U.S. Membership in the WTO Government Procurement Agreement: Benefits for American Businesses and Workers

A Highly Advantageous Agreement: Thanks to U.S. participation in the WTO Government Procurement Agreement, American companies have the right to bid on foreign government procurement opportunities in the 46 other countries that are parties to the agreement — and do so on a level playing field. Based on WTO estimates, the GPA provides U.S. companies with nondiscriminatory access to foreign government procurement markets with an estimated value of more than $4 trillion, a sum much larger than U.S. government procurement, which was valued at $488 billion in 2016 according to the Federal Procurement Data System. At the same time, only 3% of U.S. federal contracts by value have been awarded to foreign firms over the last five years. In other words, the GPA affords U.S. businesses very substantial opportunities in foreign government procurement markets while foreign companies win U.S. federal contracts at only a modest rate.

Many U.S. Industries Benefit: Among the industries that benefit significantly from the GPA are those that sell their goods and services to foreign governments, state enterprises, and state-managed healthcare and energy systems. Beneficiaries include U.S. businesses in sectors including infrastructure, healthcare (including medical devices and equipment), energy (electricity generation including equipment for thermal, nuclear, hydroelectric, and wind), aviation, transportation, cloud and other ICT services, telecommunications, semiconductors, satellites, and select services.

Leaving the GPA Would Be Costly: Absent the GPA, other countries would be free to discriminate against U.S. companies in their government procurement or even ban purchases from U.S. firms. To illustrate, U.S. firms win more than 9% of Canadian federal contracts while Canadian suppliers win just 0.15% of U.S. federal contracts, according to Canadian data. Withdrawal from the GPA, coupled with highly likely retaliation overseas, would mean far more lost sales by U.S. firms abroad than new contracts won domestically.

There Are No Free Riders in the GPA: Importantly, the agreement's benefits are not extended to the entire world but only to GPA members, thus denying its benefits to would-be free riders. Further, the GPA is a club of like-minded countries: Its membership is made up of U.S. allies and partners such as Australia, Canada, Israel, Japan, and the EU. China and Russia are not members. WTO members seeking to accede to the GPA must negotiate bilaterally with the United States in order to win U.S. approval and negotiate separately with all GPA members as a group. By remaining in the GPA, the United States will be able to shape whether and how other countries might join; if the United States withdraws, other countries may well permit non-members such as China and Russia to join with only modest reforms, affording firms from those countries better access to global government procurement opportunities than U.S. firms receive.

Leaving the GPA May Deter Foreign Investment in the U.S.: Withdrawing from the GPA may lead foreign companies to question whether America will continue to welcome foreign investment. Denying a level playing field to international companies that invest and hire in the United States would endanger efforts by the federal government and many U.S. states to attract foreign investment to the United States through programs such as the Commerce Department's SelectUSA. Foreign companies have invested trillions of dollars in the United States and employed 7.8 million American workers in 2018. Withdrawing from the GPA — and in effect threatening to discriminate against foreign firms — risks sending a signal to these firms that they may be subject to discrimination even if they invest in the United States.

The GPA Does Not Infringe on Current "Buy America" Rules: The United States already has extensive "Buy America" laws in a number of areas, such as those requiring the use of U.S.-made iron and steel in transportation infrastructure, as the Trade Agreements Act and U.S. commitments under the GPA explicitly allow. Furthermore, U.S. GPA commitments allow the U.S. to apply comparable requirements to other state-level projects funded by federal grants and loans, as the United States has done with clean water projects in recent years. There is no need to withdraw from the GPA to expand the reach of these rules.