80% of on-road motor fuel use and includes light duty trucks, such as SUVs, pickup trucks and vans that occupy over 50% of consumer’s buying choice and are by far the greatest number of vehicles on the road today and are costly to Americans in terms of fuel, toxic emissions, and oil consumption. Electric power is not suitable for either class of vehicle—light-duty trucks or heavy trucks and buses. The internal combustion engine best suits these vehicles’ requirements for power and performance. Natural gas can be seamlessly substituted or work in tandem with gasoline or diesel that can provide the best, safest, and lowest-cost alternative to gasoline or diesel-powered engines alone. Although oil prices have returned to below $100/barrel levels for now and with them lower gasoline prices, oil prices are among the world’s hardest commodities to predict. With the Arab Spring showing no clear path and geo-political tensions heating up in Iran and Syria, not to mention Egypt, the U.S. should do everything in its power now to wean the nation off its foreign oil umbilical cord. By contrast, 98% of the natural gas consumed in the U.S. is produced in North America cheaply, abundantly, and safely. This is an energy alternative that should not be left out of the equation of alternative fuels for cars. To make this energy independent scenario a reality, there has to be a working and actionable partnership between industry, government, and the consumer to build, buy, and fuel CNG vehicles. If the goal is to provide a seamless substitute for gasoline and diesel fuel in the long term and to have that alternative fuel cleaner, safer, cheaper, and domestically available, why wouldn’t the same credits and incentives be provided consumers who purchase CNG bifuel vehicles as now exist for buyers of electric or electric hybrid vehicles? We should also continue to pursue hydrogen fuel cells, ethanol, methanol, biodiesel, and even battery power. All alternative fuels should be able to compete on an even playing field. While the benefits to America’s energy independence are significant and even game-changing, it is incumbent upon the natural gas industry to protect human health and the environment by installing safeguards, processes, and practices to assure both regulators and the public that they are exercising responsible care in all phases of production—from drilling to extraction, to transport, to dispensing to the end user. Natural gas is a “buy American” resource that should be used wisely as well as profitably.

### Pipeline Links

#### CSS pipelines would use American Steel

Pawfomak & Folger 8’ (CSS Report for Congress, “Carbon Dioxide (CO2) Pipelines for Carbon

Sequestration: Emerging Policy Issues”, Paul W. Parfomak Specialist in Energy and Infrastructure Policy

Resources, Science, and Industry Division & Peter Folger Specialist in Energy and Natural Resources Policy

Resources, Science, and Industry Division)

Since pipeline materials make up a significant portion of CO2 pipeline construction costs, analysts have called attention to rising pipeline materials costs, especially steel costs, as a concern for policymakers. Following a period of low steel prices and company bankruptcies earlier in the decade, the North American steel industry has returned to profitability and enjoys strong domestic and global demand. Now, higher prices resulting from both strong demand and increased production costs for carbon steel plate, used in making large-diameter pipe, may alter the basic economics of CO2 pipeline projects and CCS schemes overall. As Figure 2 shows, the price of large-diameter pipe was generally around $600 per ton in late 2001 and early 2002. By late 2007, the price of pipe was approaching $1,400 per ton. Analysts forecast carbon steel prices to decline over the next two years, but only gradually, and to a level still more than double the price early in the decade. If some form of CCS is effectively mandated in the future, a surge in demand for new CO2 pipe, in competition with demand for natural gas and oil pipelines, may exacerbate the trend of rising prices for pipeline materials, and could even lead to shortages of pipe steel from North American sources. As a consequence, the availability and cost of pipeline steel to build such a CO2 pipeline network for CCS may be a limiting factor for widespread CCS implementation

#### **New Pipelines are using American steel**

Trans Cananada 12’ (Trans Cananada 2/17/12 “Media Advisory - 75 Per Cent of Keystone XL Pipe would be 'Made in North America”)

Calgary, Alberta - February 17, 2012 - TransCanada Corporation (TSX, NYSE: TRP) (TransCanada) confirmed today the vast majority of the pipe for Keystone XL would be manufactured in North America. In addition, the company intends to purchase approximately 90 per cent of all other goods for the $7.6 billion project from companies on the continent. "Seventy-five per cent of the pipe used to build Keystone XL in the U.S. would come from North American mills, including half made by U.S. workers in Arkansas," said Alex Pourbaix, TransCanada's president, Energy and Oil Pipelines. "In addition, we have already sourced goods for the pipeline valued at approximately $800 million from U.S. manufacturers." Pourbaix points out that the American Iron and Steel Institute recently sent a letter to the U.S House of Representatives and Senate stating its support of Keystone XL, describing it as vital to the national economic recovery. The Institute's member companies represent 80 per cent of both U.S. and North American steel capacity. We estimate 821,000 tons of high strength line pipe will be used on the project in Canada and the U.S. TransCanada has estimated it will use 660,000 tons of steel for the U.S. portion of the Keystone XL pipeline.

### Rails Links

#### Trains are “Buy American”

Yglesias 11’ (Matthew Yglesias, staff writer at the American Prospect, “Free Trade in Trains” Aug 9, 201)

One of the many ways in which the United States disadvantages rail vis-a-vis automobile transportation is that rail operators in the United States are typically subject to onerous “Buy America” rules that do much more to constrain the purchase of European or Japanese rolling stock than is the case for automobiles. This is ostensibly a job-creation measure, but as Alon Levy argues, it’s an extraordinarily expensive one since the main practical impact is to simply restrict the number of bidders on any given contract: Amtrak’s Sprinter locomotives, compliant with both FRA regulations and Buy America, cost 30% more than the European locomotives they’re based on, and 50% more than competitor products built only for passenger trains rather than also for freight trains. A 30% premium works out to an extra cost of about $100 million, providing 250 jobs.

### Roads and Bridges Links

#### Roads and bridges are under ‘Buy American’

Waldron et al. 9 (Roger Waldron , Carol J. Bilzi and Simeon M. Kriesberg, President at The Coalition for Government Procurement, Counselor of International Trade Law and Regulations, Top Lawyer on US Export Laws and Partner at Mayer Brown, Mondaq, “United States: Meeting the Recovery Act's Buy American Standards: US and Foreign Firms Face Complicated Regulatory Guidelines,” May 12, 2009, <http://www.lexisnexis.com.proxy-remote.galib.uga.edu/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T15212025822&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T15212025826&cisb=22_T15212025825&treeMax=true&treeWidth=0&csi=149522&docNo=1>) T. Lee

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## Impacts

### Impact – Canadian Economy

#### Buy American endangers Canadian economy through protectionism

Cowden 11 (Michael Cowden, Reporter for Metal Bulletin, Metal Bulletin Daily Alerts, “Canada opposes 'Buy American' language,” September 16 2011, <http://www.lexisnexis.com.proxy-remote.galib.uga.edu/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T15185677726&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T15185677730&cisb=22_T15185677729&treeMax=true&treeWidth=0&csi=334941&docNo=3>) T. Lee

Canada will oppose "Buy American" provisions in a jobs package proposed by President Obama, Canada's trade minister said Wednesday.¶ The Americans Jobs Act contains "Buy American" language provisions related to infrastructure funding-provisions that run contrary to the principles of free trade, Trade Minister Ed Fast said in a statement Wednesday.¶ "In this fragile economic recovery, we know history has shown protectionist measures stall growth and kill jobs," Fast said.¶ The Canadian government will raise its concerns with both the Obama administration and U.S. Congress "regarding measures that impeded access for Canadian workers and business to the U.S. market," Fast said.¶ Canadian Manufacturers & Exporters (CME) echoed Fast's sentiments, saying "Buy American" procurement restrictions in the Obama administration's jobs package threaten jobs both in the United States and Canada, the group said in a news release Wednesday.¶ "You don't create jobs by restricting business opportunities between the world's two largest trading partners," CME president and chief executive officer Jayson Myers said in the statement.¶ Canadian manufacturers supply America's building, transportation, and state and municipal infrastructure markets and they could be "seriously affected" if new restrictions become law, he said.

#### **The Canadian economy is Key to the US Economy**

**Economy Watch 10’** (EconomyWatchContent, 3/11/10, Canada Economy)

Today, the Canadian economy strongly resembles that of its neighbour to the south, the US. Besides having similar patterns of production and living standards, Canada has also adopted a market oriented economic system. However unlike the US or most other advanced economies, Canada’s primary sector, namely the logging and oil industries, remains an important element to the economy. Canada’s manufacturing industry is also highly valued by the economy – the automobile industry for example attracts major investments from US and Japanese automobile companies with multiple manufacturing plants set up in Canada. Canada’s economy also distinguishes itself from the US, whereby it is a net exporter of commodities while the US is a net importer. Furthermore, the Canadian banking industry is considered to be fairly conservative compared to that of the US. Despite the differences, Canada’s economic progress is closely tied to that of the US. Following the signing of the 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA), trade and economic integration between both countries have increased significantly. The US is Canada’s largest foreign investor with heavy investments in mining, smelting, petroleum, chemicals and machinery. Often, Canadian economic policies have been adjusted in order to adapt to changes in the US economy. Historically, even a minor change in the US interest rates has had economic repercussions in Canada. Although NAFTA dramatically improved trade between the US and Canada, disputes still remain pertaing to intellectual property rights, softwood lumber, beef, tomatoes and other agricultural products.¶ The US is Canada’s largest and most important trade partner. In 2009, 75.02 percent of Canadian exports were directed to the US, while 51.1 percent of imports came from the US.¶ Commodities dominate trade between the US and Canada. In agriculture, both countries are its counterpart’s largest export market – the US imports more than half of Canada’s food products while Canada imports nearly 20 percent of the US’s food product.¶ The energy trade is another critical element in US-Canada trade. Canada is the US’s largest oil supplier, accounting for 16 percent of US oil imports and 14 percent of US’s natural gas consumption. Besides sharing hydropower facilities on the western borders, national electricity grids in Canada and the US are also linked with each other.¶ The UK and China are Canada’s next largest export partners after the US. Respectively, these countries account for 3.37 and 3.09 percent of Canada’s exports. China is also the second largest source for imports to Canada, accounting for 10.88 percent of imports. In 2010, Canada was the 10th largest exporter and 12th largest importer in the world.

#### **The Canadian economy is a significant factor to the global economy**

**Economy Watch 10’** (EconomyWatchContent, 3/11/10, Canada Economy)

Canada is the 9th largest economy in the world based on GDP (current prices, US dollars) and the 14th largest based on GDP (PPP). Since the 2008 global financial crisis, the Canadian economy has re-emerged as one of the strongest advanced economies in the world. In 2010, Canada’s GDP growth (constant prices, national currency) stood at 3.071 percent – the highest it had been since 2004.¶ Prior to World War II, agriculture was the primary driver of the Canadian economy with over 60 percent of the population living in rural towns or farms. Canada had struggled to recover from the Great Depression, with Gross National Product falling by 43 percent and exports dropping by 50 percent between 1929 and 1933. By 1933, unemployment had risen to more than 25%.¶ ¶ World War II marked a major transformation in the Canadian economy. Manufacturing, mining and services grew rapidly to meet the demands of the war and agriculture production became more mechanised and efficient.¶ ¶ As a result, there was an upturn in industrial production and manufacturing in Canada. New jobs were also being created while industries benefitted from a highly trained and diversified labour force that had arisen during the war.

### Impact – Economy

#### Buy American policy hurts economy more than it helps – multiple warrants

Hufbauer and Schott 09 (Gary Clyde Hufbauer and Jeffrey J. Schott, Reginald Jones Senior Fellow at the Peterson Institute for International Economics, a senior fellow at the Peterson Institute for International Economics, International Economics, “Buy American: Bad for Jobs, Worse for Reputation,” February 2009, <http://www.iie.com/publications/pb/pb09-2.pdf>) T. Lee

The draft Senate bill stipulates that, in addition to steel and¶ iron, all manufactured goods used in projects financed by the¶ stimulus plan must be produced in the United States. We use¶ data developed by Christina Romer and Jared Bernstein to¶ estimate the job impact of this larger constraint.¶ Romer and Bernstein indicate that the stimulus plan will¶ directly create 1.5 million jobs in the US economy. Beyond¶ the direct impact, still more jobs will be created as newly hired¶ workers spend their wages. For calculating the effect of Buy¶ American, however, we ignore this “indirect” effect since there¶ is no requirement that wages earned by newly hired workers¶ be spent on purchasing American products.¶ Of the direct jobs—those affected by the Buy American¶ provisions—approximately 220,000 will be in the manufacturing¶ industry. Table 2 (on page 5) indicates the spending¶ components of the stimulus bill that contribute to creating¶ these new jobs. According to the Office of Federal Procurement Policy, around 4 percent of US federal spending for¶ the procurement of manufactures used in the United States is¶ spent on manufactured goods originating from foreign countries.¶ We assume that roughly the same percentage applies to¶ state procurement of manufactured goods. Thus, as a maximum¶ effect of the Buy American provision of the Senate bill,¶ there might be a switch of this “normal” 4 percent foreign¶ purchases to domestic firms. Four percent of 220,000 jobs¶ indicates a job gain of roughly 9,000 jobs. A recent report¶ on job benefits from infrastructure spending, by the Political¶ Economy Research Institute (PERI) and the Alliance for¶ American Manufacturing, when correctly evaluated, reaches¶ similar results. In response to the Buy American measures, other countries would likely choose to echo US legislation by further restricting¶ the ability of foreign firms to bid on public contracts.¶ Such action—applied to lucrative new projects covered by¶ their own stimulus programs—would raise additional barriers¶ to US manufactured exports. Fred Smith, chairman and¶ CEO of Federal Express, said “if the Congress passes this Buy¶ American provision, I can assure you—and we operate in 220-¶ some-odd countries around the world and are a huge part of¶ the import-export infrastructure of the United States—we will¶ get retaliation and it will be American jobs at risk.”¶ If, for example, trading partners strike back with their¶ own protectionist measures on steel, the US steel industry¶ could lose exports. The United States exported around 9¶ million tons of steel in 2007. Conceivably, the risk to US steel¶ exports is equal to or greater than potential production gains¶ from the Buy American provision in the House bill.¶ Moreover, foreign countries might extend their retaliation¶ list to other US manufactured goods, especially if the Senate¶ version of Buy American provision becomes law, since it covers all manufactured goods. In particular, foreign countries might¶ cut off purchases of US products for public projects.¶ To scope out this possibility, we identify 12 major US¶ trading partners. Table 3 (on page 6) shows government¶ procurement spending in each of those countries as a percent¶ of GDP. Applying that proportion to US exports of goods¶ and services to each country, we estimate what share of those¶ countries’ direct and indirect imports of US goods and services¶ are the result of government procurement. The total value is¶ around $104 billion. In our view, at least a small share of those¶ exports are “at risk” of echo or retaliation measures. But even if 1 percent of those exports were in fact lost by echo or retaliation¶ behavior, the resulting employment loss in the United¶ States would be around 6,500 jobs. In an extreme case that 10¶ percent of those exports are lost, as many as 65,000 jobs could¶ vanish (table 4).¶ To summarize: The negative job impact of foreign retaliation¶ against Buy American provisions could easily outweigh¶ the positive effect of the measures on jobs in the US iron and¶ steel sector and other industries. The difference is that jobs lost¶ would be spread across the entire manufacturing sector, while¶ jobs gained would be concentrated in iron and steel and a few¶ other industries.¶ Other factors not reflected in our calculations could also¶ have a negative impact on net job creation. For example, with¶ a Buy American requirement, the prices charged to public¶ agencies would likely be higher for US iron and steel and¶ other manufactured products. Higher prices would mean that fewer roads and schools could be built with the stimulus¶ money. Higher iron and steel prices could also hurt steel-using¶ firms that are major US exporters—such as heavy machinery.¶ On the other hand, prices might fall for foreign steel sold by¶ countries where the steel industry depends on exports to the¶ United States, such as Mexico and Canada. Private US buyers¶ might in turn switch their purchases to those foreign producers.¶ Depending on the size of the switch, the jobs created by¶ the Buy American provisions could be significantly reduced by¶ a loss of sales to private business in the United States.

#### Buy American and protectionism has drastic impacts for the economy

Irwin 12 (Douglas A. Irwin, Writer for the Wall Street Journal, WSJ, “The Return of the Protectionist Illusion,” July 1 2012, <http://online.wsj.com/article/SB10001424052702304058404577492882405657846.html>) T. Lee

Unfortunately, President Obama has provided no leadership in trying to keep world markets open for trade. Out of fear of offending labor unions and other domestic constituencies, his administration long delayed submitting free trade agreements with Korea, Colombia and Panama for congressional approval. Instead of seeking to reinvigorate the languishing Doha round of trade negotiations at the WTO, it has been almost completely passive and allowed world-trade policies to drift.¶ Congress has also done little to help. Senate Republicans and Democrats teamed up late last month to maintain import restrictions for the sugar industry, defeating an amendment from Sen. Jeanne Shaheen (D., N.H.) that would have gradually eliminated them. Keeping domestic sugar prices at twice the world level helps a few sugar-cane and beet farmers at the expense of consumers and taxpayers, while leading to job losses in sugar-using industries, such as candy and confectionary manufacturing.¶ Meanwhile, Congress and the administration continue to flirt with new "Buy American" provisions, drawing the ire of Canada and other trade partners. Yet economists Laura Baughman and Joseph Francois calculated that if foreign retaliation led U.S. companies to lose just 1% of the potential sales opportunities created by foreign stimulus programs, U.S. exporters would lose over 200,000 jobs. This would far exceed the 43,000 jobs supposedly created by the "Buy American" preferences included in the 2009 stimulus bill.¶ Any serious march backward toward protectionism would constitute a major failure of economic policy. Experience has shown that, once imposed, trade restrictions are very difficult to remove because vested interests then have a stake in perpetuating them. Protectionism also breeds foreign retaliation, making barriers doubly difficult to unwind. Now is no time to entertain dangerous illusions.

#### Buy American is a bad idea with small benefits

Hufbauer and Schott 09 (Gary Clyde Hufbauer and Jeffrey J. Schott, Reginald Jones Senior Fellow at the Peterson Institute for International Economics, a senior fellow at the Peterson Institute for International Economics, International Economics, “Buy American: Bad for Jobs, Worse for Reputation,” February 2009, <http://www.iie.com/publications/pb/pb09-2.pdf>) T. Lee

Based on our economic and legal analysis, the Buy American¶ provisions would violate US trade obligations and damage the¶ United States’ reputation, with very little impact on US jobs. In¶ a country of 140 million workers, with millions of new jobs to¶ be created by the stimulus package, the number of employees¶ affected by the Buy American provision is a rounding error.¶ In other words, there is little bang for the buck, and on¶ balance the Buy American provisions could well cost jobs if¶ other countries emulate US policies. Most importantly, the¶ Buy American provisions contradict the G-20 commitment¶ not to implement new protectionist measures—a commitment¶ that was designed to forestall a rush of “beggar-thy-neighbor”¶ policies.¶

### US/Canada Trade War Bad

#### US/Canada trade war escalates --- results in backlash.

**Washington Post**, 5/15/**2009** (Trade Wars Brewing in Economic Malaise, p. <http://www.washingtonpost.com/wp-dyn/content/article/2009/05/14/AR2009051404241.html>)

Ordered by Congress to "buy American" when spending money from the $787 billion stimulus package, the town of Peru, Ind., stunned its Canadian supplier by rejecting sewage pumps made outside of Toronto. After a Navy official spotted Canadian pipe fittings in a construction project at Camp Pendleton, Calif., they were hauled out of the ground and replaced with American versions. In recent weeks, other Canadian manufacturers doing business with U.S. state and local governments say they have been besieged with requests to sign affidavits pledging that they will only supply materials made in the USA. Outrage spread in Canada, with the Toronto Star last week bemoaning "a plague of protectionist measures in the U.S." and Canadian companies openly fretting about having to shift jobs to the United States to meet made-in-the-USA requirements. This week, the Canadians fired back. A number of Ontario towns, with a collective population of nearly 500,000, retaliated with measures effectively barring U.S. companies from their municipal contracts -- the first shot in a larger campaign that could shut U.S. companies out of billions of dollars worth of Canadian projects. This is not your father's trade war, a tit-for-tat over champagne or cheese. With countries worldwide desperately trying to keep and create jobs in the midst of a global recession, the spat between the United States and its normally friendly northern neighbor underscores what is emerging as the biggest threat to open commerce during the economic crisis. Rather than merely raising taxes on imported goods -- acts that are subject to international treaties -- nations including the United States are finding creative ways to engage in protectionism through domestic policy decisions that are largely not governed by international law. Unlike a classic trade war, there is little chance of containment through, for example, arbitration at the World Trade Organization in Geneva. Additionally, such moves are more likely to have unintended consequences or even backfire on the stated desire to create domestic jobs.

### Impact – Kills NAFTA

#### Buy American provisions in infrastructure undermines US/Canada trade relations and NAFTA.

**Field**, 6/5/**2012** (Alan M. – staff writer at the Journal of Commerce Magazine, Will protectionist murmurs deter efforts to forge even closer economic integration, Canadian Sailings, p. <http://www.canadiansailings.ca/?p=4319>)

“Buy American” – or Buy North American? Despite the growing economic integration of their econ­omies, the future of Canada-U.S. trade could suffer a setback from “ill-informed trade protectionism” in the U.S., said Ms. Greenwood. Just when it appeared to have become a non-issue, the controversy over “Buy American” provisions in U.S. law – which sparked huge controversy a few years ago – has been revived, providing further evidence that many Americans fail to view North America as a single integrated market or view Canada as a particularly vital strategic partner. The upshot of this bid for protectionism is that some Canadian companies that are hoping to win contracts on upcoming road and bridge projects may wind up being prohibited from bidding on those contracts. A provision in the Moving Ahead for Progress in the 21st Century Act (MAP-21) would prohibit foreign firms from bidding on any federal construction project that has the even smallest amount of U.S. federal funding. A proposed amendment to the bill would prohibit state governments from contracting outside the country if any part of the project receives U.S. government funding. Both the Senate and the House of Representatives are now in complex negotiations to finalize the law, which is also known as the Surface Transportation Reauthorization Bill. Predictably, Canadian business groups have reacted with dismay. The bill includes provisions “that represent a significant departure from existing ‘Buy America’ preferences,” wrote Amgad Shehata, Chair of the Washington-based Canadian American Business Council (CABC), in a letter to the U.S. Senate and the House conferees. “Specifically, if at least one contract for a project receives any federal funding under this act, then all contracts for a project, regardless of their funding source, would be subject to Buy America preferences,” Shehata said. Over the decades, various Buy American provisions in U.S. laws have attempted to create new American jobs by imposing restrictions on imported construction materials, mostly iron and steel. The issue seemed to have been settled in February 2010, when the two governments agreed on reciprocal bidding in each other’s countries on infrastructure projects such as bridges and roads following President Barack Obama’s $787 billion economic stimulus bill. In retrospect, Dr. Pastor faults President Obama for succumbing to political pressure to include a Buy American provision in his 2009 stimulus bill. “That was a violation of NAFTA, and after negotiating for more than a year with Canada to change the provision, the President repeated the same mistake in the summer of 2011 with his second jobs bill. If the President understood the importance of Canada and Mexico, he would have proposed a ‘Buy North American provision,’ and instead of a U.S. Infrastructure Fund, he would have suggested a ‘North American Infrastructure Fund.’ Both of those provisions would do more to stimulate the U.S. economy and create jobs than TPP.”

### NAFTA Good

#### NAFTA is integral to the combined economy of US, Mexico, and Canada

Crowley 11 (Brian Lee Crowley, Managing Director of the Macdonald-Laurier Institute, a national public policy think tank based in Ottawa, National Post, “It isn't about trade; NAFTA really about running a single integrated economy,” December 14 2011, <http://www.lexisnexis.com.proxy-remote.galib.uga.edu/lnacui2api/results/docview/docview.do?docLinkInd=true&risb=21_T15185938692&format=GNBFI&sort=BOOLEAN&startDocNo=1&resultsUrlKey=29_T15185941706&cisb=22_T15185941701&treeMax=true&treeWidth=0&csi=397222&docNo=12>) T. Lee

That might seem a silly question. NAFTA is about trade, right? It is the North American Free Trade Agreement after all.¶ But what if it is not really mainly about trade at all? Thinking chiefly in terms of trade might actually obscure the real point.¶ Unfortunately when many people think about trade, they think of it in old-fashioned terms. Each country has its own self-contained economy. And in each economy, that country's workers make goods and services. Those finished products are then sold to other countries, which make different goods and services in their own little self-contained economy. Japan makes cars. France makes wine. They trade wine for cars.¶ That is emphatically not what happens for the most part in North America. What we have is not three countries and three economies trading finished products with each other. We have a single economy shared by two countries, Canada and the United States (and increasingly a third, Mexico). We have a single economy awkwardly cross-cut by inefficient and obstructive national borders.¶ The implication of this one-economy-but-three-countries view is that NAFTA is not (despite its name) chiefly about trading finished goods between separate national economies. It is about managing a highly integrated continental economy in which Canadians and Americans work together to make things. NAFTA should really be called the North American Integrated Production Agreement (NAIPA).¶ Canadians and Americans do not trade with each other as the French and the Japanese do. We make things together and then sell them to each other and the rest of the world. That is why, for example, about two-fifths of the vast "trade" between our two countries takes place within individual companies. They move goods from one plant to another at different stages of production, and those plants are spread about in both Canada and the United States.

#### **North American economic and political corporation is key to prevent transnational threats**

Obaba & Calder**ón, 4/2/12, (**President Barrack Obama, President Calderón and Prime Minister Harper, **“**Joint Press Conference by President Obama, President Calderon of Mexico, and Prime Minister Harper of Canada” Released by the White House Office of the secretary on April 02, 2012)

PRESIDENT OBABA: There's a sense of neighborly regard and concern that has to be part of our calculus and our foreign policy. But more practically, the United States shares a border with Mexico. If you have this kind of violence and the power of the drug trade as a whole expanding in countries that are so closely affiliated with us -- in Central American countries -- if you start getting a larger and larger space in which they have control over serious chunks of the economy, if they’re undermining institutions in these countries, that will impact our capacity to do business in these countries. It could have a spillover effect in terms of our nationals who are living in those countries, tourists that are visiting these countries. It could have a deteriorating effect overall on the nature of our relationship. And that’s something that we have to pay attention to. And, as I said, I think the Mexican government has taken this very seriously at great cost to itself. We have an obligation to take it just as seriously, in part because we are the ultimate destination for a large chunk of this market. And that -- Stephen and I were trading notes -- in places like the United States and Canada, this is not just an issue of -- that traditionally was very urban. This is disseminated across our communities. And you go into rural communities and you’ve got methamphetamine sales that are devastating young and old alike, and some of that is originally sourced in Mexico. And so even in the remotest, most isolated parts of Canada or the United States, they’re being impacted by this drug trade, and we’ve got to work cooperatively in order to deal with it.

PRESIDENT CALDERÓN: (As interpreted.) And I’d like to look at it from another standpoint. The security of North America is absolutely tied to each of its member states. There cannot be full security in this country or in Canada or in Mexico if we do not have a system that actually enables the cooperation mechanisms to act in facing threats that have no borders, that are transnational by their very nature. And these are threats that are not just tied into drug trafficking, which is transnational of course. And I’ll give you two examples of success stories that I was mentioning this morning. One, the attempt to take to Mexico one of the children of Qaddafi -- one of Qaddafi’s children. This implied an international and very North American operation because it was headed up by a Canadian businesswoman who hired an American company, which hired, in turn, Mexican pilots and counterfeiters. And this multinational operation could have been -- would not have been avoided without the international security mechanisms that we didn't have before, but that now we have. Also, being able to avoid the assassination of the Saudi ambassador here in Washington would not have been possible without the mechanisms and cooperation that we have today. So thinking that what happens in Mexico doesn't have anything to do with the security of the citizens of this country or of any other citizen of North America is a mistake. We have to understand that we are all tied to one another. Now, security, understood in the regional sense -- in order to understand that, we have to understand where the greatest threats to security actually lay. The United States has a clear idea of its threat, of its security priorities, its threats of terrorism, of international terrorism, terrible attacks on the U.S. people. Another threat clearly is in the power of transnational organized crime, which I insist is not crime or organizations that are strictly Mexican in nature. They don't have a nationality, and they don't operate in just one country. They're probably operating right here in this city. In Washington, for instance, the number of homicides per 100,000 inhabitants is higher by 10 -- more than 10 or 20 than the largest number in any of the big cities in Mexico. These are international organizations that have a growing destructive capacity, that act well beyond borders and threaten anyone, anywhere. It is true, the efforts that we undertake clearly make it possible to contain that threat and to prevent it from acting in society -- not just in the United States or Canada, but even in Mexico. And that explains why, for instance, despite the perception of my country, last year 23 million tourists came to our country by plane, plus another 7 million in cruise ships, plus another 50 million who crossed the border, the land borders. So that's also why there are 2 million Mexicans living comfortably in Mexico, and many more living also here who came to visit us here and wanted to see us in the White House. And that's also why 1.6 million Canadians come to Mexico every year. So that's 5 percent of the Canadian population that travels to Mexico every year. And that also explains why, despite the fact that a state such as Texas recommends that none of its young people should travel to anywhere in Mexico, that's why there are hundreds of thousands of young Texans who go to Mexico, enjoy it, and why we haven't seen one single incident with U.S. spring-breakers in Mexico this past spring, for instance. Great concern, because these are multinational criminal organizations and the mechanisms, of course, to face them, to defeat them, have to be multinational. In addition to the solidarity -- expressions of solidarity of President Obama, who says that he cannot stand aside from the expressions of threat that is facing a neighbor of his, vulnerability from an institutional point of view in Mexico and Central America is an issue that also impacts and jeopardizes all of the citizens of North America

### North American Economic Cooperation Good

#### **North American economic cooperation is key to both regional and global economic growth and stability**

Obaba & Calder**ón, 4/2/12, (**President Barrack Obama, President Calderón and Prime Minister Harper, **“**Joint Press Conference by President Obama, President Calderon of Mexico, and Prime Minister Harper of Canada” Released by the White House Office of the secretary on April 02, 2012)

PRESIDENT OBAMA: Between us, we represent nearly half-a-billion citizens, from Nunavut in the Canadian north to Chiapas in southern Mexico. In between, the diversity of our peoples and cultures is extraordinary. But wherever they live, they wake up every day with similar hopes -- to provide for their families, to be safe in their communities, to give their children a better life. And in each of our countries, the daily lives of our citizens are shaped profoundly by what happens in the other two. And that’s why we’re here. Today, we focused on our highest priority -- creating jobs and opportunity for our people. In the United States, our businesses have created nearly four million new jobs; confidence is up and the economy is getting stronger. But with lots of folks still struggling to find work and pay the bills, we are doing everything we can to speed up the recovery. And that includes boosting trade with our two largest economic partners. As President, I’ve made it a priority to increase our exports, and I’m pleased that our exports to Canada and Mexico are growing faster than our exports to the rest of the world. In fact, last year trade in goods with our two neighbors surpassed $1 trillion -- for the first time ever. This trade supports some 2.5 million American jobs, and I want more trade supporting even more jobs in the future. So today, Prime Minister Harper led us in a very good discussion about how our three countries can improve our competitiveness. We agreed to continue making our borders more efficient and more secure so it’s faster and cheaper to travel and trade. We’re expanding cooperation to create clean energy jobs and combat climate change -- an area in which President Calderón and Mexico have been a real leader. I’m pleased to announce that our three nations are launching a new effort to get rid of outdated regulations that stifle job creation. Here in the United States, our efforts to cut red tape and ensure smart regulations will help achieve savings and benefits to businesses, consumers, and our country of more than $100 billion. And we’re already working to streamline and coordinate regulations with Canada and Mexico on a bilateral basis. So now our three nations are going to sit down together, go through the books and simplify and eliminate more regulations that will make our joint economies stronger. This is especially important, by the way, for our small and medium-sized businesses, which, when they start exporting, often start with Mexico and Canada. So this is going to help create jobs, and it’s going to keep us on track to meet my goal of doubling U.S. exports. More broadly, I reiterated my commitment to comprehensive immigration reform, which would be good for workers and good for business. I’m pleased that Canada and Mexico have also expressed an interest in joining the Trans-Pacific Partnership. Consultations with our TPP partners are now underway on how new members can meet the high standards of this trade agreement, which could be a real model for the world. And I very much appreciated President Calderón updating us on preparations for the next G20 summit, which he will be hosting in June. Our other major focus today was the security that our citizens deserve. Criminal gangs and narco-traffickers pose a threat to each of our nations, and each of our nations has a responsibility to meet that threat. In Mexico, President Calderón has shown great courage in standing up to the traffickers and cartels, and we’ve sped up the delivery of equipment and assistance to support those efforts. Here in the United States, we’ve increased cooperation on our southern border, and dedicated new resources to reducing the southbound flow of money and guns, and to reduce the demand for drugs in the United States, which helps fuel -- helped to fuel this crisis. And today each of us reaffirmed our commitment to meeting this challenge together -- because that’s the only way that we’re going to succeed. Beyond our borders, these cartels and traffickers pose an extraordinary threat to our Central American neighbors. So we’re teaming up. Defense ministers from our three countries met last week as a group -- for the first time ever. And we’re going to be coordinating our efforts more closely than ever, especially when it comes to supporting Central America’s new strategy on citizen security, which will be discussed at the Summit of the Americas in Colombia next week. So, again, I want to thank Stephen and Felipe for being here. When I came to office I pledged to seek new partnerships with our friends in the Americas, a relationship of equality and shared responsibility built on mutual interest and mutual respect. That's what we’ve done. And it wouldn’t have been possible without the leadership and sense of purpose that these two outstanding leaders have brought to all our efforts, including our efforts today. As a result, I believe our nations and our citizens will be more secure, more prosperous and in a better position to give their children the lives that they deserve. So with that, let me turn it over to President Calderón. PRESIDENT CALDERÓN: Thank you, President Obama. (As interpreted.) Your Excellency, Mr. Barack Obama, President of the United States of America; Right Honorable Stephen Harper, Prime Minister of Canada, ladies and gentlemen of the press; Mr. Ambassadors; legislators; friends: First of all, I would like to thank President Barack Obama for his extraordinary hospitality and that of his government in hosting this Summit of the Leaders of North America. And briefly, I would also like to express on behalf of the government of Mexico, the people of Mexico, my family and my own behalf, my most sincere sympathies to the family and relatives of former President Miguel de la Madrid Hurtado for his lamentable death yesterday. Tomorrow we will be rendering homage to him in Mexico. The reasons for which we are here today at this Summit of North American Leaders with President Barack Obama and the Prime Minister of Canada, we’ve come through a work day that has been very fruitful and fluid with an exchange of opinions and progress to the benefit of our respective citizens. I’m also very thankful to my two colleagues for the openness with which we have broached some very complex items on our working agenda. I recognize and value their enormous commitment to our common region. The leaders of North America share a vision of a strong, solidary, safe, competitive region that is able to successfully face head on the challenges of today. We agree that our common challenges can only be faced together. And therein lays the importance of having dialogue, strong dialogue, amongst our three countries. The data that President Obama has just given us is very important, that our trade has exceeded $1 trillion for the first time. And I think that that is not separate from a reality that has to be underscored. In this very complex world full of economic problems and severe crises, Canada, the United States and Mexico are three countries that are growing right now and generating jobs today. And that growth and those millions of jobs, many of them have to do precisely with the greatest trade exchanges that we have ever seen amongst these great nations. I would say that the potential of North America tied to these three countries is such that within our own nations we have a great deal to do to make the most of these opportunities for greater exchanges amongst our peoples. As we’ve mentioned today, we have progressed on various fronts. For instance, we’ve advanced on the deregulation in our countries -- in our own countries, as well as amongst our countries. We have progressed as well in harmonization of certain standards that facilitate trade. We’ve also progressed, in our case, on the bilateral relationship in border infrastructure. And all of this has led, of course, to the benefit of Canadian, Mexican and American families. Another line of ideas, I would also say that the three nations have renewed their decision to strengthen cooperation at the international level, particularly in issues as sensitive as the security of our citizens. We have reiterated the values upon which our societies were founded: democracy, liberty, justice, the respect for human rights. And today the political dialogue amongst us is perhaps stronger than ever. We have renewed certain principles of our existence and of our challenges: The principle of shared responsibility, the exchange of information, and especially the strengthening of our institutions that has to be the guide of our cooperation. Clearly, I expressed to President Obama and to Prime Minister Harper that the fight that Mexico is experiencing for a safer North America also requires a strengthening of national actions, amongst other things, to stop the traffic of weapons, to combat with greater strength money laundering, and, of course, to reduce the demand for drugs that strengthens criminal organizations. I also expressed to President Obama and to Prime Minister Harper that Mexico recognizes the commitment that they have undertaken to progress along those lines. It’s also necessary to strengthen the regional security focus, and in order to do this, we need to include our neighbors and Central American partners, who are also facing serious problems and who need our solidarity. The three countries have agreed to establish a joint dialogue mechanism with the Central American Integration System -- SICA -- in support of the efforts undertaken by Central American nations to fight organized crime and in favor of regional security that benefits us all. Of course, in this meeting, we have broached the topic of the regional economy. The leaders of North America agree that the United States, Canada and Mexico must continue to delve deeper into our successful economic relationship so as to generate more jobs and greater well-being in all three countries. Our governments recognize that it is absolutely necessary to continue to fully comply with the NAFTA, as well as to explore new means of strengthening regional competitiveness. And I am convinced that if we work together, we will become much more competitive than many areas of the world that we are competing with today. Mexico’s position is that the solution to the complex economic situation experienced by the world today is not a return to protectionist practices that only isolate countries, reduce competitiveness of economies, and send investment scurrying, but that part of the problem and part of the investment that we need to see in the world economy is to see a delving deeper into our economies and making the most of our advantages that show our economic complementarity in terms of investment, labor, technologies, natural resources. And only then will we be able to have success in a world that competes ferociously by regions. The three countries have renewed our commitment to broaden the productive -- the supply chains of the region that will be even more interconnected, supporting especially the small and medium-scale companies. Mexican exports to the world represent 37 percent of -- or have, rather, 37 percent of American content. In other words, so American exports are American exports, and they generate millions of jobs for the region. And in that lays the need to work even more in this region on a clear trilateral deregulation, for instance, in nanomaterials and emissions standards for some vehicles. Today we also agreed to work in a coordinated fashion on actions that we will be adopting to modernize infrastructure and for border management. After 10 years -- the last two years, we’ve seen three new border crossing areas between Mexico and the United States, after 10 years not having seen one new route. And we continue to work in a coordinated fashion to make our border more dynamic so that it's a border of opportunities for progress on both sides of that border. Tomorrow, here in Washington, our ministers of economy and of trade will be meeting within the framework of the Free Trade Commission of the NAFTA so as to continue to work towards achieving these objectives. Today, we've seen that prosperity in the region depends on greater integration with full respect of our sovereignties in all fields. And in this context, I'd like to reiterate the interest of my country to join forces as soon as possible to the TPP, or the Trans-Pacific Partnership, and its negotiations. Because we know that Mexicans can contribute to a quick and successful conclusion of this project. If we join forces in this region where we see the greatest growth in the world, we will be generating benefits for our families, our workers, and also substantially improving the competitiveness of the three countries in this context. We are convinced that the experience and participation of Mexico will enrich this free trade project of the latest generation that encompasses countries in Asia, Oceania, and America. Our country has a clear commitment to economic freedom. We even have the support of the private sector so as to enter into the TPP. We are a nation that believes in free trade as a true tool to foster growth and development, and we have acted as a result of this.

### Impacts – Protectionism

#### International backlash against protectionist Buy American policy

Hufbauer and Schott 09 (Gary Clyde Hufbauer and Jeffrey J. Schott, Reginald Jones Senior Fellow at the Peterson Institute for International Economics, a senior fellow at the Peterson Institute for International Economics, International Economics, “Buy American: Bad for Jobs, Worse for Reputation,” February 2009, <http://www.iie.com/publications/pb/pb09-2.pdf>) T. Lee

Moreover, foreign countries might extend their retaliation¶ list to other US manufactured goods, especially if the Senate¶ version of Buy American provision becomes law, since it covers all manufactured goods. In particular, foreign countries might¶ cut off purchases of US products for public projects.¶ To scope out this possibility, we identify 12 major US¶ trading partners. Table 3 (on page 6) shows government¶ procurement spending in each of those countries as a percent¶ of GDP. Applying that proportion to US exports of goods¶ and services to each country, we estimate what share of those¶ countries’ direct and indirect imports of US goods and services¶ are the result of government procurement. The total value is¶ around $104 billion. In our view, at least a small share of those¶ exports are “at risk” of echo or retaliation measures. But even if 1 percent of those exports were in fact lost by echo or retaliation¶ behavior, the resulting employment loss in the United¶ States would be around 6,500 jobs. In an extreme case that 10¶ percent of those exports are lost, as many as 65,000 jobs could¶ vanish (table 4).¶ To summarize: The negative job impact of foreign retaliation¶ against Buy American provisions could easily outweigh¶ the positive effect of the measures on jobs in the US iron and¶ steel sector and other industries. The difference is that jobs lost¶ would be spread across the entire manufacturing sector, while¶ jobs gained would be concentrated in iron and steel and a few¶ other industries.¶ Other factors not reflected in our calculations could also¶ have a negative impact on net job creation. For example, with¶ a Buy American requirement, the prices charged to public¶ agencies would likely be higher for US iron and steel and¶ other manufactured products. Higher prices would mean that fewer roads and schools could be built with the stimulus¶ money. Higher iron and steel prices could also hurt steel-using¶ firms that are major US exporters—such as heavy machinery.¶ On the other hand, prices might fall for foreign steel sold by¶ countries where the steel industry depends on exports to the¶ United States, such as Mexico and Canada. Private US buyers¶ might in turn switch their purchases to those foreign producers.¶ Depending on the size of the switch, the jobs created by¶ the Buy American provisions could be significantly reduced by¶ a loss of sales to private business in the United States.

#### ‘Buy American’ would destroy international trade and the US economy

Hufbauer and Schott 09 (Gary Clyde Hufbauer and Jeffrey J. Schott, Reginald Jones Senior Fellow at the Peterson Institute for International Economics, a senior fellow at the Peterson Institute for International Economics, International Economics, “Buy American: Bad for Jobs, Worse for Reputation,” February 2009, <http://www.iie.com/publications/pb/pb09-2.pdf>) T. Lee

A focus on domestic needs in time of crisis is normal. But Buy¶ American provisions, unless waived, will violate US obligations¶ to the international community. Therefore, it is important¶ to consider the foreign policy implications.¶ The most immediate risk is an echo or retaliation, already¶ discussed. The much bigger cost is the damage to US reputation.¶ In a stroke, the United States would forfeit the moral¶ high ground when it comes to slowing the protectionist¶ juggernaut that now threatens the world economy. Enacting¶ Buy American requirements would open the door for countries¶ worldwide to walk away from their trade obligations—or¶ simply to raise barriers where they have no obligations. EU¶ spokesman Peter Power stated that “if a bill is passed which¶ prohibits the sale or purchase of European goods on American¶ territory, [the European Union] will not stand idly by and ignore.”16 Canadian Prime Minister Stephen Harper expressed¶ his own grave concern about the measure.17¶ If echoes and retaliation multiply, the world could be faced¶ with rising protection, reminiscent of the Great Depression.¶ The Smoot-Hawley Tariff Act of 1930, which raised tariffs on¶ some 20,000 goods, ignited retaliation from US trading partners—¶ and served as a catalyst for turning the depression into¶ the Great Depression. Even a small echo of that experience¶ would be a disaster.¶ Buy American provisions would particularly damage US¶ reputation abroad since they would come just a few months¶ after the United States pledged to reject protectionism at the¶ G-20 summit on November 15, 2008.18 The world is carefully¶ watching the first moves of President Obama to gauge the¶ tone of the new administration’s trade policy. Buy American¶ provisions are an early test. The need for the stimulus bill is¶ urgent, both economically and politically, and the administration¶ has worked hard to enact the measure. Unless recast or¶ waived, however, Buy American provisions will be read as an¶ Obama trade policy that leans toward protectionism—with¶ severe consequences abroad.

#### Trade protectionism destabalizes the globe and escalates to nuclear war

Bernstein ‘10

[William J Bernstein, PHD, principal in the money management firm Efficient Frontier Advisors, and economic contributor to several publications, March 18 2010 http://www.huffingtonpost.com/ian-fletcher/free-trade-vs-protectioni\_b\_504403.html]

When goods are not allowed to cross borders, soldiers will." --Frederic Bastiat How soon we forget. For nearly all of recorded history before 1945, Europe, today a peaceful and prosperous region linked by high-speed trains and ridiculously low airfares, was riven by nearly continuous major conflicts. In the Second World War's aftermath, it was crystal clear to military, political, and diplomatic leaders on both sides of the Atlantic that the trade protectionism of the previous several decades in no small measure contributed to that catastrophe. The U.S. State Department said, in effect, "never again" and drew up a blueprint for the new world trade order, Proposals for the Expansion of World Trade and Employment, which soon gave rise to the GATT and the beginnings of the EU. The arrangement succeeded beyond its wildest expectations and ushered in an era of unparalleled global peace and prosperity. By 1945, the link between trade conflict and armed conflict had become blindingly obvious. This was nothing new, of course. The Peloponnesian War saw its genesis in Athens' dependence on the grain from what is now the Ukraine, which necessitated control of the narrow passages between the Aegean and Black Seas by the Athenian Empire. In the early seventeenth century Holland and Portugal fought a remarkable world-wide conflict over the trade in slaves, spices, and sugar. Later in the seventeenth and eighteenth centuries, Britain and Holland fought no less than four wars, sparked largely by British protectionist legislation--the Navigation Acts. Southern anger over northern protectionism contributed to the outbreak of the Civil War nearly as much as did slavery. Those who doubt this would do well to consider that just thirty years before, the two sides nearly went to war over the Nullification Crisis of 1833, which was itself directly precipitated by the tariff acts of 1828 and 1832. Mr. Fletcher tries his best to ignore this historical inevitability of retaliation to tariff increases; he asserts that since our trading partners, particularly those in Asia, run persistently high trade surpluses vis-a-vis the U.S., they would not dare retaliate. There are at least three things wrong with this argument. First, in the past, it hasn't worked. During the 1930s, for example, all nations, including those running trade surpluses, pushed up their tariff rates. Second, it ignores one of the prime lessons of human history: winners often do not remember, while losers never forget. Centuries of humiliation by the West have scarred the national psyches of both China and India, and serious misunderstandings can easily ensue. Who controls the Strait of Malacca, through which flows China's oil supply and European trade? The U.S. Navy. Last, Mr. Fletcher believes that our politicians can fairly dispense protection broadly across the economy by means of a "flat tariff." Good luck with that: U.S. trade preferences always have, and always will, go disproportionately to the prosperous and well connected. Exhibit A: the obscene sugar subsidies and trade preferences meted out for decades to the wealthy and powerful Fanjul brothers. Do not be misled by those whose naive belief in the rational self-interest of others will prevent any significant protectionist actions by the United States. The events of August 1914 demonstrated just how seriously awry the "rational self-interest" of nations can go, and the Cold War taught us the impossibility of containing even the smallest of nuclear exchanges. So too has history repeatedly shown that even small tariff increases often lead to trade wars, and that trade wars can end in Armageddon.

### Impact – Trade Wars

**BUY AMERICAN PROTECTIONISM PRODUCES TRADE WARS**

Burton G. **Malkiel** (Mr. Malkiel is a professor of economics at Princeton University and the author of "A Random Walk Down Wall Street," 2/09, The Wall Street Journal “Congress Wants Trade Wars” <http://online.wsj.com/article/SB123380102867150621.html>)

As the world-wide recession deepens, protectionist sentiments are rising. The House of Representatives' version of the economic stimulus bill contains a provision that only American-made steel and other products be used for the infrastructure projects. Wrapped in the cloak of "Buy American" patriotism, the Senate version of the bill contains even stronger anti-free-trade provisions.¶ David Klein¶ This Buy American momentum is bad economics, and by threatening to destabilize trade and capital flows, it risks turning a global recession into a 1930s-style depression. Asked about Buy American on Tuesday, President Barack Obama told Fox News that "we can't send a protectionist message." He said on ABC News that he doesn't want anything in the stimulus bill that is "going to trigger a trade war." He's right.¶ Suppose that we did not allow free trade between the 50 American states. Citizens like me in New Jersey would be far worse off if we could not buy pineapples from Hawaii, wine and vegetables from California, wheat from Kansas, and oil from Texas and Louisiana while we sell pharmaceuticals to the rest of the country. The specialization that trade makes possible allows all of us to live better.¶ The situation is the same with respect to world trade. Both we and the Chinese are better off if we can import inexpensive clothing from China and sell them large-scale computers and data storage equipment.¶ The Opinion Journal Widget¶ Download Opinion Journal's widget and link to the most important editorials and op-eds of the day from your blog or Web page.¶ To be sure, such trade does not make everyone better off, and that is why free trade is often a tough sell, especially during times of hardship.¶ If I am a textile worker whose job is lost because Chinese imports have caused my factory to close, I feel the pain far more acutely than consumers feel the benefits of cheap clothing. The pain tends to be localized while the benefits are spread broadly. No one person's benefit can compare with the loss felt by the textile worker. But the total benefits do exceed the costs. And competitive markets have spurred the innovation revolution that has made the U.S. the economic powerhouse that it is.¶ The solution for the displaced worker is job retraining and adjustment assistance, and to improve the safety net available to displaced workers during the transition period. We also need to revamp our educational system so that it prepares workers for the jobs that are available today -- and imparts the flexible skills that make our citizens ready for the future jobs that we cannot even imagine.¶ Buy American provisions invite retaliation by other nations, and the spread of "beggar thy neighbor" policies throughout the world.¶ This House provision caused a palpable anxiety during the recent World Economic Forum at Davos, and America's closest allies are furious. "Buy American" would effectively ban Canadian steel products and other raw materials from infrastructure projects receiving stimulus funds. Foreign steel would only be allowed if domestic products were either unavailable or drove up the cost of the project by 25% or more. If the provision is not diluted, Mr. Obama will find a very hostile reception during his first international trip to Canada later this month.¶ Hostility has been no less evident in Europe and China. The European Union has said that it will not stand by idly if the U.S. violates its trade agreements and its obligations to the World Trade Organization. The risks of retaliation and a trade war are very real.¶ Since the U.S. is the biggest exporter in the world, retaliation could cost America more jobs than the provision would create. It could also destabilize the global capital flows on which the U.S. depends to fund its deficits. Moreover, the provision could delay some shovel-ready infrastructure projects, since sufficient American-made materials may not be immediately available. The U.S. does not manufacture enough steel to meet domestic demand.¶ In 1930, just as the world economy was sinking as it is today, the U.S. Congress passed the Smoot-Hawley Tariff Act, which essentially shut off imports into the U.S. Our trading partners retaliated, and world trade plummeted. Most economic historians now conclude that the tariff contributed importantly to the severity of the world-wide Great Depression.¶ Later, as one of his last acts, President Herbert Hoover made the situation even worse by signing a "Buy America Act" requiring all federal government projects to use American materials. (That act is still on the books although it was weakened during the 1980s.) We must avoid repeating the disastrous mistakes of the past.¶ Buy American provisions and other forms of protectionism will destroy jobs, not create them. They are an irresponsible and self-defeating response to a downturn in world economic activity. Beggar-thy-neighbor policies create more beggars and hostile neighbors. Let's hope that President Obama presses his Democratic colleagues in Congress to listen to him, and to British Prime Minister and Labour Party head Gordon Brown. As Mr. Brown put it at Davos, "Protectionism protects nobody, least of all the poor."

### Impact – AT: Steel Industry

#### Foreign backlash could easily outweigh benefits for the steel industry

Hufbauer and Schott 09 (Gary Clyde Hufbauer and Jeffrey J. Schott, Reginald Jones Senior Fellow at the Peterson Institute for International Economics, a senior fellow at the Peterson Institute for International Economics, International Economics, “Buy American: Bad for Jobs, Worse for Reputation,” February 2009, <http://www.iie.com/publications/pb/pb09-2.pdf>) T. Lee

The draft Senate bill stipulates that, in addition to steel and¶ iron, all manufactured goods used in projects financed by the¶ stimulus plan must be produced in the United States. We use¶ data developed by Christina Romer and Jared Bernstein to¶ estimate the job impact of this larger constraint.¶ Romer and Bernstein indicate that the stimulus plan will¶ directly create 1.5 million jobs in the US economy. Beyond¶ the direct impact, still more jobs will be created as newly hired¶ workers spend their wages. For calculating the effect of Buy¶ American, however, we ignore this “indirect” effect since there¶ is no requirement that wages earned by newly hired workers¶ be spent on purchasing American products.¶ Of the direct jobs—those affected by the Buy American¶ provisions—approximately 220,000 will be in the manufacturing¶ industry. Table 2 (on page 5) indicates the spending¶ components of the stimulus bill that contribute to creating¶ these new jobs. According to the Office of Federal Procurement Policy, around 4 percent of US federal spending for¶ the procurement of manufactures used in the United States is¶ spent on manufactured goods originating from foreign countries.¶ We assume that roughly the same percentage applies to¶ state procurement of manufactured goods. Thus, as a maximum¶ effect of the Buy American provision of the Senate bill,¶ there might be a switch of this “normal” 4 percent foreign¶ purchases to domestic firms. Four percent of 220,000 jobs¶ indicates a job gain of roughly 9,000 jobs. A recent report¶ on job benefits from infrastructure spending, by the Political¶ Economy Research Institute (PERI) and the Alliance for¶ American Manufacturing, when correctly evaluated, reaches¶ similar results. In response to the Buy American measures, other countries would likely choose to echo US legislation by further restricting¶ the ability of foreign firms to bid on public contracts.¶ Such action—applied to lucrative new projects covered by¶ their own stimulus programs—would raise additional barriers¶ to US manufactured exports. Fred Smith, chairman and¶ CEO of Federal Express, said “if the Congress passes this Buy¶ American provision, I can assure you—and we operate in 220-¶ some-odd countries around the world and are a huge part of¶ the import-export infrastructure of the United States—we will¶ get retaliation and it will be American jobs at risk.”¶ If, for example, trading partners strike back with their¶ own protectionist measures on steel, the US steel industry¶ could lose exports. The United States exported around 9¶ million tons of steel in 2007. Conceivably, the risk to US steel¶ exports is equal to or greater than potential production gains¶ from the Buy American provision in the House bill.¶ Moreover, foreign countries might extend their retaliation¶ list to other US manufactured goods, especially if the Senate¶ version of Buy American provision becomes law, since it covers all manufactured goods. In particular, foreign countries might¶ cut off purchases of US products for public projects.¶ To scope out this possibility, we identify 12 major US¶ trading partners. Table 3 (on page 6) shows government¶ procurement spending in each of those countries as a percent¶ of GDP. Applying that proportion to US exports of goods¶ and services to each country, we estimate what share of those¶ countries’ direct and indirect imports of US goods and services¶ are the result of government procurement. The total value is¶ around $104 billion. In our view, at least a small share of those¶ exports are “at risk” of echo or retaliation measures. But even if 1 percent of those exports were in fact lost by echo or retaliation¶ behavior, the resulting employment loss in the United¶ States would be around 6,500 jobs. In an extreme case that 10¶ percent of those exports are lost, as many as 65,000 jobs could¶ vanish (table 4).¶ To summarize: The negative job impact of foreign retaliation¶ against Buy American provisions could easily outweigh¶ the positive effect of the measures on jobs in the US iron and¶ steel sector and other industries. The difference is that jobs lost¶ would be spread across the entire manufacturing sector, while¶ jobs gained would be concentrated in iron and steel and a few¶ other industries.¶ Other factors not reflected in our calculations could also¶ have a negative impact on net job creation. For example, with¶ a Buy American requirement, the prices charged to public¶ agencies would likely be higher for US iron and steel and¶ other manufactured products. Higher prices would mean that fewer roads and schools could be built with the stimulus¶ money. Higher iron and steel prices could also hurt steel-using¶ firms that are major US exporters—such as heavy machinery.¶ On the other hand, prices might fall for foreign steel sold by¶ countries where the steel industry depends on exports to the¶ United States, such as Mexico and Canada. Private US buyers¶ might in turn switch their purchases to those foreign producers.¶ Depending on the size of the switch, the jobs created by¶ the Buy American provisions could be significantly reduced by¶ a loss of sales to private business in the United States.

#### Buy American would hurt the steel industry more than it helps it

Bar-On 09 (Shachar Bar-On, Producer of 60 Minutes, CBSNews, “Could "Buy American" Rule Spark Trade War?,” May 24, 2009, <http://www.cbsnews.com/2100-18560_162-4801257.html?tag=contentMain;contentBody>) T. Lee

But now steel is at the mercy of Washington again. DiMicco lobbied hard and passionately for the "buy American" clause in the stimulus package. "What we're saying is, 'Listen, yes 'buy American' benefits the steel industry in the United States. Absolutely.' But what we're saying also is might that concept not also benefit the U.S. economic engine, get it started again," he said. DiMicco said that the counter argument - trade retaliation by other countries - is not true. "It's all garbage," he told Stahl. "People can say what they want. What we have around the world, all right, is a trade war against the United States that we have not showed up for."¶ DiMicco denied he is a protectionist. "I am a person who says there's no such thing as free trade. Free trade is an academic luxury the real world doesn't enjoy. If you want to study it at Harvard, study it at Harvard. It doesn't work in the real world. It has no application."¶ "For the United States to turn significantly inward and protectionist at this time, would be like pouring gasoline on the recessionary fires that are burning," said Jim Owens, the CEO of Caterpillar.¶ Owens worries that "buy American" will end up costing more jobs than it will protect. Asked how much of Caterpillar's product is sold in the U.S., Owens said, "If you got right down to new machine and new engine sales, it's roughly 75, 25."¶ Seventy-five percent of sales being outside the country.¶ Caterpillar made $16 billion last year by selling its heavy excavators and dump trucks overseas. Because of the worldwide recession, the company has already announced 24,000 layoffs. It's another company desperate for the infrastructure portion of the stimulus package. But it's also counting on other stimulus packages in China, South America, and Europe. That is, unless they retaliate.¶ "If we have a 'buy America' clause, other countries are going to have a 'buy China,' 'buy Europe,' 'buy Brazil' clause, and they're going to discriminate against our exported products," Owens predicted.¶ Also, seventy-five percent of the steel in Caterpillar trucks is American-made. If the company can't sell its earthmovers and mining tractors overseas, it'll buy less steel. Jim Owens says that not only his workers, but steel workers will be hurt by "buy American."¶ "If some of these other countries look upon it as a hostile act, and we're talking about China and Russia…," Stahl told Nucor's Dan DiMicco.¶ "We are the largest consumer in the world of Chinese-made products. They need us as much as we need them," DiMicco argued.¶ He says the real hostile act is China subsidizing its steel industry. In January, Chinese steel plate cost half what American plate cost. DiMicco claims that allows China to dump or sell its steel below cost. "Taxpayers want to know why they're going to have to have their money go for something more expensive when they could get steel from China for much less. Why shouldn't we get the bargain?" Stahl asked.¶ "It won't be cheaper from China if it's not dumped and it's not subsidized, okay? Which are both illegal according to international trading practices. In today's environment, when you're running your operations at 50 percent of capacity, do you really think you're not going to be competitive?" DiMicco said.¶ President Obama visited Caterpillar in February to promote the stimulus package. But Jim Owens said even with the stimulus he may have to lay off more workers before seeing a turnaround. And he told Stahl any gain from domestic spending may not be enough if "buy American" triggers a global trade war.¶ So, Stahl asked DiMicco: "What happens if all these countries that sell steel to us - China, Russia, Brazil say, 'Okay, well, we're just not going to buy Caterpillar products. We're not gonna take in John Deere products. We're not going to take in GE products'?"¶ "The only trade war that's going on is being waged on us," DiMicco said. "And when you don't hold people accountable for playing by the rules they agreed to, that have access to your market, you're basically saying anything goes. That's garbage. That's baloney. And the American people won't stand for it."

#### A “Buy American” steel provision would be devastating to the US economy and would spark a protectionist trade war

The Wall Street Journal 09’ (“Steel's 'Buy America' Ploy, How to turn recession into a depression”, 1/8/09)

<http://online.wsj.com/article/SB123137418481962821.html>

The U.S. steel industry has now joined autos and ethanol in the conga line to Capitol Hill. Sort of. Steelmakers aren't seeking government bailout money -- a la Detroit and Wall Street -- but they are pressuring President-elect Obama and the new Congress to stack any stimulus proposal in favor of domestic producers, even though that would inevitably come at the expense of the nation's overall economic health.You might think that the prospect of a $1 trillion spending plan that includes significant outlays for steel-intensive construction projects would be enough to placate an industry that has experienced record profits in recent years. Not so. Daniel DiMicco of Nucor, the nation's largest minimill steelmaker, said last week that "what we are asking is that our government deal with the worst economic slowdown in our lifetime through a recovery program that has in every provision a 'buy America' clause."¶ Such rhetoric may sound patriotic, but in practice it amounts to protectionism that would only hurt American consumers and taxpayers -- and might kick off a trade war the world economy can't afford. To begin with, domestic steelmakers don't produce enough steel to meet U.S. demand. According to the American Institute for International Steel, steel imports account for between 20% and 25% of the U.S. market. The industry has also gone thorough dramatic changes in the past decade, including bankruptcies and dumping pension liabilities on taxpayers. Most importantly, there has been tremendous consolidation, which eliminated many producers that once made steel no matter what the cost. The result is a domestic steel industry with a lot of pricing power. A "buy American" provision for steel would make all domestic products made from steel more expensive. It also means that federal and state governments would pay far more for their procurements -- billions of dollars more.¶ And then there's the problem of what qualifies as U.S.-made. Are we talking about only companies incorporated here, or are we including U.S. subsidiaries of foreign companies? There are several large steel companies in the U.S. that are incorporated abroad. ThyssenKrupp of Germany is currently building a huge steel processing plant in Alabama that's set to open in 2010 and create 2,700 permanent jobs. Luxembourg-based ArcelorMittal, the world's largest steelmaker, is also expanding its U.S. operations.¶ At the G-20 summit that convened in Washington, D.C., in November, world leaders agreed to a moratorium on protectionist measures. "We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty," reads the final declaration. "In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services." The U.S. signed and spearheaded the declaration. To now mandate "Buy America" would tell the rest of the world it's time to get protectionist too.¶ On the campaign trail, Mr. Obama's free trade views were hard to pin down. During the primaries he presented himself as a protectionist, but after sealing up the nomination he backpedaled and said he favors free trade with certain help for workers. The President-elect will no doubt come under pressure from Rust Belt lawmakers in particular to give into the steel industry's demands. We hope those who are talking to Mr. Obama about how to avoid a deeper recession are telling him that a global economic downturn is an especially dangerous time to start a trade war.

## Affirmative

### Yes Buy American

#### Buy American popular policy now

AmericanManufacturing.org 12 (manufacturethis, “Senate Passes Amendment for Stronger Buy America Preferences in Transportation Projects,” 03/13/2012, <http://americanmanufacturing.org/blog/senate-passes-amendment-stronger-buy-america-preferences-transportation-projects>) T. Lee

Today the U.S. Senate passed an amendment offered by Senators Sherrod Brown (D-OH) and Jeff Merkley (D-OR) to strengthen Buy America preferences for transportation projects.¶ The Brown-Merkley amendment #1819 improves the effectiveness of existing Buy America preferences for transportation projects by boosting transparency, requiring annual reporting on the use of waivers, and closing an egregious "segmenting" loophole that can be used to evade Buy America.¶ The amendment was adopted unanimously by voice vote. Meanwhile, in the House of Representatives, Representative Chip Cravaack (R-MN) was successful in attaching similar language to a House version during consideration by the Committee on Transportation and Infrastructure.¶ The Alliance for American Manufacturing (AAM) AAM congratulates Senators Brown and Merkley for their leadership on Buy America. Together, these improvements will help to ensure that tax dollars spent on transportation projects support American workers and do not unnecessarily subsidize workers in China or elsewhere

#### **US government opposes Buy American while industry supports it**

Carter 12 (Zach Carter, The Huffington Post's Senior Political Economy Reporter, The Huffington Post, “Congress Revolts On Obama Plan That Would Ban 'Buy American',” <http://www.huffingtonpost.com/2012/05/03/obama-trade-congress-buy-american_n_1475277.html>) T. Lee

WASHINGTON -- A group of 68 House Democrats and one Republican sent a letter to President Barack Obama on Thursday urging him to reconsider an element of the controversial free trade agreement currently being negotiated by the administration. If approved in its current form, the pact would effectively ban "Buy American" policies in government contracting.¶ Although the deal, known as the Trans-Pacific Partnership, has received relatively little media attention in the United States, it has sparked international friction among consumer groups and environmental activists who worry that terms demanded by the Obama administration will eliminate important public protections. Domestically, however, the deal's primary source of political tension is from a portion that could ban "Buy American" provisions -- a restriction that opponents emphasize would crimp U.S. jobs.¶ Since the 1930s, the American government has offered preferential treatment to American producers in the awarding of federal contracts. If a domestic producer offers the government a more expensive bid than a foreign producer, it can still be awarded the contract under certain circumstances, but more recent free trade agreements have granted other nations the same negotiating status as domestic firms. The Obama administration is currently pushing to grant the several nations involved in the Trans-Pacific deal the same privileged status, according to the Thursday letter.¶ "We do not believe this approach is in the best interests of U.S. manufacturers and U.S. workers," the letter reads. "Of special concern is the prospect that firms established in TPP countries, such as the many Chinese firms in Vietnam, could obtain waivers from Buy American policies. This could result in large sums of U.S. tax dollars being invested to strengthen other countries' manufacturing sectors, rather than our own."

#### Congress wants ‘Buy American’

Rahall 12 (Nick Rahall, US Rep and Ranking Member of the House Transportation and Infrastructure Committee, Donna F. Edwards, “Edwards, Rahall lead 69 Members of Congress to Urge President Obama to Protect "Buy American" Policies in TPP,” 05/03/12, <http://www.donnaedwards.house.gov/index.cfm?sectionid=24&parentid=23&sectiontree=23,24&itemid=511>) T.Lee

“We must buy American to build America, and government procurement policy is no exception,” said Congresswoman Edwards. “We are focused on creating jobs and revitalizing our manufacturing base, and our trade agreements must not take away this important policy tool. Since 1933, Buy American policies have helped invest large sums of U.S tax dollars to create jobs, grow our economy, and strengthen domestic manufacturing. That is why my 68 colleagues and I urge President Obama to ensure that this trade pact does not limit our rights to spend U.S. tax dollars on U.S. goods and services. Let’s continue to use government procurement to support our manufacturing sector and create good, high-wage American jobs.”¶ “American innovation is once again fueling our nation’s manufacturing base. The American taxpayer has invested mightily in education, research and development to drive innovative manufacturing. We have waivered goodbye to too many good American jobs through trade agreements signed on a tilted table somebody cleverly decided to name, ‘free trade.’ The American taxpayer and worker deserve a fair shot at the global marketplace. While trading partners may initially have concerns about fair trade, a vibrant marketplace supported by American ingenuity and hard work will lift all economies. It’s time we stood our ground for this basic American value.” – U.S. Rep. Nick Rahall