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Four states ask U.S. trade officials to exclude them from foreign purchasing contract rules

BY RYAN J. FOLEY, Associated Press Writer
DATELINE: DES MOINES, Iowa

Concerned about the outsourcing of jobs, four governors are telling U.S. trade negotiators not to promise foreign companies access to millions of dollars in purchasing contracts in their states.

The governors of Iowa, Minnesota, Missouri and Pennsylvania fear the rules contained in pending trade agreements would override state laws offering preference to in-state businesses.

In a May 3 letter, Iowa Gov. Tom Vilsack told U.S. Trade Representative Robert Zoellick that Iowa will not abide by rules contained in the Australian trade agreement that the Bush administration is signing Tuesday, and all other future deals. The Associated Press obtained a copy of the letter on Monday.

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 Iowa and the three others backed out.

Vilsack, a Democrat, noted the state's loss of manufacturing jobs over the past three years and said state contracts 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 spends $900 million purchasing goods and services annually - on everything from liquor to vehicles to office supplies.

In a May 11 letter, Pennsylvania Gov. Ed Rendell said 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."

Neena Moorjani, a spokeswoman for the U.S. trade office, said the governors' decisions are "disappointing" and trading partners will respond by closing markets to U.S. suppliers.

"It will weaken the access of Iowa's suppliers and U.S. suppliers from other states to foreign markets," she said.

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

Under the trade agreement rules, 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 to foreign bidding.

Besides 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, Wallach said.

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

On the Net: United States Trade Representative: http://www.ustr.gov/

Public Citizen: http://www.citizen.org/