



Dear Canadian Chamber members:

*Office of the President and
Chief Executive Officer*

*Cabinet du président
et chef de la direction*

As you are probably aware, an economic stimulus package, drafted by the U.S. administration, is making its way through Congress. A number of amendments made by the House of Representatives and the Senate could have a negative impact on Canadian businesses. By applying strict "Buy American" provisions to some government procurement projects. These provisions mandate the use of only U.S. suppliers in these projects.

The bill passed by Congress last night had "Buy American" provisions attached to steel and iron used in public works and public building projects. It is being further amended by the Senate to include manufactured goods and health information technology. This could shut-out Canadian companies from U.S. procurement projects. It could also result in other countries implementing similar measures. Protectionism will not help the world weather the current economic storm.



For federal-level procurement, the United States is bound to international obligations forbidding such practices. However, the state level is not tied to these rules, even though they allow Canadian and other foreign companies to participate in the procurement market. Normally when "Buy American" provisions are applied to procurement projects, foreign companies can participate in the market if:

- 1) it is in the public's best interest to use a foreign supplier;
- 2) there is a lack of supply in the U.S. market; or
- 3) domestic suppliers are more costly than foreign companies (the general range is between 6% - 12% differential in cost).

Attached to the stimulus money flowing to the state-level governments are stricter "Buy American" provisions. The third exception is being amended to award a procurement contract to a U.S. supplier unless it will increase the project cost by more than 25 percent. This gives U.S. suppliers a substantial advantage over foreign competition, virtually blocking Canadian companies from the market.

Unfortunately, a number of countries are erecting barriers to trade as part of their responses to the global recession. The impact of the United States Congress becoming more protectionist would inevitably be to fuel retaliatory measures in other countries that would delay economic recovery. It is exactly the wrong way to fight the recession and will harm both Canadian and U.S. companies.

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Canadian companies are active in the U.S. procurement market. We encourage members to work with your suppliers, customers, and if applicable, parent subsidiaries in the United States and to encourage them to actively speak out against these new provisions by contacting their local Senator. The stimulus bill is moving fast through Congress. The time to act is now.

If you have any questions or comments, please don't hesitate to contact our office.

Sincerely,



Perrin Beatty