

'Buy American' Rule in Stimulus Bill Sparks Protest

U.S. businesses and trading partners are up in arms over a provision the House bill that prohibits the purchase of foreign iron and steel for any stimulus-funded infrastructure project.

U.S. businesses and trading partners are resisting a new "Buy American" provision in the \$819 billion economic stimulus package making its way through Congress.

The provision, included in the House bill that passed on Wednesday, generally prohibits the purchase of foreign iron and steel for any stimulus-funded infrastructure project.

The goal is to boost the U.S. iron and steel industries, which have been pummeled by the current recession. Shipments in the steel industry, for example, fell 40 percent last year.

Yet John Murphy, vice president of international affairs at the U.S. Chamber of Commerce, said 50 million Americans whose jobs depend on exports would pay the price.

"If the U.S. raises these barriers to international business, we're likely to see massive retaliation around the world," he said.

The massive tax cuts and spending package has moved to the Senate, where lawmakers are working on their own version that extends the "Buy American" initiative beyond the House's iron and steel mandates to include all U.S. manufactured goods.

President Obama has pushed for swift passage of the American Recovery and Reinvestment Act as vital to prevent the collapse of the fragile U.S. economy as it wobbles from the global financial crisis.

Yet Obama is set to get an earful when he visits Canadian Prime Minister Stephen Harper in Ottawa in a few weeks, his first official visit abroad.

"We want to avoid protectionism in this economic slowdown," said Harper, whose country ships 40 percent of its steel to this country under the North America Free Trade Agreement (NAFTA). "This is obviously a serious matter and of serious concern to us."

A European Union spokesman said it was premature to take a stance on a text that had not yet been seen.

"However, the one thing we can be absolutely certain about, is if a bill is passed which prohibits the sale or purchase of European goods on American territory, that is

something we will not stand idly by and ignore," said Peter Power, spokesman for EU trade commissioner Catherine Ashton.

There was no immediate reaction from China, another major steel producer.

Obama, who criticized international trade agreements, including NAFTA, in his presidential campaign, has wasted no time in taking a tough stance on trade since taking office January 20.

The next day, the Obama administration branded China a currency manipulator, setting the stage for a trade war with the Asian giant, which has overtaken Japan as America's biggest foreign creditor.

A steel and iron industry survey suggested the provision is quite popular, showing 90 percent of Americans support it.

But Murphy, of the U.S. Chamber of Commerce, noted the Smoot Hawley tariffs triggered a wave of protectionism that helped turn the recession of 1929 into the Great Depression of the 1930s.

At a summit meeting former President Bush hosted in November, leaders of the world's 20 richest nations agreed not to adopt protectionist measures to deal with the current economic crisis.

But the global downturn is pressuring other countries to bend. Britain's government, for one, came under fire for allowing Italian and Portuguese workers at a refinery project.

Murphy warned that's just a harbinger of things to come.

"We could see a real epidemic if we're not careful," he said.

FOX News' Wendell Goler and the Associated Press contributed to this report.

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