

DOMESTIC CONTENT REQUIREMENTS: DISRUPTING FREE AND FAIR TRADE

The U.S. and Canada have a trillion dollar trade and investment relationship that supports millions of jobs spread across every Congressional district. Our economies are integrated. However, both de facto and de jure domestic content requirements jeopardize our shared prosperity. We asked companies and contracting authorities to tell us what Buy America and other restrictions mean for their businesses. Here is some of what they said:

COMPANIES THINK OF CANADA AS “DOMESTIC”

U.S. manufacturing relies heavily on raw materials and other products from Canada. Companies report that Canadian materials are advantageous because of geographic proximity, supplier diversity, economies of scale due to co-production, and other non-tangible benefits like intellectual property rights and specialized technologies. These factors all contribute to North American competitiveness.

- Welded Tube, a steel pipe company with operations in Ontario and Lackawana NY, reports their U.S. customers think of Canadian-made steel pipes as American. What’s more, the company explains, new barriers to trade undermine both existing supply chains and expansion plans in the U.S.
- Dana Incorporated, an automobile parts manufacturer in Maumee, OH uses aluminum and other components from Canada. An executive shared that the company’s supply chains are regionally and seamlessly integrated, such that materials cross the border several times before products are ultimately sold to customer plants in Canada, the U.S., or Mexico.



Photo credit: Welded Tube

DOMESTIC CONTENT REQUIREMENTS INCREASE COSTS AND THREATEN U.S. JOBS

Rather than creating jobs, companies indicate that Buy America and other domestic requirements send a signal that the U.S. is not open for business. What’s more, some said jobs exist in spite of these requirements and an expansion would deter further investment. For example:

Evrz North America employs 400 people at a facility in Portland, OR. The company reports additional Buy America requirements could jeopardize expansion plans into Colorado: “We know that Buy America policies already reduce the number of steel manufacturing jobs we have in Portland. Extending them ... could have a similar impact in Pueblo.”

DOMESTIC CONTENT REQUIREMENTS CREATE COMPLIANCE BURDENS AND STIFLE INNOVATION

Companies and contracting authorities alike are not incentivized to find ways to reduce costs or improve production standards for projects subject to domestic content requirements. While companies must go to great lengths to show they meet Buy America and other provisions, even when this is not practical, contracting authorities cannot consider options that may reduce waste. For example:

- Ontario Trap Rock, a company with operations on both sides of the border, provided 100,000 tons of materials for projects in Detroit in 2015 and 2016. To comply with Buy America, taxpayers paid an extra \$1.5 million for the projects, and these did not generate new jobs in Michigan.
- Multnomah County, OR needed products to repair a bridge that were not domestically available. Because a request for a Buy America waiver was ignored by the Federal Highway Administration, the county delayed repairs, had to resubmit design plans and other paperwork, and ultimately fund portions of the project without federal money.

TO LEARN MORE, READ THE FULL STUDY:

http://tradepartnership.com/wp-content/uploads/2017/11/Canada_Embassy_Report_Final.pdf