

## Buy American Mention of the Week

Buy American bills fail to invite retaliation from key trading partner

By Roger Simmermaker

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One of the most tiring and untrue refrains in American politics today is the old-as-the-hills claim that if we were to grant our own country "Most Favored Nation" status when it comes to producing and supplying our own needs through enactment of "Buy American" laws, other countries would simply retaliate and we would end up the loser by being denied overseas markets for American companies.

If free trade, free market zealots aren't engaging in intellectual dishonesty distorting potential future benefits of "Buy American" laws, they're incessantly warning us about a repeat of the supposedly disastrous and retaliation-inviting Smoot Hawley Act of the depression era (more comments on that historic bill later).

The latest ironclad evidence that Buy American laws do not automatically attract similar buy-domestic laws in other countries can be found within the borders of our immediate neighbors to the North – Canada.

Canadians are lamenting recent multi-billion-dollar Buy American restrictions passed by the U.S. Congress and even more proposed by President Obama as evidence that Buy American is "back with a vengeance."

According to Canada's largest-circulation national newspaper, *The Globe and Mail*, Canada is upset that the U.S. Congress recently passed the Consolidated Appropriations Act and the Water Resources Reform and Development Act, which mandate utilization of American steel and American iron, covering over \$25 billion of U.S. spending.

Even more devastating to Canada would be the Obama-backed Grow America Act, which would increase the current 60 percent U.S. content requirement mandate on billions of dollars of federal transit projects to 100 percent. Canadian companies like bus makers New Flyer Industries and Nova Bus, as well as subway car maker Bombardier would likely shift more production-related jobs from Canada to their U.S. subsidiary plants.

Despite insistence of tit-for-tat "Buy Canadian" restrictions by the Canadian Manufacturers & Exporters, motivation for retaliation seems nowhere to be found. One particular irony in the mandate for American iron and steel is that American companies like Birmingham, Alabama-based pipe-fitting producer McWane Inc. will continue to get unrestricted access to public works projects in Canada.

According to U.S. Trade Representative Michael Froman, the United States is already more restrictive to foreign suppliers than Canada is to ours, so the recent spike in Buy American bills is merely a progression of existing U.S. protectionism.

But as I mentioned earlier, despite distortions of history from ardent free traders such as Professor Douglas Irwin, who has written several books and articles exalting free trade while trashing protectionism, the infamous Smoot Hawley Act of 1930 did not invite trade

retaliation from other countries. Here are just a few notable bullet points that speak to that fact:

1. In May 1931, the State Department report found that "by far the largest number of countries do not discriminate against the commerce of the United States in any way."
2. Sir Esme Howard, the British Ambassador to Washington at the time, informed London that "official representations...against the proposed tariff increases...[would be] a mistake."
3. Canada briefly discussed retaliation with U.S. Secretary of State Frank Kellogg. Canada warned Kellogg that upwardly shifted tariff rates might result in a high probability for retaliation. Canadian Minister Vincent Massey was encouraged to release an official statement representing Canada's position, but none was ever written. Canada did not want to antagonize high tariff legislators in Congress.
4. Exports of apples, pears, and grapefruits increased. Exports of prunes went up 31 percent, and exports of dried apricots soared higher by 72 percent. Exports of raw materials such as cotton and rayon held steady. Exports of American films increased 49 percent, and exports of false teeth rose 24 percent. These figures hardly point to retaliatory policies from other countries.

Martin Lavoie, Director of Manufacturing Competitiveness & Innovation Policy for the Canadian Manufacturers and Exporters Association (CME), Canada's largest business and trade association, tries to persuade his government to engage in retaliation, but his comments have so far failed to gain traction. "The more you have reciprocity in the way you treat companies," CME's Mr. Lavoie said, "the more leverage you have [and] the more they want to sign a deal with you."

Meanwhile, current requests for bids to rebuild/replace the Champlain Bridge, which serves the Ontario-Quebec-New England trade corridor (and works as a conduit for most of Canada's exports to the United States) has no local content requirements.

Let's remind Congress and our President what is already obviously clear: Buy American laws work for America to bring more jobs and production to our country, and use the current pro-Buy American push to create a lasting template for all future spending bills that utilize tax dollars paid by hard working Americans.

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