

February 14, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Robert E. Lighthizer
United States Trade Representative
600 17th Street, NW
Washington, DC 20508

The Honorable Wilbur Ross
Secretary of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

The Honorable Lawrence Kudlow
Director, National Economic Council
1650 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Secretary Mnuchin, Secretary Ross, Ambassador Lighthizer and Director Kudlow:

On behalf of the American businesses and their millions of workers that our organizations represent across the manufacturing, services, and agricultural sectors of the U.S. economy, we urge your support for continued U.S. participation in the World Trade Organization's Agreement on Government Procurement (GPA). The GPA provides critical benefits to the U.S. economy, businesses and our workforce. Participation in the GPA empowers the United States to negotiate reciprocal terms under which GPA signatory countries open their government procurement markets to U.S. companies and commit to transparency and procedural protections that support the rule of law. The GPA is the only part of the WTO system that provides binding guarantees of the right to sell to foreign governments (which are not covered by other WTO disciplines). The GPA is also unique among WTO plurilateral agreements in that only the 47 current country signatories to the agreement benefit from and can enforce its binding commitments.

Growing International Government Procurement Markets

Government procurement represents a significant share of the gross domestic product of virtually all economies around the world, with the WTO estimating that countries spend on average about 10 to 15 percent of GDP on government procurements. As a result, manufacturers, service providers and the agricultural industry have long prioritized opening foreign government procurement markets to reciprocal access in trade negotiations. The GPA provides U.S. goods and services with reciprocal binding access to 46 other countries.

Currently, the GPA and other U.S. trade agreements provide more market access for the United States than the United States has been required to provide in exchange. The 61 foreign countries that have opened their procurement to U.S. manufacturers and other suppliers through the GPA and other U.S. trade agreements have a combined GDP of more than \$41 trillion. Based on WTO estimates of the size of government procurement markets, these market openings create a market of \$4 to \$6.2 trillion, much bigger than annual U.S. government procurement, which was valued at approximately \$488 billion in 2016 based on data from the Federal Procurement Data System. Notably, over the last five years, only about three percent of U.S. federal contracts by value have been awarded to foreign industries, reflecting both the competitiveness of U.S. industry and significant exceptions, including for sensitive national security procurements, that the United States retained as part of its international commitments.¹ Furthermore, many of that small number of

¹ Over the last five years, U.S. government procurements totaled nearly \$2.35 trillion on more than 85 million contracts, of which about three percent of the value of the total contracts and less than one percent of the contracts were won by foreign industries, with most contracts won by U.S.-based affiliates of foreign countries. Of that small number of contracts won by foreign suppliers, nearly 90 percent of the procurements

contracts were in areas not covered by the GPA or other U.S. trade agreements, such as Department of Defense purchases in support of the U.S. military presence overseas, and thus would presumably occur irrespective of U.S. membership in the GPA or other U.S. trade agreements.

Access to Foreign Procurement Markets Benefit American Workers and Businesses in Wide Range of Industries

The opening of foreign procurement markets through the GPA and other U.S. trade agreements benefits U.S. manufacturers, service providers, and the agricultural industry. Exports tied to foreign government procurement support many good-paying American jobs across the country and increase production and services sales from the United States. Manufacturers in the infrastructure, energy and power, medical device and equipment, pharmaceutical, chemical, information and communications technology, transportation and capital equipment sectors have all benefited from GPA access to foreign government procurements. Insurers and other financial services companies, software companies, and information technology services providers also benefit substantially from the improved access to foreign customers guaranteed by the GPA.

The GPA also requires signatory countries to comply with transparency and procedural rules to ensure that GPA signatories treat each other fairly in considering procurement bids from GPA member companies. These GPA protections improve rule-of-law and reduce corruption in government contracting to the benefit of U.S. companies bidding for procurement contracts in GPA signatory countries and future signatories.

U.S. companies both large and small operating in these and other sectors report significant sales and exports as a result of access to foreign procurement markets guaranteed by the GPA and other U.S. trade agreements, including procurements administered by foreign state-owned entities. State-owned enterprises are large purchasers of energy, medical devices and equipment, pharmaceuticals, infrastructure equipment and other products and services for which American workers and businesses can compete under the GPA. For example, many hospitals overseas are run by the government or SOEs that conduct their purchases through procurements. Without the GPA and other procurement commitments, manufacturers in the United States of medical devices, medical equipment and medicines would lack the reciprocal access and binding procurement commitments needed to ensure they can compete for these sales.

Leaving GPA Would Disadvantage American Workers and Businesses

U.S. withdrawal from the GPA would disadvantage U.S. companies competing with foreign companies that bid on government procurements in current GPA signatory countries, as well as any future GPA signatory countries. Upon U.S. withdrawal from the GPA, the United States would immediately lose binding market access commitments in the other 46 GPA signatory countries.

Furthermore, if the United States withdrew from the GPA, it could no longer negotiate the terms under which China and other countries could join the GPA. Consequently, other GPA signatory countries would be less likely to demand comprehensive access to Chinese government procurement markets. Moreover, U.S. companies would not receive binding access to procurement

were Department of Defense contracts that were won and fulfilled by the U.S. affiliates of British or other European firms. Federal Procurement Data System accessed at <https://www.fpds.gov/fpdsng/cms/index.php/en/>.

commitments to which China or other new GPA signatories have agreed. Without GPA membership, U.S. companies could find themselves at a significant disadvantage competing with Chinese firms for government procurement contracts – including in critical infrastructure and telecommunications bids, such as 5G – in Europe, Canada, Japan, and elsewhere if the United States were to withdraw and China were to join.

Finally, a withdrawal from GPA could also have the effect of disrupting the supply of critical inputs to the U.S. government itself, resulting in harms to U.S. economic and national security interests. For example, U.S. withdrawal from the GPA could undermine sales of important information and communication technology or other inputs that suppliers have been sourcing from GPA signatory countries and then selling to the U.S. government.

Competitiveness of American Workers and Businesses Depend on U.S. Leadership within the GPA

Our organizations strongly support continued U.S. leadership in the GPA. We support efforts to work with our allies and trading partners to expand market access coverage through the GPA, continue to negotiate with non-GPA countries to open their procurement markets to U.S. companies, and improve the GPA in order to provide new opportunities for U.S. industries and American workers.

Sincerely,

Advanced Medical Technology Association (AdvaMed)
Aerospace Industries Association
American Apparel & Footwear Association
American Council of Life Insurers
American Property Casualty Insurance Association
American Wind Energy Association
Association of Equipment Manufacturers
BSA | The Software Alliance
Business Roundtable
Coalition of Services Industries (CSI)
Computing Technology Industry association (CompTIA)
Information Technology Industry Council (ITI)
Internet Association
National Association of Manufacturers
National Electrical Manufacturers Association (NEMA)
National Foreign Trade Council
Telecommunications Industry Association (TIA)
U.S. Chamber of Commerce
United States Council for International Business
Water and Wastewater Equipment Manufacturers Association