



Obama Bows to EU Demands on Stimulus

The [British Telegraph](#) reported:

Obama officials are under pressure from what European diplomats in Washington describe as a discreet but outspoken campaign of "quiet fury" from America's closest allies....



European Commission representatives and diplomats from the British, French, Canadian and Mexican embassies in Washington have all launched an intensive lobbying operation to convince senators to strike the provisions from the bill they will debate this week.

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A Western diplomat in Washington made clear that otherwise a trade war was in prospect. "The EU has said it will not stand idly by and let this happen. I've not heard words that strong from Brussels in 20 years," the official said.

"This is a very serious situation and there are very strong emotions here pushing for some form of protectionism. The Americans have been made very aware of our concerns and if we need to make things very explicit about what we will do, we will spell things out in words of one syllable.

In response to the uproar from EU officials, President Obama went on national television to announce he was anxious to avoid a trade war with Europe.

"I think we need to make sure that any provisions that are in there are not going to trigger a trade war," he said in a February 3 interview with ABC. "I think it would be a mistake though, at a time when worldwide trade is declining, for us to start sending a message that somehow we're just looking after ourselves and not concerned with world trade," he told Fox News in a separate interview.

The following day, EU Trade Commissioner [Catherine Ashton told Reuters](#) she was encouraged by President Obama's decision to alter the language in the legislation. "I'm encouraged by the words of President Obama, he realizes — like we do in Europe — that we need to trade our way out of the current economic difficulties. Trade is part of the solution as it acts as a stimulus," Ashton said.

On February 4, the Senate responded to the president's and the EU's wishes by watering down the "Buy American" language. After rejecting an amendment by Sen. John McCain to remove the clause altogether, the Senate voted to soften the language to say that any preference for domestic manufacturers in the federally funded projects "be applied in a manner consistent with US obligations under international agreements," a reference to NAFTA, the WTO, and other U.S. trade agreements.

However, it seems that the U.S. concession will not cause the EU to back off from its own protectionist measures. According to a [Reuters report](#), a spokesman for the EU Commission said Obama's conciliatory stance would not affect Brussels' decision to offer export subsidies for EU dairy products, which has also angered other trading nations.



Written by [William F. Jasper](#) on February 5, 2009

"There is no deal. Barack Obama's decision to look at altering the Buy American clause in no way affects the EU's dairy decision," the commission spokesman said.

The stimulus bill, which has climbed to over \$900 billion in the Senate version, must go back to the House of Representatives for re-approval.



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