

Canadian Embassy



Ambassade du Canada

February 2, 2009

The Honorable Harry Reid
United States Senate
528 Hart Senate Office Building
Washington, DC 20510-2803

The Honorable Mitch McConnell
United States Senate
361A Russell Senate Office Building
Washington, DC 20510-1702

Dear Majority Leader Reid and Minority Leader McConnell,

I am writing to you to express Canada's concern about a possible broadening of "Buy American" provisions in the *American Recovery and Reinvestment Act* currently under consideration by Congress.

In November, G-20 leaders agreed that protectionism would fuel the economic crisis. Canada views some elements of the legislation you will be considering this week as protectionist and contrary to the very goals of economic recovery that this bill is intended to support.

We are concerned about contagion, that is, other countries also following protectionist policies. If Buy America becomes part of the stimulus legislation, the United States will lose the moral authority to pressure others not to introduce protectionist policies. A rush of protectionist actions could create a downward spiral like the world experienced in the 1930s.

We support the implementation of a stimulus plan to offset the impacts of the global downturn. We submitted our own plan to Parliament on January 27. We are mindful that the response to the global economic crisis will only succeed if governments work cooperatively and in a coordinated manner. In this vein, we have deliberately chosen to avoid the introduction of new protectionist measures, as agreed to during the G20 summit.

Specifically, given the highly integrated nature of our two economies, it is in both our national interests to resist the pull of growing protectionism in implementing our respective economic stimulus packages. One third of all cross-border trade between Canada and the United States takes place within companies with a presence on both sides of the border; and two-thirds is within established supply chains. Over \$1M worth of trade and commerce crosses our border every minute, and approximately 7 million U.S. jobs are supported by that trade with Canada. Importantly, the United States enjoys

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a surplus in exports of manufactured goods to Canada. We are your largest single customer. If either of our governments were to introduce new barriers or preferences at this time, we would load increased costs and burdens onto businesses, cause delay, disrupt and distort the way businesses have organized themselves in our two countries, and decrease North American competitiveness, thereby killing jobs rather than creating them.

We recognize concerns about "leakage" – taxpayer money going to create jobs in other jurisdictions. However, our two countries build goods together; and our supply chain is fully integrated. These concerns have to be balanced against the real costs to our respective economies and treasuries of restricting competition and the free flow of goods and services.

For both international and bilateral considerations, we would ask you to ensure that the legislation does not include elements which restrict trade, such as broadened "Buy American" provisions. In any event, we assume that the United States will comply with its international trade obligations. A negative precedent set here in the United States can have repercussions around the globe and could provoke debilitating beggar-thy-neighbour policies. In the end, we got into this economic crisis together. We need to work together to build ourselves out of it.

Yours sincerely,

A handwritten signature in cursive script that reads "Michael Wilson". The signature is written in black ink and is positioned above the printed name.

Michael Wilson

c.c.: United States Senate