

US companies hit by repercussions of Buy American

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At JCM Industries, a collection of low-slung buildings and factories in a Texan field, president Ron Collins is worried he might have to lay off people. The reason is not the recession, but the government stimulus package aimed at ending it.

The family company manufactures pipe-fittings and struggled when America's housing bubble burst and construction work tailed off. But it managed to hang on to its 140-strong workforce by expanding its exports to Canada and Mexico instead.

Mr Collins fears that lifeline may soon be torn away. He has watched with dismay this month as Canadian municipalities launched boycotts of US-made products in public works projects in reaction to America's stimulus package, which Canadian companies say is shutting them out of contracts.

President Barack Obama and US congressional leaders are under mounting pressure to wind back the "buy American" measures in the \$787bn (€562bn, £495bn) stimulus bill as complaints grow that they are hurting the US workers they were supposed to protect.

"We're right at the verge of repercussions from this," says Mr Collins. "We feel like if it continues the way it is . . . it will cost jobs."

The provisions, which require that stimulus-funded projects buy only US-made steel, iron and manufactured goods, sparked outcry from America's trading partners this year when Congress added them to the stimulus bill. At the White House's urging, the bill was amended at the last minute to ensure that it would not contravene any existing US trade agreements, which eased many countries' fears. But according to some businesses and officials, that amendment is proving virtually meaningless in practice.

This is because more than a third of the stimulus money is being disbursed at a local level by states and local authorities. Unlike the federal government, many authorities are not party to pacts such as the North American Free Trade Agreement and the government procurement pact of the World Trade Organisation.

"This is of concern to the government of Canada, we've expressed those concerns privately and publicly," Tony Clement, Canada's industry minister, told the Financial Times on a visit to Washington to lobby Congress and the administration on the issue.

The US Chamber of Commerce is so concerned that last week it wrote to Mr Obama asking him to act. "The requirements are having a major impact on projects administered by sub-federal governments, resulting in declining trade and lost jobs for American workers," it wrote.

The chamber urged Mr Obama to employ both "specific regulatory guidance" and the "bully pulpit of the presidency" to instruct state and local officials to act in line with free trade agreements in the same way the federal government does.

Jennifer Psaki, White House spokeswoman, says the stimulus bill has already saved or created more than 150,000 jobs. "The president is committed to creating jobs in America . . . and committed to global engagement with our trading partners and does not see any contradiction between those two goals," she says.

Domestic problems are also emerging. There are reports of companies forcing supply chains to use US products for fear of losing contracts. Duferco Farrell, a Pennsylvania-based steel company, has warned it may have to cut 600 staff after its biggest client said it would cancel orders because

Duferco's products were not "buy American" compliant.

Others say some projects are not achievable with only US-manufactured products.

Agnes Fowler, finance officer for Conrad, a town in Montana, had a project that could use the money: a \$5.5m wastewater treatment facility. But it needed parts US companies did not make. A lot of paperwork ensued. "There were so many strings attached that we didn't realise were there. There are some communities that are just saying 'we can't afford to take the free money'."

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