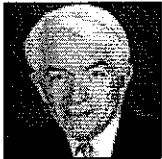


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10 February 2009 - The Truth About "Buy American"

The Truth About "Buy American"



By Tom Donohue, President and CEO, U.S. Chamber of Commerce
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Late last week the U.S. Senate, with the backing of President Obama, agreed to revise a controversial "Buy American" provision in the stimulus bill. The change is designed to ensure that its implementation would not place the United States in violation of world trade rules that we have not only sworn to uphold but actually helped write. Such violations could have triggered a tit-for-tat trade war with our allies around the world.

The U.S. Chamber was perhaps the loudest voice opposing the original provision, and we caught a lot of flack for it. Who could oppose something as positive sounding as Buy American? We had good reasons.

As originally written, the Buy American provision would have mandated the use of U.S. products and materials in certain government-financed projects. The Chamber believed that this would have done much more harm than good. Why? Breaking our international promises would have invited retaliation from our trading partners. If we refused to buy foreign-made goods, then our trading partners would refuse to buy from us. And since we are the world's largest exporter, who would be hurt more?

In addition, renegeing on our promises would have been the equivalent of hanging a "closed for business" sign on the country's front door. It would say we don't welcome the foreign firms that employ more than 5 million Americans at good wages, for a total payroll of more than \$350 billion.

While we're pleased with the change (it's always nice when your arguments prevail!), we still have reservations about the mandate. The Buy American provision will drive up the cost of materials for government projects, undermining the impact of a stimulus bill that was intended to create jobs and spur economic recovery. When the California transit authority, for instance, mandated the use of domestic steel for reconstructing the Bay Bridge in the 1990s, the cost of construction grew by an additional \$400 million. Who foots the bill? American taxpayers.

Buy American mandates will also make it more difficult to get projects off the ground quickly, because companies will have to guarantee compliance with these requirements, creating more red tape. Buy American is part of a larger debate about protectionism and the U.S. economy. We're pleased the president and some members of Congress now recognize that erecting barriers to trade and implementing protectionist measures will only hurt our economy and standing in the world. As British Prime Minister Gordon Brown recently said, "Protectionism doesn't protect anybody, much less the poor."

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