

United States Senate

WASHINGTON, DC 20510

March 10, 2017

The President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

We write today to provide you with an advance copy of a Government Accountability Office (GAO) report that was prepared in response to our inquiries about the effect of trade agreements on our nation's government procurement activities. This report finds that our government allows foreign firms more opportunities to bid on U.S. taxpayer-financed procurement than American firms receive in return from trade partner countries. It provides empirical evidence that our current trade-agreement driven policy that provides equal access to U.S. government contracts for foreign goods and firms is a losing proposition.

The new GAO report's key finding is that the United States reported opening *twice as much* procurement to foreign firms as the next five largest World Trade Organization (WTO) Agreement on Government Procurement (GPA) signatories *combined* (European Union, Japan, South Korea, Norway, and Canada). For many years, domestic manufacturers and many members of Congress have noted that given the much greater value of U.S. government procurement relative to almost every other trading partner. Providing U.S. firms with opportunities to bid on a smaller amount of government contracting in other countries is not a sound trade-off for providing preferential access for foreign goods and firms to our larger pool of government contracts. For the first time, this report definitively shows that even with regard to the European Union, which has procurement activity of similar value to the United States, we have given away much more access than we received.

While there are various laws, starting with the Buy American Act in effect since 1933, that require taxpayer dollars be spent on American products, a U.S. President is provided the authority to waive these requirements for our trading partners. Section 2511 of the Trade Agreements Act of 1979 (19 U.S.C. 2501, *et seq.*) gives the president the discretion to issue waivers. As of this writing, 59 countries that are signatories to the WTO's GPA or FTAs enjoy waivers of the Buy American Act and other domestic procurement preference rules, giving goods from these countries and firms located there treatment equal to that provided to U.S. goods and firms with respect to bids for U.S. government contracts financed by our taxpayers.

You promised the American people a "Buy American, Hire American," trade policy. This report makes clear that our manufacturers are losing out in our trade deals. We are calling on you to honor your commitment by suspending Buy American waivers for foreign firms until government procurement chapters in our trade agreements are renegotiated. Absent such action, every government contract your administration signs risks sending hardworking Americans' tax

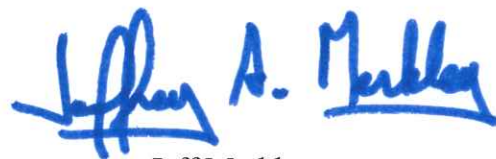
dollars abroad. Removing such terms from agreements such as the North American Free Trade Agreement (NAFTA) is an important step to trying to reverse our large trade deficits and provide more demand for U.S. made manufactured goods.

We have provided a copy of this report to the Secretary of the Treasury, Secretary of Commerce, Acting U.S. Trade Representative, and the Director of the National Trade Council, in addition to several Congressional leaders. We hope that your administration will use this information to partner with us to pursue changes to our trade and procurement policies. It is time we took these necessary steps to reduce our massive trade deficit, create American jobs, and raise Americans' wages.

Sincerely,



Tammy Baldwin
United States Senator



Jeff Merkley
United States Senator