

# Obama backs off 'Buy American'

By CAROL E. LEE | 2/13/09 4:48 AM EDT

EAST PEORIA, Ill. — President Barack Obama's visit to a Caterpillar manufacturing plant Thursday did more than focus attention on his efforts to create working-class jobs, as administration officials hoped. It provided the perfect backdrop to highlight Obama's change of heart on controversial "Buy American" provisions that require government-funded projects to use only U.S.-made materials.

The issue has forced Obama to dance between rival camps of supporters in the debate over his economic stimulus bill. Labor unions wanted a strong Buy American provision in the plan; U.S. trade partners and companies with significant overseas exports, such as Caterpillar, oppose the proviso.

It's unclear exactly where the president, who during the campaign ran "Buy American, Vote Obama" ads in labor-heavy states, currently stands on the issue. But citing the economic crisis, he now says he supports a watered-down version of the Buy American provisions contained in the House and Senate stimulus bills.

Obama said his reversal was prompted by concern that tough Buy American requirements ultimately could spark international trade wars..

And on Thursday, he visited Caterpillar Inc., the world's largest mining and construction equipment manufacturer — a company that couldn't be more American if it manufactured apple pie but whose chief executive led the attack on Buy American mandates in the stimulus bill.

Caterpillar — "a company that has sustained this community for more than 80 years," Obama said — has been buffeted by a recent series of negative economic reports, which could explain why Obama was so influenced by its anti-Buy American stance.

"What's happening at this company tells us a larger story about what's happening with our nation's economy," Obama said. "Because, in many ways, you can measure America's bottom line by looking at Caterpillar's bottom line."

The current Buy American language in the stimulus bill requires only that the government spend funds in ways that do not violate U.S. trade agreements.

Initially, the House bill restricted spending to American-made iron and steel, while the Senate version went even further, mandating that "all manufactured goods" in construction projects come from U.S. producers.

But in interviews last week, Obama came out against provisions that “signal protectionism.”

“I think that would be a mistake right now,” he told ABC News. “That is a potential source of trade wars that we can’t afford at a time when trade is sinking all across the globe.”

In a wide-ranging interview with regional newspaper reporters Wednesday, Obama expressed additional concerns but said he was comfortable with the measure in the stimulus bill, as long as it wouldn’t tip off a “downward protectionist spiral that is very dangerous,” according to The Columbus (Ohio) Dispatch.

But he also expressed sympathy for members of Congress who favor restrictions at a time when the economy is suffering from a large trade deficit, The Virginian-Pilot reported. “I don’t want to send a signal that we’re not open for business,” he said. “I think that could backfire.”

“The president believed that that was a necessary and positive compromise,” White House press secretary Robert Gibbs said.

Obama’s climb down could jeopardize the strong labor support he had on Election Day, which was aided by his tough Buy American stance. During the campaign, he supported renegotiating U.S. trade agreements to include stronger Buy American provisions, and he ran ads quoting Sen. John McCain calling such provisions “disgraceful” in Pennsylvania and North Carolina, which Obama carried.

Labor unions and other groups argue that Buy American provisions would ensure that American companies, not foreign competitors, benefit from the \$789 billion stimulus package. U.S. Steel Corp. and Nucor Corp., specifically, pushed hard for Buy American provisions in the proposed bill.

But Obama appears to have been swayed by the outcry from companies such as Caterpillar, which argues that the provisions could prompt foreign countries to take retaliatory actions hitting U.S. sales abroad.

Caterpillar, which says that 60 percent of its 2007 revenue was from foreign sales, claims the provisions would devastate its bottom line. The company has already announced more than 20,000 layoffs this year.

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