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Seemingly lost amidst the Olympic shuffle last week was an announcement by the Harper government on reaching an agreement with the United States that allowed for Canadian exceptions to the highly contentious “Buy American” regulations. The regulations, imposed last-year by the U.S. government, blocked Canadian manufacturers from bidding on almost \$800-billion worth of contracts tied to stimulus spending by the U.S. government.

Given the high-profile nature of the spat and the political capital such an agreement should generate, it seems strange that the Harper government would downplay the announcement by burying it amidst Olympic fever. A closer look at the details of the agreement, however, indicate why this might be the case.

- The agreement was ratified on February 16 – one day before the February 17 deadline for the allocation of stimulus funds in the United States.
- It has been estimated that over three-quarters of the stimulus spending has already been spent and that Canadian firms will only have access to approximately \$2-\$8 billion of the nearly \$800-billion total.
- Exemptions will only apply to the 37 States that are bound by WTO agreements – and even within these states there are numerous exceptions, including motor vehicles, construction-grade steel and printing, among others.
- “Buy American” regulations are set to expire this year – likely replaced by similar regulations in 2011 for which Canada has been guaranteed nothing more than additional “consideration” for exemptions.

In exchange for this access, the Harper government has agreed to convince the provinces to sign the WTO Agreement on Government Procurement: an international trade agreement that makes it illegal to bar or otherwise interfere with foreign firms bidding on government procurement contracts. U.S. trade representative Ron Kirk acknowledged that this is something U.S. firms have tried “for years” to achieve since provincial governments have fought against inclusion on the WTO agreement from the very beginning. The agreement will encompass the majority of public contracts in municipalities with populations above fifty thousand although certain sectors, such as health and education, will remain exempt.

While there is a strong case to be made that removing trade barriers – such as those that protect provincial infrastructure projects from foreign competition – can improve economies and lower overall costs, it is equally important to recognize that these barriers also allow local governments a powerful policy tool:

discretionary spending over billions of dollars of government purchases. The United States currently exempts federally funded mass-transit, highway and telecommunications projects from the WTO Procurement Agreement, understanding that these regulations are highly effective tools that can be used to encourage job growth and industry investment.

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