United States Senate
WASHINGTON, DC 20510

July 14, 2014

Hon. Gene Dodaro
Comptroller General
Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Comptroller Dodaro:

It has long been the foundation of U.S. trade policy that U.S. workers and firms enjoy the full benefits promised to them in our trade agreements. In our recent trade deals, the U.S. has provided trading partners with access to U.S. federal government procurement in exchange for obtaining equal access for U.S. firms to our trading partners' government procurement markets. The U.S. has in the past adopted this policy out of a conviction that when allowed to play on a level playing field, American manufacturers can compete with the best in the world and U.S. firms and workers benefit with fair access to international markets. But the playing field must be truly level for these benefits to accrue. We are concerned that the playing field has not been level.

It is also important to remember that, in opening U.S. procurement markets to our trade partners, federal taxpayer dollars are provided to foreign companies for federal procurement of public infrastructure, such as roads, bridges, and railroads. It is exceedingly important that the U.S. government, as the steward of U.S. taxpayer dollars, carefully and regularly evaluate the effectiveness and enforcement of our trade policies in this area of government procurement.

We therefore ask the Government Accountability Office (GAO) to update its previous reports regarding the economic effectiveness of trade agreements, including their enforcement, with regards to government procurement and evaluate whether access to procurement markets continues to be fair and reciprocal.

Below are specific issues we request you address in your report.

1) **Procurement Policy in Trade Agreements** - Please provide background, analysis, and implications regarding trade agreements that include or result in U.S. federal government procurement commitments, including how many and with which countries, the size of their markets, the scope of their firms' participation in U.S. federal procurement markets, and impact on the U.S. economy and U.S. manufacturing. Specifically:
    a. Please include an explanation of and data regarding how those trade agreements operate with respect to U.S. procurement requirements, including Buy American, other preferences, and waivers such as the Commercial Off-the-Shelf waiver, and any industries particularly affected.
    b. Please provide detail regarding impacts on the composition of the American manufacturing sector, specifically with regard to: the number of employees in small, medium, and large firms; the location of manufacturing firms in the country, with attention to regional clusters; our national trade balance in manufactured goods; and the secondary effects of a declining manufacturing workforce on the economy as a whole.
    c. Please also provide background, analysis, and implications for sub-federal procurement, including federal aid programs that have domestic preference requirements that are affected by trade agreements.

2) **Updates Since GAO's 1984 Report** - A 1984 GAO report following the signing of the World Trade Organization's Agreement on Government Procurement (GPA) found: the agreement had less commercial value than originally anticipated; monitoring and enforcement of foreign compliance with the agreement were lacking; and in the cases where foreign procurement opportunities were available, U.S. firms were not made sufficiently aware of them. Please discuss whether and how the recommendations included in the report to rectify these issues have been executed. Are problems ongoing and have new issues with compliance arisen? Please set out what options exist to strengthen enforcement of existing obligations, and what obstacles – including trade enforcement agency funding – there are to implementing those options.

3) **Foreign Government Subsidies of Private Companies in the Procurement Market** - Please describe the extent to which foreign companies (including state-owned enterprises) that compete for U.S. procurement contracts receive direct and indirect subsidies from their governments (including the failure to maintain and enforce adequate labor and environmental laws as a type of subsidy) and the implications of those subsidies for their competitiveness for the procurement contracts compared to U.S. firms (including federal and local subsidies available to U.S. firms).

4) **Impact of Procurement Policy on Small Businesses** - Please discuss how these matters have affected small business, including the achievement of U.S. statutory goals for procurement from small businesses and the extent to which small businesses are able to enjoy the benefits of access to foreign markets provided by trade agreement commitments.

We stand ready to work with you on these important questions and look forward to your analysis.

Sincerely,

Jeff Merkley
Chairman
Subcommittee on Economic Policy
Committee on Banking Housing and Urban Affairs

Tammy Baldwin
U.S. Senator