

Reasearch Findings -Buy American Requirement

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## Buy American Requirement

### Introduction

Diva Dynamic and VectorCal are organizations which are currently focused on promoting a favorable difference in the drone navigation system industry. Diva Dynamic is a proficient organization which is equipped with adequate resources to enhance the value of services which are offered in relevance to drone technology, ranging from, leisure travel expeditions, construction zoning, and requirements for military applications. This assignment discuss the provision of Buy American, which requires the Publicly operated companies in USA to make use of locally available manufactured goods, steel and iron, in their manufacturing processes and operations. Furthermore, the benefits of Buy American Provision are discussed followed by the contradictory clash between capitalism approach and buy American approach.

### Discussion

#### Main Points Of The Buy American Requirements

Purchase America Requirements of 23 CFR 635.410 applies to all the tasks identified with construction development that are helped and subsidized by the Federal government. There are distinctive undertakings that are incorporated in this legally. This includes the emergency repairs that will ensure that the iron or steel products are used and funded by the federal government (Wyatt, 2014). Another condition of this act to be applicable is that the construction should take place in the United States only. It must be ensured that all of the process of construction takes place in the United States so that they are able to work in the most efficient

and effective manner. The manufacturing process of the material should also be performed in the United States according to the Buy America Requirements (Kelly, 2014).

The municipality must get the information and approval that it is aided by the Federal Government and that the products that are being used in the process of construction are produced in the United States. This will help them in determining that the process that is being undertaken conforms to the requirements of Buy America and that the process can be continued in a similar manner. This does not mean that foreign materials are not allowed in the construction process (Trainor, 1974). A certain percentage i.e. no more than 0.1 percent of the total cost of the construction should be of the foreign materials. It is important that the steps that are being taken are done in the best manner.

The buy American Provision's compliance is required by public work projects and Public building and not by the Profit Organizations. This provision tends to regulate the manufactured goods, steel and iron which are used for projects (repair, maintenance, alteration, construction (Kelly, 2014). The provision of Buy America has proved to be a job creation tool which supports the American products and people and is adopted by American local government and Congress. Buy American provision includes, public building and public work and the right set of candidates for these projects are infrastructure development, railways, airports, highways, bridges, and buildings made by government.

### **Benefit of Buy American Requirements**

Since the Buy American provision requires to use locally made products and raw material then they will be of a much affordable rate as compared to the exported ones. This can help VectorCal and Diva Dynamic Incorporation as they will be able to control their costs. The

USA's economy has undergone a severe economic crisis and is still under the affect of it, so it's very important for companies to control their cost structure and make use of locally available material and labor. Since the companies are in the business of making drones, so steel is a major raw material which is used in their production and cost structures. If VectorCal and Diva Dynamic Incorporation have cheaply available steel, of an elevated quality and readily available from nearby sources then it will be a huge benefit for both companies.

Moreover, if both VectorCal and Diva Dynamic Incorporation We're will meet the Buy American provisions and keep their manufacturing operations in United States, they will be capable enough to hire more competent and readily available labor who will ensure that the company makes highest quality systems and products for the customers (Wyatt, 2014). The customers who are residing in United States will be more interested in buying the products of VectorCal and Diva Dynamic as they will have a confidence that the companies are using fully US made products and simultaneously International buyer will also be more interested in the products as they will have surety that products are hundred percent 'made in USA only.' Additionally the Buy American provision will call for better infrastructure development inside USA; this will insure that VectorCal and Diva Dynamic will have access to better infrastructure to transport their goods.

### **Buy American Versus Capitalistic Ethos**

The Capitalistic Ethos supports the opinion of free market economy. According to Bockman (2011) an economy which is free market is the one in which the demand and supply forces free of any sort of government intervention and price-setting monopolies. The variables which are not present in free market economy are: barriers to enter; price setting; price floors,

monopolies; etc. On the other hand, Buy American Provision clearly supports the products and raw material which are made in United States; this means that the government of United States intervenes inside the free system by which forces of demand and supply interact to form market equilibrium. Companies are not allowed to use International manufactured products, steel or iron in their manufacturing processes by which significant barriers to entry exist for the internationally operating companies (Knapp, 1961).

United States' government claims its economy as free market and ensures that the buyers and sellers in the market are given a free hand and that they are able to work in a manner where the government does not intervene. It is important for the people to understand as to how their government has characterized the economy as free market and how it helps them in knowing as to what should be done. Although, the government claims the American economy to be a free market, it is not one (Kelly, 2014).

Government is involved in the decision making process and it significantly influences the decisions taken by the market. The buyers and sellers are not allowed to interact freely and they are not allowed to work according to themselves. The government influences them and then decisions are taken accordingly. Such an environment should not be classified as a free market. In addition to this, the Buy American Requirements cannot be classified as an activity in a free economy. All the activities are decided by the government and then the steps are taken accordingly. This is the reason that the steps that are taken according to the Buy American Requirements cannot be classified as an activity of the free market. It is important for the country to make sure that the steps that are being taken is done in the right manner and that the Buy American Requirements are exercised in such a manner where everyone gains from it. In order to make sure that the Buy America Requirements are addressed in an effective manner, the

government will have to make sure that it does not regulate the market in its own manner and that the buyers and sellers in the market are left free to decide.

The main idea behind Capitalism is that company should be free to choose the supply of goods which will lower down its cost, so that competition prevails in the economy. Buy American Provision restricts the market from functioning in this way. Example of this contradiction is that a company wants to open up a manufacturing plant for automobiles, if that company would have been in any other country it would have gone to procure steel by taking tenders from various local and international steel suppliers and selecting the one which has highest quality and lowest prices (Trainor, 1974). On the other hand a US based company cannot select a steel supplier as easily as it has to find a local steel supplier who offers quality material. In this way the first automobile manufacturer benefits because he has wider choice of suppliers and US based manufacturer is in a disadvantaged position.

### **Exceptions of Buy America Requirements**

The exceptions of Buy America Requirements are in favor of the economy as they help the people in ensuring that the total cost of the construction project does not reach to a great extent and that the people benefit in this. The materials used in the construction process should be purchased from other countries as the quality of the materials produced in the United States is not good and also it increases the cost of the project by 25 percent (Knapp, 1961). These types of exceptions are good and in favor to the economy of the country due to the fact that good quality is used for construction purposes and the people will be more satisfied not. In addition to this when materials from different places will be used, the overall quality of the project will improve.

The buy American Provision's compliance is required by public work projects and Public building and not by the Profit Organizations. This provision tends to regulate the manufactured goods, steel and iron which are used for projects (repair, maintenance, alteration, construction). The produced in United States mean the activities of final manufacturing take place in any area in United States. United States have had Buy American or domestic sourcing laws for quite some years. There are certain exceptions to Buy American Provision, such as regulatory waivers are given if the following scenario prevails:

- Non-availability of manufactured goods, steel or iron in the United States, in adequate and rationally offered quantities and of a good quality.
- Unreasonable Cost increase by using domestically produced manufactured goods, iron and steel. The cost increase percentage should be more than 25% to qualify for this waiver.

I believe that these exceptions are not favorable for the government of United States of America, the reason being that if they allow certain exception to companies then they can window dress the cost structures by inflating it artificially and can get a waiver from it. Moreover influence can be sued by certain huge organizations to qualify for the waiver. On the other hand these exceptions have their benefits too because if the material is not available then it has to be procured from international means. So, it eventually depends on the way these waivers and exceptions are implemented in their true spirit (Wyatt, 2014).

**Advantage And Disadvantage Of Buy American Requirements**

If both VectorCal and Diva Dynamic make use of Buy American Provision then they can gain huge benefits such as:

- Cost of raw material (Steel) will decrease
- Raw Material (Steel) available readily
- Cost of Transporting raw material (Steel) decrease ad only local available raw material is used.
- Subsidy by US Government
- No quality issues as the consumers of Diva Dynamic and VectorCal are US government only, so they will specify quality requirements according to local standards.
- Readily available human resource

**Disadvantages Of Using Buy American Provision**

- Lack of Internationally available raw material
- Lack of International Exposure
- Restricted human capital and expertise
- Quality can be compromised
- Lack of International Quality certifications like ISO9000, etc.

Although the “Buy American Requirements has created many jobs, a projects of this sort will promote domestic manufacturing and can cause people to spend more. When organizations are forced to pay more for products, the increase is passed on to consumers, who are then forced to abstain from spending elsewhere. In other words, by protecting one industry there is numerous of people who are losing billions of dollars in profits (Kelly, 2014). Not only do Buy American



provisions restrict growth, but they cost more jobs than they claim to create. The Buy American Requirements are advantageous in that it does create jobs for those that have been on unemployment for quite some time. The regulation has allowed American to earn a paycheck and contribute to the overall welfare of the nation in spite of the cost to some.

### **Conclusion**

To comply with the Buy American requirements, we will have to assure superior quality and lower costs. It is necessary to purchase efficient and effective machinery and plants that helps in the production of high quality of drone navigation system, as it is a significant matter to the government for national security purposes as well. The office equipment includes tables, chairs; drink stands, stationary, furniture, land of office and other necessary items. In addition, the business intends to manage and control mixed cost that is comprised of both fixed and variable costs. Buy American requires the publicly operated companies in USA to make use of locally available manufactured goods, steel and iron, in their manufacturing processes and operations. This provision has its own set of benefits and drawbacks and certain waiver conditions. The efficacy of waiver conditions is only established if thorough implementation and checking of the cost structures and reports filed by companies is conducted. VectorCal and Diva Dynamic on a whole have more benefits from this provision as compared to cost because there first and foremost consumer is the US government itself.

### References

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