



Analyzing the Global Impact of America's 'Buy American' Policy

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For more information, contact the publisher:

International Trade Council

231 Bain Street. #03-05 Bras Basah Complex. Singapore 180231

Email: info@tradecouncil.org

Website: www.tradecouncil.org

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Introduction

The 'Buy American' policy is a contentious issue that has attracted the attention of policymakers, scholars, and the public for years. The policy requires that all federal purchases of goods and services should be sourced domestically, showing preference to American-made products over foreign-produced ones. The policy has been in use since the 1930s, and it has undergone several revisions to align with the changing times and global economic dynamics. This paper analyzes the global impact of America's 'Buy American' policy and its implications on various sectors, including the economy, foreign relations, and environmental sustainability. The paper adopts a qualitative research approach, utilizing secondary sources, including scholarly articles, government reports, and news articles, to provide comprehensive insights on the subject. The study's objective is to establish the rationale behind the 'Buy American' policy, assess its impacts on the global economy and trade, and provide recommendations on how best to manage it. By analyzing the 'Buy American' policy's historical, social, economic, and political significance, this research aims to provide a comprehensive understanding of the policy and its impact on global trade and economic development.

Definition of the 'Buy American' policy

The 'Buy American' policy is a procurement policy that dictates that federal agencies and entities funded by the government should purchase domestically produced goods and services. The 'Buy American' policy was first introduced in 1933 under the Buy American Act, which stated that all items procured by federal agencies must be grown, produced, or manufactured entirely in the United States. The policy was designed to promote American products and services and support domestic businesses. It seeks to protect American jobs by ensuring that tax dollars are spent on domestically sourced products and services, boosting local economies.

The 'Buy American' policy requires federal agencies to give preference to domestically sourced products when purchasing goods and services. It has since been expanded to cover other areas such as transportation, infrastructure, and energy. The government has also introduced exceptions to the policy, such as allowing agencies to procure foreign-made goods when domestically produced items are unavailable, or when foreign products provide significant cost savings.

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Over the years, the 'Buy American' policy has faced criticisms, with some arguing that it violates international trade agreements, while others argue that it harms the economy by raising costs and decreasing competition. Regardless, the policy continues to shape America's economic landscape and remains a crucial consideration for businesses and policymakers alike.

Explanation of the purpose of this white paper

The purpose of this white paper is to provide a critical examination of the impact of the 'Buy American' policy on the global economy. The white paper is divided into several key sections which include an introduction to the policy, a review of the existing literature on the subject matter, and an analysis of the policy's economic impact on domestic and foreign markets, particularly in the context of globalization. The white paper also aims to critically evaluate the social and political implications of the policy, highlighting its effects on international trade relations, cooperation, and the global supply chain. Moreover, the white paper aims to present a nuanced perspective on the policy's effectiveness, limitations, and possible alternatives that can promote domestic employment and economic growth without undermining global cooperation and free trade principles. Overall, the white paper's goal is to present a comprehensive analysis of the 'Buy American' policy and its impact on the global economy while also contributing to the ongoing debate on the role of economic nationalism and protectionism in shaping global trade policies and the future of international economic relations.

Historical overview of the 'Buy American' policy

During the Great Depression, President Franklin D. Roosevelt introduced the 'Buy American' policy in the form of the Buy American Act of 1933. This act requires that products used by the government be made in the United States, though exceptions are made for certain goods deemed unattainable or too expensive to obtain domestically. The act was intended to boost America's economy during times of economic uncertainty and to support American workers.

The Buy American Act was followed by the 'Berry Amendment' in 1941, which requires the Department of Defense to purchase only American-made textiles, clothing, and certain other items. In 1979, President Jimmy Carter signed the Trade Agreements Act, which amended the Buy American Act to give preferential treatment to U.S.-made products over those from other countries in government procurement. However, this exception is only applicable if the cost of American-made products does not exceed that of foreign products by more than six percent.

Today, the 'Buy American' policy continues to be an essential part of the U.S. government's procurement process, with the aim of promoting domestic economic growth and supporting American businesses. However, it remains a controversial topic in international trade as it limits foreign competition and violates trade agreements between nations.

Implementation of the policy during the Great Depression

During the Great Depression, the implementation of the Buy American policy became a means to limit imports and to stimulate domestic economy. The Buy American policy increased the demand for domestic products by discouraging the use of foreign goods in federally-funded projects. The American government increased its focus on creating jobs for citizens and improving the livelihood of domestic producers.

The implementation of the policy was effective in bolstering the US economy, as it created an increased demand for locally-produced goods, providing jobs, and supporting the growth of small-scale industries. However, while the policy provided a short-term solution to the economic struggles of the time, it also had long-term consequences. The Buy American policy led to the

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world's first trade war, as other countries retaliated by placing their own domestic tariffs, which in turn damaged international trade relations and hindered the global economic recovery of the time. Despite criticisms of the policy's negative effects on international relations, the Buy American policy served as a crucial tool in supporting the US's domestic economy during the challenging economic climate of the Great Depression.

The Buy American Act of 1933

The Buy American Act of 1933 remains one of the most significant pieces of legislation in American government procurement policies. The law establishes that the American government can only purchase goods manufactured in the United States or from American companies. The Act primarily applies to federal government agencies, including military and civilian organizations, and is designed to support the local economy and ensure that the US government purchases goods in the United States. Although this legislation was instituted during the Great Depression, Buy American's policies still have a noticeable impact on the American economy today. The Act mandates that the federal government purchase domestic goods and services where possible, even if the cost is slightly higher than other alternatives. This policy ensures a steady demand for American-made goods, which, in turn, stimulates job growth and encourages the development of new industrial sectors. Additionally, the Buy American Act aligns with the broader American economic philosophy of promoting domestic economic growth and maintaining positive trade balances with other nations. By establishing such policies that promote American goods, the Buy American Act of 1933 demonstrates American economic nationalism, protectionism, and sovereignty.

Changes and expansions to the policy in recent years

Over the years, the Buy American policy has undergone several changes and expansions in both its scope and application. One notable expansion took place in 2009 when Congress passed the American Recovery and Reinvestment Act. This law required that all government-funded projects use only domestically sourced materials, which further strengthened the Buy American policy. Another major change occurred in the 2017 White House executive order titled Buy American and Hire American. In this order, the Trump administration sought to expand the policy to cover not only federal government contracts but also non-federal programs supported by federal funds. The order also directed federal agencies to rigorously enforce the domestic preference laws and

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review existing waivers issued to foreign suppliers. These changes reflect the growing concern among policymakers and the public regarding the use of foreign products and labor in the country's economy. However, these changes have also sparked concerns amongst trading partners and global organizations such as the World Trade Organization (WTO) who argue they may violate international trade rules and lead to retaliation from trading partners. As a result, the U.S. government has been faced with the challenge of balancing the domestic political and economic interests against global trade rules and obligations.

The impact of the 'Buy American' policy on the US economy

The 'Buy American' policy has had a considerable impact on the US economy over the years. While this policy was initially meant to promote domestic production and create job opportunities, it has other unintended consequences. For one, other countries retaliated by introducing similar policies, limiting American companies' access to their markets. Additionally, 'Buy American' policies have resulted in higher costs for government agencies, ultimately passing those costs down to taxpayers. It has also hindered international trade and reduced the competitiveness of American firms in global markets. One of the most concerning consequences is the impact it has had on supply chains. The products manufactured in America often require raw materials and inputs that are not domestically produced. Therefore, requiring these products to use only American-made inputs ends up inflating production costs, reducing efficiency, and degrading product quality. This policy has created inefficiencies in the supply chain, which has pushed businesses to relocate production to other countries where they can produce cheaper products. Finally, due to the rigid policies, procurement officials in the US government frequently sidestepped manufacturing opportunities that could have been more cost-effective than buying American-made products, resulting in excessive spending. Ultimately, the 'Buy American' policy, while intended to protect America's economy, has not successfully done so in the long run.

Effects on domestic manufacturing

One of the major effects of the 'Buy American' policy on the domestic economy is its impact on the manufacturing sector. Manufacturing industries, particularly those producing steel, aluminum, and other related products, were hit hard by the influx of foreign-made substitutes that flooded the market. The US Chamber of Commerce estimates that implementing a strictly enforced 'Buy American' policy could boost domestic manufacturing employment by over a million jobs and generate over \$200 billion in economic output. Additionally, the policy could help reduce the US trade deficit, which has been a persistent problem in recent years. However, the impact on domestic manufacturing is not entirely positive, as increased protectionism could result in a rise in the cost of goods for consumers, leading to inflation. The policy may also lead to retaliation from other countries which could harm US exports. While the policy is designed to protect domestic

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jobs, it may also harm US exporters who rely on free trade agreements and global supply chains for their business. Thus, the 'Buy American' policy can have both positive and negative impacts on the domestic manufacturing sector dependent on how it is implemented and enforced. Ultimately, policymakers need to balance the benefits of protecting domestic industries with the costs of restricting trade.

Job creation and employment rates

Job creation and employment rates are key factors in measuring the success of any economic policy. The Buy American policy has the potential to create more jobs within the U.S. manufacturing industry, which could ultimately boost employment rates nationwide. This is crucial given the current economic struggle that the country is facing in the aftermath of the COVID-19 pandemic. There is no doubt that the pandemic has resulted in a significant rise in unemployment rates across the country, and the Buy American policy has the potential to address this issue. By prioritizing domestic manufacturing, businesses may be more inclined to hire U.S. workers, thus reducing the country's reliance on foreign labor. However, the flip side of this policy is that it may result in higher costs for businesses, which could pass those costs onto consumers in the form of higher prices. In addition, the policy may create a backlash from other countries and lead to protectionist measures, ultimately hurting America's position in global trade. Therefore, it is important to strike a balance between supporting domestic industries and maintaining a healthy relationship with other countries in the international trade arena.

The trade deficit

The trade deficit is a significant issue that arises when discussing trade policies. The trade deficit refers to the difference between a nation's exports and imports, where a higher import figure signals a larger trade deficit. A trade deficit can be harmful to a country's economy and can negatively impact job opportunities, as it signals that a country is importing more goods than it is exporting. The 'Buy American' policy can lead to a decrease in imports, which can reduce the trade deficit and result in a more balanced economy. However, the 'Buy American' policy is not a comprehensive solution to addressing the trade deficit. The policy may lead to retaliatory measures from other countries, which could harm the export industry. Additionally, while reducing imports may lead to a decrease in the trade deficit, it may also result in higher prices for consumers. Thus, a more comprehensive approach to reducing the trade deficit would require a focus on

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increasing the competitiveness of American goods and services in the global market. This would involve investing in research and development, advancing technology, and promoting education and training for individuals to enhance their skills and increase their ability to compete in the global market. Such an approach would not only address the trade deficit but also generate long-term benefits for the American economy.

The impact of the 'Buy American' policy on international trade relations

The 'Buy American' policy has been one of the most controversial policies in the history of international trade relations. The policy is viewed by many countries as a protectionist measure that gives American companies an unfair advantage in international trade. The policy has led to a significant decline in imports from foreign countries, particularly those in Asia and Europe. The policy has also caused some countries to retaliate by implementing their own protectionist policies that adversely affect American businesses operating overseas. Some analysts argue that the 'Buy American' policy has contributed to the increasing trade tensions between the United States and China. They argue that the policy could lead to a trade war between the two countries, which would have a significant impact on the global economy. On the other hand, proponents of the 'Buy American' policy argue that it is necessary to protect American companies and workers from foreign competition. They argue that the policy helps to create jobs in the United States and supports the American economy. Despite the controversy surrounding the policy, it continues to be a key part of U.S. trade policy, and its impact on international trade relations will likely be felt for many years to come.

Reactions from other countries

The implementation of the Buy American policy has created mixed reactions from other countries. Officials from Canada and Mexico, for example, have expressed concerns about how this policy would affect their trading relationship with the United States under the North American Free Trade Agreement (NAFTA). Canada, which is one of the largest trading partners of the United States, has been vocal about the negative impact of the policy on their economy. Likewise, Mexico has also voiced their concerns, as the country is heavily dependent on exports to the United States. While some countries have expressed disappointment with the policy, others have signaled their willingness to follow suit. In the United Kingdom, for example, the government has also introduced similar regulations that require public procurement to prioritize domestic products. Likewise, Germany has also implemented policies to prioritize locally sourced products in public

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procurement. These actions suggest that the Buy American policy has had a ripple effect beyond the borders of the United States, prompting other countries to adopt similar regulations. Overall, the Buy American policy has had a significant impact on the global trade landscape, raising concerns about protectionism and its potential consequences for international trade.

Potential violations of free trade agreements

Another potential issue with the Buy American policy is the potential for violations of free trade agreements. The United States has signed various free trade agreements with countries all over the world, including the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) agreements. These agreements are designed to promote free trade between participants by eliminating barriers to trade, such as tariffs and restrictions on imports and exports. However, the Buy American policy could be seen as a form of protectionism, which goes against the principles of free trade. If American companies are given preferential treatment over foreign competitors, it could be argued that this creates an unfair advantage and prevents foreign companies from competing on a level playing field. This could result in other countries retaliating by implementing their own protectionist policies, which could ultimately result in a trade war. In addition, if the United States is found to be in violation of its free trade agreements, it could face legal challenges and potentially damaging economic consequences. Therefore, while the Buy American policy may seem like a good way to support domestic manufacturing, it could ultimately backfire and harm the global economy.

Effect on US global image

One major effect of the 'Buy American' policy on the United States is its impact on the country's global image. The policy has been criticized by many countries around the world, with accusations of protectionism and discrimination. This can potentially damage the United States' reputation as a leader in the global economy. The policy also goes against the principles of free trade that the United States has been promoting for decades. As the country's global partners and competitors observe the United States' 'Buy American' policy, they may be less likely to engage in trade agreements with the country, which could harm the US economy in the long run. Additionally, this policy may lead to retaliatory measures from other countries, such as implementing their own 'buy national' policies or imposing tariffs on American goods. If this occurs, it will only cause further harm to the United States' global image and reputation.

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Ultimately, the 'Buy American' policy could potentially isolate the country from the global community and limit its ability to conduct international trade. This could have significant negative effects on the United States' economy, its political power and its overall position as a global leader.

The impact of the 'Buy American' policy on global economic development

The 'Buy American' policy has the potential to disrupt the balance of power in the global economy. By preference to domestically-produced products, other countries may retaliate with their own protectionist policies, leading to a wider trend of trade protectionism. This could lead to a less interconnected global economy, potentially reducing economic growth and increasing tensions between nations. Moreover, the policy may not necessarily result in more jobs for Americans, as other countries may implement their own protectionist measures, reducing their imports of American goods and services. Furthermore, the policy may negatively affect American businesses with global supply chains, which rely on imported goods for their production processes. Therefore, the 'Buy American' policy could have severe unintended consequences and may not achieve the desired economic goals. Instead, a better strategy to promote job creation and economic growth would be international cooperation and opening markets to fair and free competition, which would allow the United States to build strong trade relationships and partnerships with other nations.

Effects on global supply chains

U.S. manufacturers that rely on imported goods and components would face cost increases and production delays due to the restrictions on procurement. This could increase the cost of final goods for businesses and consumers, putting U.S. companies at a competitive disadvantage. Furthermore, international suppliers may retaliate by implementing their own protectionist policies, giving preferential treatment to domestic companies and making it harder for U.S. firms to operate in foreign markets. These actions could lead to a fragmentation of the global economy and trade wars, where each country attempts to preserve its own interests at the expense of others. The world economy has become so interconnected that even a seemingly small policy change can have far-reaching implications. Therefore, it is important to consider the potential impacts of any trade policy on global supply chains and its interconnectedness with other economies. In the end, the negative effects may outweigh the short-term benefits to a domestic

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economy from a 'Buy American' policy, and may even trigger unintended outcomes that could hurt domestic industry.

Impact on industries in developing countries

The Buy American policy has led to a significant impact on industries in developing countries. As a result of this policy, these countries have found it difficult to compete with American industries in terms of imports to the US. Developing countries, especially those in Latin America and Southeast Asia that have traditionally relied on the US market for their exports, have seen a decline in their economies due to the reduced demand for their products. This has had a ripple effect on industries that depend on these economies, such as agriculture and manufacturing. Additionally, the Buy American policy has discouraged foreign investment in these countries, which has caused a reduction in infrastructure development, job creation, and economic growth. Furthermore, the US has used its leverage in trade negotiations to force these countries to make concessions that favor American industries. As a result, developing countries have had to bear the brunt of unfair trade practices at the hands of the US, which has led to the stagnation of their economies. There is a clear need for the US to evaluate the impact of its policies on developing countries and to engage with them in a fair and equitable manner to foster global economic growth.

Potential for negative consequences on long-term US economic growth

Another potential negative consequence of the 'Buy American' policy on long-term US economic growth is the reduction of international trade and investment. If other countries feel that the US is implementing protectionist policies that harm their own firms' sales and growth, they may retaliate with similar policies that limit American companies' ability to sell their goods and services abroad. This could result in decreased demand for US products and a reduction in export revenues, ultimately leading to a decline in economic growth. Additionally, if the 'Buy American' policy results in higher prices for goods and services, American consumers may face increased costs of living, potentially leading to decreased consumer spending and a slowdown in economic growth. Finally, the 'Buy American' policy may also result in an oversupply of goods in certain industries, leading to lower profits and reduced investment into those sectors. This could cause businesses to lay off workers and discourage new entrants from entering the market, ultimately leading to decreased economic growth. Therefore, while the 'Buy American' policy may provide short-term benefits to

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certain American businesses, its potential negative consequences on long-term economic growth need to be carefully considered.

Conclusion

America's 'Buy American' policy has global implications that extend far beyond the country's borders. While the policy has its advantages, such as boosting domestic production and creating job opportunities, it also poses significant risks to international trade relations and the global economy. The policy results in increased costs for foreign businesses and may lead to retaliatory measures from other countries. Moreover, it threatens the credibility of international trade agreements and could potentially lead to a breakdown of the global trading system. The United States must strike a balance between promoting domestic production and maintaining a cooperative relationship with their global partners. Additionally, the country can support the competitiveness of local businesses and the domestic economy through other measures, such as investing in research, development, and innovation. Ultimately, the United States should consider the global impact of its policies and work towards finding strategies that benefit not only domestic producers and workers but also the wider global community. As the world becomes increasingly interconnected, it is vital for nations to engage in open and collaborative trade practices that promote mutual growth and prosperity.

Reiteration of main points

America's 'Buy American' policy has significant global impact as it challenges the principles of free trade and globalization. While it has been argued that such policies are necessary to protect domestic jobs and industries, the reality is that they can have severe unintended consequences. The policy has strained trade relations with major trading partners, resulting in retaliation and a potential trade war. Furthermore, it ignores the benefits of globalization, which include increased competition and access to cheaper goods, leading to greater consumer choice and higher standards of living. The Buy American policy also ignores the fact that global supply chains have become increasingly complex, and many American products rely on imported components. Consequently, such policies do little to help American workers or industries, as they simply shift production to other countries. Instead, they harm the overall economy and lead to a loss of competitiveness. It is therefore imperative that policymakers recognize the potential pitfalls of protectionism and work towards creating a fair and open global trade system that benefits all. The world is interconnected, and the United States cannot afford to isolate itself from the global economy.

Personal reflections on the 'Buy American' policy

While the 'Buy American' policy may seem like a good idea in theory, it is ultimately flawed. The global economy is more interconnected now than ever before, and implementing strict domestic purchasing policies can lead to retaliation from other countries. This retaliation can come in the form of tariffs and other trade barriers, which can harm American businesses and consumers. Additionally, forcing companies to buy only American-made products can limit competition and innovation, which are essential for economic growth and development. Moreover, there are instances where American-made products are not always the best or most cost-effective options. As a result, businesses may have to spend more money to purchase American-made products, which could ultimately hurt their bottom line. At the same time, promoting the purchase of American-made goods can also lead to better quality and safer products that can benefit American consumers. Ultimately, it is important to find a balance between domestic manufacturing and global trade, where businesses are able to make the best decisions for themselves and their customers without government intervention.

Suggestions for future policy decisions.

In order to achieve balanced and mutually beneficial trade relations, policy makers in the United States must consider a number of suggestions for future policy decisions. One suggestion is to promote increased transparency throughout the procurement process, both domestically and internationally. Another suggestion is to provide greater incentives for American manufacturers to invest in advanced research and development, thereby bolstering the competitiveness of American products in the global marketplace.

Additionally, policy makers should engage more actively with foreign governments and business leaders in order to encourage the adoption of fair and reciprocal trade policies. Finally, policy makers must work to enhance the education and training of American workers, in order to prepare them for the changing demands of a rapidly-evolving global economy. By pursuing these and other policy strategies, the United States can build a more robust and dynamic economic landscape, one that fosters growth, innovation, and prosperity for American businesses, workers, and consumers, while promoting greater harmony and cooperation with its trading partners abroad.