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Biden signs order pushing federal government to buy more American-made products

Measure likely to irk allies, raise taxpayer costs

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President Biden on Monday signed an executive order aimed at forcing the federal government to buy more goods produced in the United States, a key part of his campaign pledge to revive domestic manufacturing.

Standing in front of a blue backdrop reading “The Future Will Be Made in America,” the president said he was directing regulators to tighten the definition of American-made products and creating a position in the Office of Management and Budget to oversee stepped-up purchases of domestic goods.

The president’s order also will make it harder for federal agencies to issue waivers allowing the government to purchase some products made overseas. Under the new rules, agency officials will be required to justify such choices to the White House.

Biden acknowledged that efforts to promote domestic content have been a familiar part of previous presidents’ agendas. Former president Donald Trump issued regulations increasing the share of a product’s components that must be produced domestically to qualify as U.S.-made just one day before he left office.

“This is different and not the same,” Biden said.

The executive order will create a website where American businesses can see what contracts are being awarded to foreign vendors, allowing them to alert the government to the availability of a domestic alternative, Biden said.

The order reflects the shifting consensus in American politics away from free trade and toward direct government intervention to promote U.S. manufacturers, a position Trump embraced as well. The coronavirus pandemic has intensified calls for the United States to shore up its domestic manufacturing capabilities, given gaps last year in the medical supply chain that left U.S. medical workers scrambling for personal protective equipment.

“We’re going to make sure that they buy American and are made in America,” Biden said Friday.

The measure drew labor union plaudits, with AFL-CIO President Richard Trumka calling it “a good first step in revitalizing U.S. manufacturing.” But the U.S. Chamber of Commerce said the initiative was unlikely to bring home lost manufacturing jobs and would boost the cost of government projects.

Turning Biden’s aspirations for reviving domestic manufacturing into reality may be difficult. Trump’s top trade adviser, Peter Navarro, pushed aggressively for similar “Buy American” provisions but was often rebuffed by other officials who argued that his proposals risked backlash from foreign nations as well as higher costs for U.S. taxpayers.

Trump’s last-minute regulations, which take effect Feb. 22, give American companies the edge over foreign rivals even if their products cost 20 percent to 30 percent more.

Major U.S. allies oppose Buy American efforts, fearing the loss of lucrative contracts. Canadian Prime Minister Justin Trudeau raised his concerns in a phone call with Biden last week, officials in Ottawa said.

An aggressive Buy American campaign also may complicate Biden’s hopes of securing a united front among allies to meet rising Chinese influence.

“The Biden administration is sending a clear signal that it intends to aggressively protect U.S. commercial and trade interests, belying the hopes of U.S. trading partners anticipating a softer touch from the new government,” said Eswar Prasad, a former International Monetary Fund official now teaching at Cornell University. “It is clear that the Biden administration is hardly rushing to usher in a new era of global trade and economic cooperation.”

Still, the administration is determined to move beyond the traditional focus on price and efficiency in its approach to trade policy.

“As we sort out what globalization is going to look like in the future, we’re headed toward a more thoughtful policy,” said a trade specialist advising the administration who requested anonymity because they were not authorized to speak to the news media.

The federal government spends as much as \$600 billion annually on contracts, but a significant portion of that money goes to foreign businesses, said Lori Wallach, a trade expert at Public Citizen, a nonprofit watchdog organization.

It is unclear exactly how much federal contracting money goes abroad, Wallach said. The U.S. Chamber says that 97 percent of federal procurement funds go to “U.S. firms.” But that figure includes the foreign subsidiaries of American corporations, meaning the purchases could support workers in Vietnamese or Mexican factories rather than Americans.

Under a World Trade Organization accord on government procurement, the United States generally has been more receptive to foreign firms bidding on contracts than other countries have.

In 2010, the most recent data available, the United States opened \$837 billion in government contract competitions to foreign firms, more than twice the combined figure of the next five — the European Union, Japan, South Korea, Norway and Canada, according to the Government Accountability Office.

The United States that year allowed foreign companies to bid on about 48 percent of its \$1.7 trillion government procurement market while the other five put out to bid just 16 percent of their combined \$2.4 trillion market.

William Reinsch, a trade specialist at the Center for Strategic and International Studies, said the White House announcement would have little immediate impact. But by raising domestic content requirements, the administration could have an effect on corporate supply-chain decisions.

“This is going to be a long-term play, not a short-term play,” said Reinsch, a Commerce Department official in the Clinton administration.

Biden has the power to reduce the list of 60 countries whose companies are granted waivers from Buy American regulations, meaning their products are treated as if they were U.S.-made for purposes of government contracting. Those waivers, which he said Monday have been issued “with impunity,” will be permitted only under “very limited circumstances,” such as to meet national security requirements.

Loopholes in government procurement regulations must be closed before Biden launches other major initiatives, according to Scott Paul, president of the Alliance for American Manufacturing.

“Biden is envisioning this massive new federal investment in infrastructure, in clean energy, in economic recovery, so getting the updated statutes in place ahead of this spending is going to be key to its success,” he said.

Pentagon spending also could be ripe for a greater Buy American focus, according to one trade specialist advising the Biden administration. A 2018 Defense Department study found a “surprising level” of foreign suppliers, including the Chinese, and recommended that the government mitigate it by expanding taxpayer investment in low-level defense manufacturers.

Most economists have panned Buy American provisions, saying they raise costs for the U.S. government.

“Neither protectionism nor purposefully raising the cost of the federal government will help the economy grow any faster,” said Adam Ozimek, an economist at the online freelancing site Upwork, adding that he had not been briefed on the details of the Biden plan.
