

Vilsack objects to purchasing rules in trade agreements

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DES MOINES, Iowa - Concerned about the outsourcing of Iowa jobs, Gov. Tom Vilsack has told U.S. trade negotiators not to promise foreign companies access to millions of dollars in state purchasing contracts.

In a letter obtained by The Associated Press, Vilsack told U.S. Trade Representative Robert Zoellick that Iowa won't abide by rules included in pending trade agreements that open state government contracts to foreign companies.

The governors of at least three other states have told Zoellick the same, fearing the policy would override state laws giving preference to in-state businesses at a time when many jobs have gone overseas.

Vilsack said his decision applies to the trade agreement with Australia that the Bush administration plans to sign Tuesday, as well as a pending deal with Central America and all future agreements.

Critics say the rules contained in such agreements would bar states from having laws, such as the Iowa statute that requires state agencies to purchase Iowa products whenever possible.

Iowa spends \$900 million purchasing goods and services annually - everything from liquor to vehicles to office supplies.

In his May 3 letter, Vilsack noted the state's loss of manufacturing jobs over the past three years and said such purchases should be used to help Iowa companies as much as possible.

In "this time of crisis," Vilsack wrote, "I believe that Iowa must have maximum flexibility to use our state tax dollars to create good jobs.

Iowa and 36 other states, in a 1990s agreement with the World Trade Organization, allowed businesses from 27 countries to compete for contracts in their states.

Zoellick asked governors last fall to extend that agreement to future trade pacts, helping to persuade other countries to open their purchasing to U.S. companies. Twenty-three states committed to do so, but Vilsack and governors in Missouri, Minnesota, and Pennsylvania dropped out after the rules were issued.

Pennsylvania Gov. Edward Rendell noted in a May 11 letter to Zoellick that his state had suffered manufacturing job losses for 44 consecutive months.

He said he was revoking his consent "to ensure that Pennsylvanians have a fair shot at remaining employed and that companies based in our state can compete in an increasingly unfair international trade system."

Lori Wallach, director of Global Trade Watch for Public Citizen, the Washington D.C.-based consumer group, called the revocations "a smart move."

Wallach said the trade agreement provisions are "antidemocratic" by overriding state laws governing how tax dollars are given out.

In addition to preferences for local businesses, the pacts would bar Iowa laws that favor small and minority business owners and that encourage purchasing goods made from recycled content, she said.

Governors and state lawmakers would "lose all of their authority to set the terms on what they buy and who they do business with," she said.

U.S. trade officials deny the agreements void so-called preference programs, saying states are allowed to exclude sensitive local industries and that only a few big contracts would be opened up for foreign bidding.

Neena Moorjani, a spokeswoman for the U.S. trade office, said U.S. trading partners will respond to the governors' decisions by limiting access to Iowa and U.S. suppliers.

"These missed opportunities will directly affect Iowa suppliers of machinery and electrical equipment, to name just a few sectors in which Iowa's firms are particularly competitive," she said.

The decision by Vilsack and the other governors may mean that fewer states and territories in Australia will open their own government contracts to U.S. companies, but the state-level contracts are a very small part of the Australian trade deal, Wallach said.

She said any retaliation would have little, if any, practical effect on Iowa's \$10 billion in annual exports of commodities and manufactured goods.