



“Buy American?” Thanks, But No Thanks

Description

Over the years, Canada has given America some of the best of our inventions: **BlackBerry** phones, IMAX theaters, basketball, Superman (it’s arguable), peanut butter. We share a passion for hockey, TV networks, Alex Trebek, and the longest defenseless border in the world.

But despite America being like a 14th Canadian province (or Canada being the 51st state), over the last two weeks, an old suture has once again been torn open. The United States, under the Biden administration, is rallying around a phrase we know all too well: *Buy American*.

What’s “Buy American?”

No, we’re not talking about buying **Apple** watches or Pelotons. We’re talking about Americans, specifically in the manufacturing industry, buying strictly American produced raw materials.

In the past, it’s been steel and iron. These days, with global warming inching toward us, it’s the production of electric cars.

Right now, a bill (“Build Back Better”) is making its way through the U.S. congress. It lays out Biden’s plans around health care, immigration, and climate change. One of the proposals is a \$12,500 tax credit to Americans who buy electric vehicles. The problem for Canada (and other foreign assemblers): part of those credits would be reserved for *U.S.-assembled* cars.

Americans looking to get the full credit, then, will prioritize American cars over foreign ones. That can become a real headache for Canada, especially since we’re in the process of amping up our electric car production. Canada’s rich resources have already made it the leader of battery production in North America, and with our auto industry electrifying supply chains, we’re poised for some major growth in our manufacturing sector. Limited imports from our neighbor down south, then, could seriously dampen those plans.

Should Canada be worried?

Should the bill pass, all foreign-assembled cars, including those in Canada, would be immediately blocked from receiving certain credits, with the full \$12,500 being entirely revoked by 2026. That said, I highly doubt Biden's administration will give Canada the short end of the stick.

For one, Biden has already said he's willing to work with Canada in the production of electric cars. While he didn't state specifically that he'd give Canadian-assembled cars the same tax credit as American produced ones, I think history shows that the U.S. won't turn their backs on Canada.

Just for perspective, we saw this same "Buy American" rally cry back in 2009, when the United States was recoiling from the subprime mortgage meltdown. At that time, Obama's administration required that the steel, iron, and "manufactured goods" of public works and public building be produced solely in the U.S. Just a year later, Canada had negotiated a deal with Washington, which made sure Canadian suppliers weren't negatively affected by the bill.

I'm willing to be the same will happen with the auto industry. After all, we gave them peanut butter and Michael Jordan (without basketball, there's no Jordan). Surely, they'll work with us to build better electric cars.

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