



Agreement on Buy American

The Context

- On February 5, 2010, the Canadian and U.S. governments reached an agreement in principal on Buy American provisions contained within the American Recovery and Reinvestment Act (ARRA) of 2009.
- These ARRA provisions had blocked foreign-produced components from being used in projects funded by the American \$787-billion stimulus package. Under the ARRA these inputs must have been produced in the United States. As a result, Canadian firms have been shut out of \$280 billion worth of U.S. state and municipal-level government procurement opportunities.
- For months Canadian and U.S. negotiators have been trying to reach a deal which would be beneficial to both parties. Due to the interwoven nature of our trading relationship, these restrictions have been hurting businesses and jobs on both sides of the border.

The Agreement

- **Canada:**
 - Has agreed that the provinces will sign on to the WTO Agreement on Government Procurement (GPA) at an equivalent level to the U.S. This means that both Canada and the U.S. will grant each other permanent market access at the sub-federal level, as specified in the GPA.
 - Offers access to municipal-level construction projects as well as some provincial crown corporations.
- **In Return:**
 - Canada receives access to the remaining stimulus funding and has been granted preferred market access to procurement programs where Canadian companies have been traditional suppliers, such as programs managed by the U.S. Department of Energy, the U.S. Department of Housing and Urban Development, and the Environmental Protection Agency.
 - There is a commitment by both parties to explore the scope for going beyond the GPA and NAFTA through a permanent reciprocal agreement within the next 12 months.
 - Both countries have also agreed to a fast track consultation process for future American legislation that might contain Buy American clauses.

What This Means for Canadian Business

- While it has taken several months to reach an agreement, and a substantial portion of the U.S. stimulus funding has been allocated, it does represent an important step forward as the agreement puts Canadian companies in a better position to benefit from remaining U.S. infrastructure stimulus funding and establishes a mechanism for negotiating further access to U.S. markets.

- Thanks to this agreement we are now in a stronger position compared to other GPA parties.
- This process is an important first step in our continued engagement with our largest trading partner.
- The speed and efficiency with which the provincial and federal governments were able to come to an agreement on a significant offer for the U.S. sets a valuable precedent in the relationship between the two levels of government and should be used as a model for greater cooperation during current and future free trade negotiations.

Next Steps

- Protectionism is not going away anytime soon. We must continue to work with the United States to strengthen our ties and to develop solutions that are beneficial to both parties.
- More of a focus should be placed upon the role that the private sector and the provinces can play in educating Americans on our unique relationship. We need a coordinated and organized strategy aimed at fostering awareness in the U.S.
- Canada should also begin to develop its trading relationships with other countries, diversifying our trade portfolio.