

Buy American deal paves way for EU trade pact

Agreement will let Canadian companies bid on U.S. infrastructure projects, opens door to further trade liberalization

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A Canada-U.S. deal on Buy American trade restrictions opens the door for more sweeping liberalization of provincial and territorial procurement policies, including momentum for a proposed trade deal with the [European Union](#).

Federal Trade Minister Peter Van Loan unveiled the agreement in Ottawa Friday, under which American states will allow Canadian companies to bid on infrastructure projects for the remainder of Washington's \$787-billion (U.S.) stimulus program.

Saskatchewan Premier Brad Wall, chairman of the premiers' council, said the short-term benefits of the deal are limited because most of the U.S. stimulus dollars have been allocated. But he said it provides some protection to future Canada-U.S. trade relations.

"There is a lot protectionist sabre-rattling down there [in the U.S.] in the face of a very difficult economic time so this is an important achievement," Mr. Wall said.

"I think the longer term is even more significant ... It opens the door for renewed or reinvigorated discussions with Europe [on a trade pact], and also the notion that there would be a mechanism to fast-track exemptions from buy-America-like provisions in other U.S. stimulus initiatives."

Mr. Wall said the deal should provide momentum for further liberalization of provincial procurement policies, including municipalities and Crown corporations, which have been excluded from [international trade](#) agreements.

Under the deal announced Friday, the provinces and territories will, for the first time, provide commitments under the [World Trade Organization's](#) Government Procurement Agreement, to provide access to foreign companies for procurement markets – everything from construction contracts to managing health records.

Some 37 states have signed on to the WTO agreement, though they have insisted on broad exemptions. Under the new Canada-U.S. agreement, Ontario intends to exclude its transportation and energy sectors, preserving its domestic-content rules under its renewable power contracts.

The United States appears to have exempted major transportation projects that are financed by Washington.

Business groups applauded the deal. "It's a good step forward compared to where we were," said John Manley, head of the Canadian Council of Chief Executives and former Liberal cabinet minister. "It's good that it has given us a relationship with the United States that recognizes the degree of integration of our economies."

Mr. Manley said provinces had balked at making procurement commitments under the North American free-trade agreement or at the WTO.

At the same time, interprovincial barriers continue to exist in the form of local content rules and other exclusions. Provinces and territories have committed to reducing those barriers, and have made progress, particularly in labour mobility and regional agreements. But domestic content rules remain widespread.

“The fact that we've got the provinces to sign on to the WTO procurement agreement is a step forward,” Mr. Manley said.

The European Union is keen to win access the sub-national procurement markets as part of a Canada-EU agreement, particularly from provincial Crown agencies in the health and energy sectors, he said.

However, union and anti-free-trade groups have slammed the deal for the very same reason – that it commits provinces to provide greater access to foreign corporations for provincial, territorial and municipal contracts.

Under the trade deals, provinces and territories, as well as their municipalities and Crown corporations, will be locked into a market-based approach to procurement, at the expense of social, environmental and employment-related goals, said Maude Barlow, chairwoman of the Council of Canadians.

“Canada has committed way more and in a more permanent way than it is getting in this deal,” she said. The sub-nation procurement market “is the motherlode for corporations ... and you can say bye to ‘buy local.’”