

Canadians brace for economic aftermath of U.S. job plan

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OTTAWA -- U.S. President Barack Obama's plan to heat up the American job market has Canadians bracing for a cooling effect on cross border trade.

Obama has been out selling a \$447 billion American Jobs Act aimed at creating much-needed jobs in the United States, but the plan includes a protectionist "Buy American" provision.

The \$100 billion set aside for infrastructure projects can only be spent in America, the only exception is if doing so increase the cost of the project by more than 25 per cent.

"In a very slow economy, it will prevent Canadian businesses who are very dependent on the U.S. market ... from exporting their goods to the United States," says Ian Lee at the Sprott School of Business at Carleton University.

Lee said one-third of Canada's economy is driven by exports and 75 per cent of those are to the United States.

The federal government too has recognized the Buy American provisions are not good for Canada, with International Trade Minister Ed Fast promising to fight the plan.

Fast said that "history has shown that protectionist measures stall growth and kill jobs" and the government would defend open and free trade.

Others are urging the Canadian government to follow Obama's lead to address a potential economic backlash from the Buy American policy.

The Council of Canadians says the government should increase municipal infrastructure investment and tie Buy Canadian conditions to it.

"Canada's cities and towns need over \$30 billion in water system upgrades alone and another \$100 billion for other badly needed infrastructure. Harper's procurement deal did nothing to speed up those projects, it just made sure if they did get built it was difficult to Buy Canadian," says Meera Karunanathan, water campaigner for the Council of Canadians.

The council says the original Canada-US Agreement on Government Procurement that came into effect in 2010 benefitted America more than Canada and it was time to end it.

To date Obama's job proposal - including the Buy American provisions -

is just that, a proposal. It will still have to be passed into law.

"The White House signaled [Wednesday] that it is open to various amendments and tweaks. This is a work in progress," said Scotty Greenwood of the Canadian American Business Council.

Greenwood says she expects Canada to be exempted from Buy American provisions - a battle Canadians fought and won in 2009 when the Americans announced a similar clause in their stimulus funding.

"It is in U.S. business interest to be able to keep this really integrated supply chain that it enjoys with Canada. It is in the U.S. interests to get this right," Greenwood says.

This time around Canada has an even bigger bargaining chip when it comes to negotiating.

The U.S. and Canada are expected to sign an agreement that would see greater cooperation on the economy and border security this fall.

Lee says the Canadian government should hold off on signing the deal until they undo the Buy American policy.

"We should demand some quid pro quo," he says.

Greenwood too said that she thinks the shared border plan will temper American protectionism.

"I really don't think it is their intention to take one step forward and two step backwards. I think they are trying to do anything they can to enhance the economy, including figuring out how to work better with Canada," she says.

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