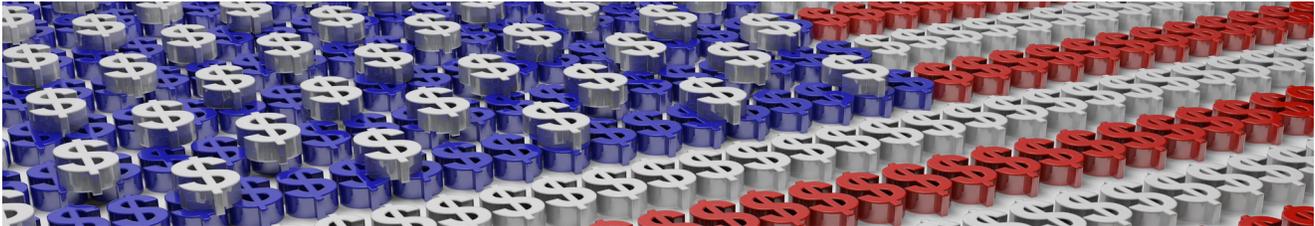


The Facts on 'Buy America' and Domestic Sourcing



As the House and Senate debate the merits and specifics of an economic recovery package for the U.S. economy, considerable misinformation (Business Roundtable-led letter, Jan. 22) has been spread on the impact of including domestic sourcing provisions for infrastructure investment. Some parties have erroneously claimed that such requirements are illegal or could serve as the basis for a wider trade conflict (Washington Post, 'Trade Test,' Jan. 28).

The bill that passed the House recently (H.R. 1) contains specific language requiring the use of American-made iron and steel for any infrastructure projects. It is possible that a Senate bill may expand this requirement to all manufactured goods. In truth, these 'Buy America' provisions are fully consistent with existing U.S. trade obligations and can help to strengthen the U.S. economy and create jobs.

Myth: Manufacturing doesn't need any help.

Fact: 4 million U.S. manufacturing jobs have been lost since 2000, amounting to losses of nearly one-fourth of all U.S. manufacturing jobs. In 2007 alone, the U.S. shed 800,000 manufacturing jobs. Factory orders now stand at record lows while the U.S. racked up a \$700 billion trade deficit in 2007. [U.S. Census Bureau data.]

Myth: This is a major and unprecedented expansion of Buy America laws.

Fact: The U.S. has had such laws in place for 70 years, starting with the Buy American Act of 1933. The Department of Defense has had its own

Buy America provision (The Berry Amendment) since 1941. In addition, the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), and Federal Railroad Administration (FRA) all have long-standing Buy America provisions. In part the provisions in H.R. 1 simply provide greater transparency in the use of Federal funds.

Myth: This violates our trade agreements.

Fact: The Visclosky Amendment in H.R. 1 contains complete flexibility to ensure that the U.S. complies with all international commitments for procurement and will allow the waiver of domestic preference when required by trade agreement obligations. These trade agreements do however allow for domestic preference under a number of circumstances. The amendment merely insures that U.S. materials will be preferred when it is permitted. These preferences were negotiated for a reason. It would be irresponsible not to utilize them to the fullest extent possible.

Myth: This will ignite a trade war and deepen the depression.

Fact: Total two-way U.S. trade in goods and services amounted to approximately \$4 trillion in 2007. In comparison, the economic recovery bill is projected to include approximately \$90 billion for infrastructure projects. Ensuring that some of the \$90 billion used to rebuild American infrastructure is spent on American materials is a tiny fraction of the \$2 trillion in goods that the U.S. purchased from the rest of the world in 2007. [U.S. Census Bureau data.]

Myth: As the world's "largest exporter," the U.S. could be hurt by not buying foreign-made goods because our trading partners would then refuse to buy from us.

Fact: Actually, the U.S. is, by far, the world's largest importer, soaking up a net \$819 billion in goods in 2007. [U.S. Census Bureau data.] The U.S. imports far more than it exports, a balance of sales that our trading partners are anxious to preserve. This is not about restricting imports. It is about using taxpayer dollars, when allowed by our international obligations, to purchase U.S.-produced goods. As the global downturn has progressed, many industrialized countries such as France and China have already taken similar action to support their domestic manufacturing base.

Myth: This will raise the cost of projects.

Fact: Additional cost—if any—is more than justified. Purchasing high-quality American-made materials yields an enormous productivity dividend, both in terms of jobs created and the overall reward to the economy. Infrastructure investment would undoubtedly create millions of new U.S. jobs, but there is also the importance of revitalizing the American manufacturing base, which is uniquely capable of generating 4-5 new jobs for each employed manufacturing worker. There are also provisions in Buy America laws to protect American taxpayers. [Source: Heintz, Pollin, Garrett-Peltier, "How Infrastructure Supports the U.S. Economy."]

Myth: This is poor economics.

Fact: Supporting domestic manufacturing by purchasing American-made products is the one method that will not result in the "leakage" of U.S. funds overseas, a problem cited by such mainstream economists as BusinessWeek's Michael Mandel. A concerted domestic procurement program could actually increase U.S. manufacturing job creation by 33% while ensuring that taxpayer dollars actually go directly to job creation. [Heintz, Pollin, Garrett-Peltier.]

Myth: The recovery package won't stimulate jobs, just spending.

Fact: A recent University of Massachusetts study finds that infrastructure investment could create as many as 18,000 jobs for every \$1 billion invested. [Heintz, Pollin, Garrett-Peltier.]

Myth: This is special treatment for manufacturing.

Fact: The recent TARP legislation and auto rescue package were limited to domestic banks and automakers, yet no objections were raised. This is simply the use of U.S. taxpayer money to sustain vital American jobs.

Myth: The U.S. is setting a bad example.

Fact: The U.S. has been a leading party in reaching broad international procurement agreements, has adhered to all related obligations, and has set a strong example of sourcing materials globally for its domestic governmental projects. By contrast, other countries have held themselves out of the reform movement and have instead opted to promote their own manufacturing base through closed self-procurement programs. A good example is China, which, in addition to a recent \$586 billion stimulus program, continues to subsidize its own producers via deliberate (and illegal) currency undervaluation. Until countries like China make the same commitments, and sign-on to internationally accepted procurement agreements, the U.S. will accomplish nothing by making yet more unilateral concessions.

Myth: Buy American provisions are controversial.

Fact: The Visclosky Amendment was adopted in committee on a 55-0 vote. A domestic sourcing amendment (Kissell) related to textiles was adopted by the full House of Representatives on a voice vote. A Harris Interactive poll released last week shows that more than 90% of the public surveyed support Buy American requirements.

More information is available at www.americanmanufacturing.org