



July 2015

INTERNATIONAL TRADE

The United States and
European Union Are
the Two Largest
Markets Covered by
Key Procurement-
Related Agreements

Why GAO Did This Study

Government procurement constitutes a significant market for international trade. However, according to officials from the Office of the United States Trade Representative, procurement markets are often closed to foreign competition. The United States has played a role in developing trade agreements that partially open government procurement markets. Specifically, it is a party to the WTO GPA and FTAs that also contain provisions granting foreign firms certain access to government procurement markets. In addition, it is currently involved in the TPP negotiations among countries of the Asia-Pacific region and T-TIP negotiations with the European Union.

As part of a larger request for information on U.S. participation in international procurement agreements, GAO was asked to provide information on the size of government procurement markets. GAO used macroeconomic data from 2008 through 2012 from the United Nations National Accounts Official Country Data database, which were the most recent, complete, and comparable macroeconomic data available, to estimate each country's general government procurement. GAO also interviewed officials from the Office of the United States Trade Representative and the Department of Commerce to gain an understanding of the procurement data available for analysis. These officials provided technical comments in response to a draft of this report, which GAO incorporated as appropriate.

View [GAO-15-717](#). For more information, contact Kimberly M. Gianopoulos at (202) 512-8612 or gianopoulosk@gao.gov.

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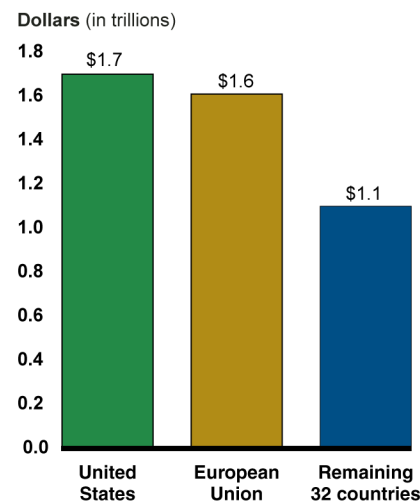
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The United States and European Union Are the Two Largest Markets Covered by Key Procurement-Related Agreements

What GAO Found

The United States is a party to, or is currently negotiating, international agreements covering government procurement with 60 countries. From 2008 through 2012 these countries together spent on average about \$4.4 trillion annually to procure goods and services and to fund capital projects. This represented about a quarter of their total general government expenditures, and includes spending at the central, state, and local levels. As shown in the figure below, the United States (\$1.7 trillion) and European Union (\$1.6 trillion) have the largest government procurement markets of countries covered by the World Trade Organization (WTO) Agreement on Government Procurement (GPA), existing U.S. free trade agreements (FTA), the Trans-Pacific Partnership (TPP) negotiations, or the Transatlantic Trade and Investment Partnership (T-TIP) negotiations.

Average Annual Government Procurement by Countries Covered by the Agreement on Government Procurement, U.S. Free Trade Agreements, Trans-Pacific Partnership Negotiations, or Transatlantic Trade and Investment Partnership Negotiations, 2008-2012



Sources: GAO analysis of data from the United Nations National Accounts Official Country Data database; and the International Monetary Fund's International Financial Statistics and its World Economic Outlook, April 2015 database. | GAO-15-717

Note: The reported value for "Remaining 32 countries" is the mean of a GAO estimate of government procurement that ranged from \$1.0 trillion and to \$1.3 trillion.

From 2008 through 2012, annual procurement of countries covered under the GPA was about \$2.5 trillion, excluding the United States. In comparison, countries with which the United States has FTAs, including some that are also covered by the GPA, have a total annual procurement of about \$500 billion to \$660 billion. For TPP and T-TIP countries, potential trade opportunities for U.S. firms could arise from the United States negotiating for commitments to increase the scope of covered procurements in the 56 countries covered by existing agreements. Increased opportunities could also come from adding new countries, however, only four of the TPP and T-TIP countries are not already covered by an FTA or the GPA; these four countries have an overall average annual government procurement market of no more than \$60 billion.

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Abbreviations

| | |
|-------|---|
| FTA | free trade agreement |
| GPA | Agreement on Government Procurement |
| IMF | International Monetary Fund |
| LDC | least developed country |
| OECD | Organization for Economic Cooperation and Development |
| SDR | Special Drawing Rights |
| SNA | System of National Accounts |
| TPP | Trans-Pacific Partnership |
| T-TIP | Transatlantic Trade and Investment Partnership |
| USTR | Office of the United States Trade Representative |
| WTO | World Trade Organization |

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July 29, 2015

The Honorable Jeff Merkley
Ranking Member
Subcommittee on Financial Institutions and Consumer Protection
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Tammy Baldwin
Ranking Member
Subcommittee on Federal Spending Oversight and Emergency
Management
Committee on Homeland Security and Governmental Affairs
United States Senate

Government procurement typically accounts for 10 to 15 percent of a country's gross domestic product, constituting a significant potential market for international trade, according to the World Trade Organization (WTO). However, according to officials from the Office of the United States Trade Representative (USTR), procurement markets are often closed to foreign competition. Over the past four decades, the United States has played a role in developing international trade agreements that partially open government procurement markets. Specifically, it is a party to the WTO Agreement on Government Procurement (GPA) and a party to U.S. free trade agreements (FTA) that also contain provisions for granting foreign firms and suppliers certain access to government procurement markets.

As part of a larger request for information on U.S. participation in international procurement agreements, you asked that we provide information on the size of government procurement markets. This report contains that information for 60 countries with which the United States has signed agreements containing government procurement provisions or with which the United States is currently negotiating an agreement.

We used macroeconomic data from 2008 through 2012 from the United Nations' National Accounts Official Country Data database to estimate each country's general government procurement, which we found were the most recent, complete, and comparable macroeconomic data available. General government procurement includes a government's current purchases of goods and services, such as accounting or

information technology services, and its investment expenditures. We defined general government to include all levels of government—central, state, and local.¹ We estimated government procurement based on actual data on the components of government procurement for the United States and 45 other countries and extrapolated estimates for 15 countries for which such data were not available; these are generally presented as a range of values. We interviewed agency officials from the Department of Commerce and USTR to gain an understanding of the procurement data available for analysis. We also reviewed annual reports by the Organization for Economic Cooperation and Development (OECD) using the National Accounts Statistics database to assess general economic and government indicators, annual reports by the European Commission on public procurement in the European Union, a study by the WTO assessing the value of future accessions to the GPA, and a synthesis report of government procurement in OECD-member and non-member countries. See appendix I for a more detailed explanation of our scope and methodology.

We conducted this performance audit from May 2015 to July 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Background

The GPA is a plurilateral agreement within the framework of the WTO that, according to the WTO, aims to mutually open government procurement markets among its parties.² It consists of 16 parties (representing 43 WTO countries), including the United States.³ The current GPA (referred to as the revised GPA) entered into force on April

¹In this report, we refer to “general government procurement” and “general government expenditures” as “government procurement” and “government expenditures”, respectively.

²According to the WTO, plurilateral agreements are WTO agreements that have a narrower group of signatories than most WTO agreements, which have all WTO members as signatories.

³These figures reflect the July 15, 2015 accession of Montenegro to the WTO GPA. The 16 parties (including the European Union) cover 43 WTO countries, including the 28 European Union member states (countries).

6, 2014, 20 years after a previous agreement (referred to as GPA 1994) was signed on April 15, 1994.⁴ The revised GPA is the result of the parties negotiating improvements to the 1994 agreement. The two agreements currently co-exist because some parties are still in the process of taking the necessary domestic steps to deposit instruments of acceptance for the revised GPA, meaning GPA 1994 is still in effect for those parties and their trade relationships to other parties.

According to the WTO, the GPA requires that parties to the agreement follow rules establishing open, fair, and transparent conditions of competition in government procurement. GPA parties do not open all of their procurement market to foreign competition; instead, the agreement has coverage schedules that list the parties' entities at the central and sub-central government levels whose procurement is covered by the agreement. Moreover, the agreement's coverage of procurements is delineated by threshold amounts, nature of particular goods and services covered, and exclusions that are established in each party's annexes. For the United States, for example, the threshold value is set at \$204,000 for goods and services and \$7.9 million for construction services for covered central government entities.⁵ Only procurements over these threshold values are covered by the agreement as long as they are not specifically exempted.

The United States has FTAs with 20 countries, 4 of which (Canada, Israel, Singapore, and South Korea) are also parties to the GPA. The FTAs that the United States has in force include provisions covering government procurement. Most of these U.S. FTAs have a government procurement chapter that includes the scope and terms of the agreement and the procurement information that is to be published, among other

⁴The first agreement on government procurement was the Tokyo Round Code on Government Procurement, signed in 1979 and entering into force in 1981. However, this was prior to the 1994 agreement establishing the WTO.

⁵These amounts are listed in the *Federal Register* notice of trade agreement procurement threshold values submitted by USTR in December 2013. 78 Fed. Reg. 76,700 (Dec. 18, 2013). In the GPA annexes, the threshold amounts are listed as Special Drawing Rights (SDR). An SDR is an international reserve asset created by the International Monetary Fund (IMF) based on four international currencies, each given a weight in the total composition reviewed and determined by the IMF Executive Board every 5 years. The currency value of SDRs is calculated daily, and on June 2, 2015, the rate was 1 USD = 0.718283 SDR.

things.⁶ U.S. FTAs that contain such a chapter generally contain an annex further detailing parties' government procurement commitments. These annexes include schedules of the government entities covered under the agreement and threshold amounts for the procurement of goods and services and construction services.

To implement U.S. obligations under the international agreements that cover government procurement, the United States waives preferential purchasing requirements that would otherwise be inconsistent with the international agreement, according to USTR. The Trade Agreements Act of 1979, as amended, authorizes the President to exercise this waiver for eligible products from countries that have signed an international trade agreement with the United States or that meet certain other criteria such as being a least developed country (LDC).⁷ For example, for acquisitions covered by the GPA and U.S. FTAs, USTR has waived the Buy American Act and other preferential provisions for eligible products.⁸

The United States is currently negotiating additional government procurement provisions as part of two ongoing trade initiatives led by USTR: the Trans-Pacific Partnership (TPP)⁹ among countries of the Asia-Pacific region and the Transatlantic Trade and Investment Partnership (T-

⁶These are FTAs with the following countries: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea.

⁷The Trade Agreements Act of 1979, as amended, defines an LDC to be any country on the United Nations General Assembly list of least developed countries. 19 U.S.C. § 2518. According to the United Nations, LDCs are defined as low-income countries suffering from structural impediments to sustainable development. For identifying LDCs, three criteria are used by the United Nations' Committee for Development Policy: gross national income per capita, the Human Assets Index, and the Economic Vulnerability Index.

⁸48 C.F.R. § 25.402(a)(1). The Buy American Act is an example of domestic preference legislation that places conditions on federal government purchases to require that federal agencies procure domestically produced, mined, or manufactured articles, supplies, and materials for use in the United States, subject to a number of exceptions. 41 U.S.C. §§ 8301 – 8305. The Buy American Act was enacted in 1933 and applies to direct purchases by the federal government of more than \$3,000. Congress has enacted other forms of domestic preference legislation in the years following that can impose a higher domestic content requirement or apply to indirect purchases.

⁹The United States is participating in TPP negotiations with 11 countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

The U.S. and European Union Government Procurement Markets Are Comparable in Size, and Each Is Larger Than Those of All Other GPA and FTA Partner Countries Combined

TIP)¹⁰ with the European Union. TPP negotiators are still developing the specific obligations of the government procurement provisions. USTR has said that with regard to procurement, it anticipates that the TPP will support U.S. exports in products such as machinery; medical, infrastructure, transportation, and information technology equipment; and services. For T-TIP, USTR seeks to expand market access opportunities for U.S. goods, services, and suppliers of goods and services to the government procurement markets of the European Union and its member states in areas including construction, engineering, and medical devices.

From 2008 through 2012, we calculate that the United States and 60 countries that are parties to the GPA, U.S. FTAs, TPP negotiations, or T-TIP negotiations spent on average approximately \$4.4 trillion a year to procure goods and services and to fund capital projects. For the same period, the United States and the European Union had the largest government procurement markets under the GPA and U.S. FTAs, but some other parties to these agreements also had large markets. For agreements that are currently being negotiated, U.S. firms' potential opportunities in foreign government procurement markets could arise from the United States negotiating for commitments to increase the scope of covered procurements in markets already covered by existing agreements or adding new markets. See appendix II for additional details on the average annual government expenditures and procurement for the United States and the 60 countries that are party to these key procurement agreements.

¹⁰T-TIP includes the 28 European Union countries, all of which are covered by the GPA as one party.

The Government Procurement Markets of the United States and Countries That Are Parties to the GPA, U.S. FTAs, TPP Negotiations, or T-TIP Negotiations Have an Estimated Average Size of Approximately \$4.4 Trillion a Year

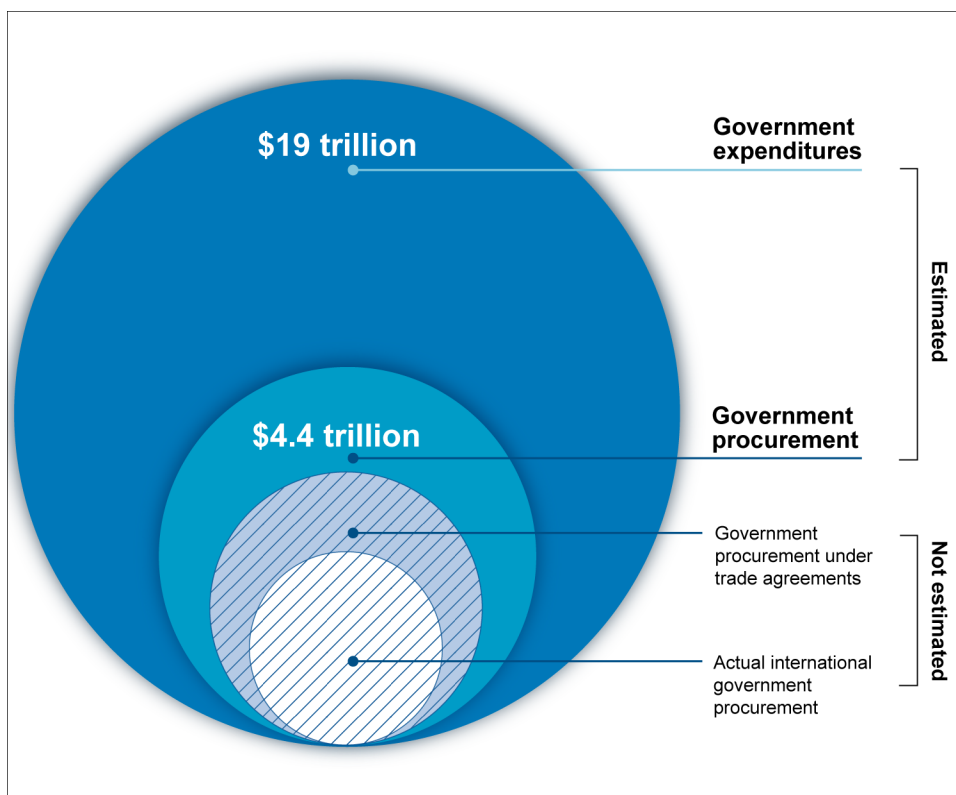
From 2008 through 2012, government total expenditures¹¹ of the United States and the other 60 countries that are parties to the GPA, U.S. FTAs, TPP negotiations, or T-TIP negotiations averaged about \$19 trillion dollars per year.¹² As shown in figure 1, approximately \$4.4 trillion annually of those total government expenditures, or about 24 percent, are for government procurement of goods and services, including capital investment.¹³ Government procurement represents business opportunities for domestic firms and foreign firms operating in those countries. As shown in figure 1, only a portion of the \$4.4 trillion in expenditures is covered by the GPA and U.S. FTAs, and it is likely that only a portion of the procurement covered by these agreements may go to foreign firms and suppliers. (Estimating these portions was beyond the scope of this report). Moreover, since the negotiations are ongoing, it is difficult to determine what would potentially be covered by any agreement resulting from the TPP negotiations and T-TIP negotiations.

¹¹Government total expenditures include spending by the central, state, and local governments and social security funds on compensation for government employees, social benefits and transfers in kind, intermediate consumption, gross fixed capital formation, and some other expenditure. They include spending on public services, health, defense, education, and social protection, among other areas.

¹²Of the 60 countries, 56 are either a party to the GPA or a U.S. FTA.

¹³Summary statistics of government procurement are based on available data on governments' intermediate consumption and gross fixed capital formation for 46 countries according to the uniform table classifications as recommended in the United Nations' System of National Accounts (SNA 1993) and estimated values of government procurement for the remaining 15 countries. For more details on our methodology, see app. I.

Figure 1: Procurement Is About One-Quarter of Annual Government Total Expenditures and Actual International Procurement Is a Portion of That



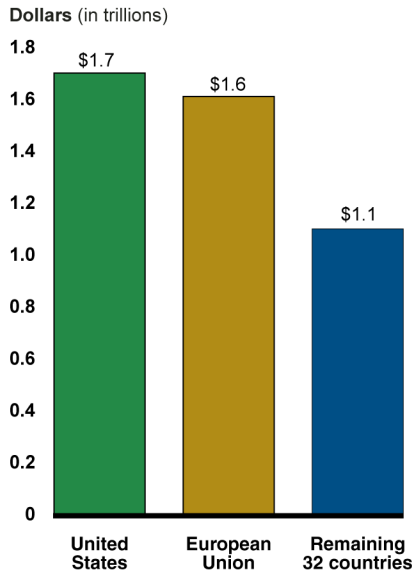
Sources: GAO analysis of data from the United Nations National Accounts Official Country Data database; and the International Monetary Fund's International Financial Statistics and its World Economic Outlook, April 2015 database. | GAO-15-717

Notes: The figure shows the average annual government total expenditures and procurement in the United States and 60 countries that are parties to the Agreement on Government Procurement, U.S. free trade agreements, Trans-Pacific Partnership negotiations, or Transatlantic Trade and Investment Partnership negotiations, 2008 through 2012. Figure is not drawn to scale. The reported value for government procurement is the mean of a GAO estimate that ranged between \$4.3 trillion and \$4.6 trillion.

Annual government procurement by the United States, which includes the central, state, and local levels, was on average about \$1.7 trillion from 2008 through 2012. For the same period, government procurement in the

European Union was slightly less, averaging about \$1.6 trillion annually.¹⁴ We estimated that governments from all other 32 countries that are either parties to the GPA, U.S. FTAs, TPP negotiations, or T-TIP negotiations spent between \$1.0 trillion and \$1.3 trillion (with a mean of \$1.1 trillion) annually on purchasing goods, services, and construction works (see fig. 2).

Figure 2: Average Annual Government Procurement by Countries Covered by the Agreement on Government Procurement, U.S. Free Trade Agreements, Trans-Pacific Partnership Negotiations, or Transatlantic Trade and Investment Partnership Negotiations, 2008-2012



Sources: GAO analysis of data from the United Nations National Accounts Official Country Data database; and the International Monetary Fund's International Financial Statistics and its World Economic Outlook, April 2015 database. | GAO-15-717

Note: The reported value for "Remaining 32 countries" is the mean of a GAO estimate of government procurement that ranged from \$1.0 trillion and to \$1.3 trillion.

¹⁴This estimate does not include procurement by European Union institutions, such as the European Commission and the Council of the European Union. While these institutions procure goods, services and construction works, relevant data in the United Nations System of National Accounts and sources used for other countries were not available.

The U.S. and European Union Procurement Markets Are by Far the Largest under GPA or U.S. FTAs, but Some Other Parties to the Agreements Have Large Markets

When comparing the GPA and U.S. FTA partners, the GPA countries have a larger combined government procurement market than the FTA partner countries. Besides the United States, the European Union is the largest party to the GPA, and together their government procurement makes up 80 percent of the aggregate government procurement market of all GPA countries. The U.S. market is larger than those of all other U.S. FTA partner countries combined. Table 1 shows government procurement markets both for GPA parties and for U.S. FTA partner countries.

From 2008 through 2012, the annual procurement market of countries covered by the GPA, excluding the United States, was slightly less than \$2.5 trillion. Among the GPA countries, the European Union has large government procurement, which constitutes about 40 percent of the aggregate GPA market. Within the European Union, several countries have large procurement markets. In particular, almost 70 percent of government procurement in the European Union takes place in 5 of the 28 European Union member countries—the United Kingdom, France, Germany, Italy, and Spain. The countries with the smallest markets in the European Union, such as Luxembourg, Latvia, Estonia, Cyprus, and Malta, represent in total less than 1 percent of total European Union government procurement. In addition to the markets of the United States and the European Union, Japan's government procurement market, on average over \$390 billion annually, represents about 10 percent of the aggregate government procurement market of all GPA countries. Some countries with sizeable procurement markets, such as Canada and South Korea, are parties to the GPA and also have bilateral FTAs with the United States (see table 1).

The total average annual procurement market in U.S. FTA partner countries was about \$500 billion to \$660 billion from 2008 through 2012. U.S. partner countries in the North American Free Trade Agreement (Canada and Mexico), with average aggregate annual government procurement market of about \$250 billion, represent about half of the total market of all FTA partner countries. Australia, Israel, Mexico, and South Korea also have sizable government procurement markets (see table 1). Conversely, partner countries in the Dominican Republic–Central America–United States Free Trade Agreement (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic) have an average aggregate government procurement market of approximately \$6.5 billion to \$11 billion and represent much smaller market opportunities.

Table 1: Top Five Non-U.S. Government Procurement Markets among Agreement on Government Procurement (GPA) Parties and U.S. Free Trade Agreement (FTA) Partner Countries

Dollars in billions, annual average, 2008 through 2012^a

| GPA parties | Market size | U.S. FTA partner countries | Market size |
|----------------------|-------------------------------------|-----------------------------------|---------------------------------------|
| European Union | \$1,613 | Canada | \$198 |
| Japan | \$393 | Australia | \$56-184 |
| Canada | \$198 | South Korea | \$90 |
| South Korea | \$90 | Mexico | \$58 |
| Norway | \$43 | Israel | \$31 |
| Total | \$2,337 (94-96%^b) | Total | \$434-562 (85-87%^c) |
| All non-U.S. parties | \$2,433-2,480 | All partner countries | \$498-661 |

Sources: GAO analysis of data from the United Nations National Accounts Official Country Data database; and the International Monetary Fund's International Financial Statistics and its World Economic Outlook, April 2015 database. | GAO-15-717.

^aRanges are based on GAO estimates.

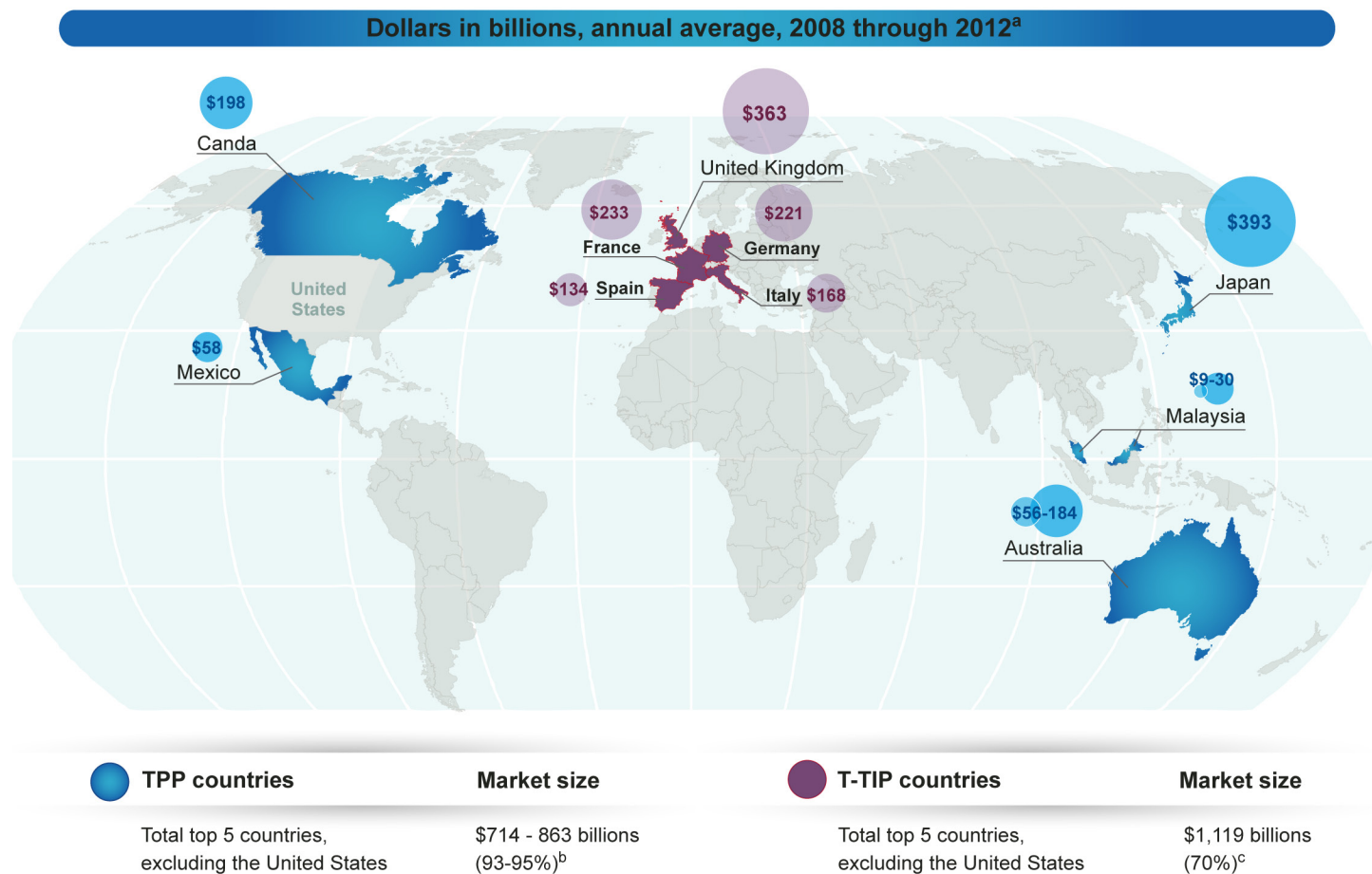
^bThese totals include the top five parties' share of total GPA procurement market, excluding the United States.

^cThese totals include the top five partner countries' share of total FTA procurement market, excluding the United States.

Opportunities for U.S. Firms from Agreements That Are Being Negotiated Stem from Either Broadening Access to Markets Already Covered by Existing Agreements or Adding New Markets

The United States is currently negotiating procurement agreements with certain countries as part of the TPP and T-TIP initiatives. The aggregate average annual government procurement that takes place in the TPP countries is about \$750 billion to \$930 billion. The upper bound of this range constitutes a little over half (58 percent) of the average annual government procurement in the T-TIP countries, since the latter are the countries of the European Union, with aggregate annual government procurement of over \$1.6 trillion (see fig. 3).

Figure 3: Top Five Procurement Markets in Trans-Pacific Partnership (TPP) Countries and Transatlantic Trade and Investment Partnership (T-TIP) Countries



Sources: GAO analysis of data from the United Nations National Accounts Official Country Data database; the International Monetary Fund's International Financial Statistics and its World Economic Outlook, April 2015 database; National Affiliate; and Map Resources (map). | GAO-15-717

^aRanges are based on GAO estimates.

^bTop 5 countries' share of total TPP procurement market, excluding the United States.

^cTop 5 countries' share of total T-TIP procurement market, excluding the United States.

The United States can secure increased market access for U.S. firms and suppliers in foreign government procurement markets either by negotiating agreements with new countries or by negotiating additional commitments with the existing 56 trading partners to increase the amount of foreign government procurement for which U.S. firms can compete. In practice, the latter could mean negotiating with partner governments to obtain commitments to broaden the scope coverage to include

procurement by additional government entities and additional types of goods and services, or lowering minimum contract thresholds. According to USTR officials, they are currently pursuing both options. The United States already participates in government procurement agreements with all T-TIP/European Union countries and with 7 of the 11 TPP countries. Among these 7 countries, aggregate annual government procurement of Australia, Japan, and Canada accounts for over 80 percent of the \$753 billion to \$932 billion TPP market. The 4 TPP countries that are not currently covered by existing agreements—Brunei Darussalam, Malaysia, New Zealand, and Vietnam—have overall government procurement of no more than \$60 billion.¹⁵

Agency Comments

We provided a draft of this product to the Department of Commerce and USTR for comment. Both agencies provided technical comments on this report that updated information and clarified how we characterized their statements on existing and ongoing negotiations, which we incorporated, as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Commerce, the United States Trade Representative, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

¹⁵New Zealand ratified the revised GPA on July 13, 2015 and, according to the WTO, will benefit from new market access opportunities and other provisions under the agreement starting in August 2015. According to Commerce and USTR officials, New Zealand is expected to fully implement its GPA commitments prior to TPP implementation.

If you or your staff have any questions about this report, please contact me at (202) 512-8612 or gianopoulosk@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.

A handwritten signature in black ink, reading "Kimberly M. Gianopoulos". The signature is fluid and cursive, with the first name "Kimberly" and last name "Gianopoulos" clearly distinguishable.

Kimberly M. Gianopoulos
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report presents a set of estimates of the approximate size of government procurement markets as a first step in assessing the potential gains to the United States from obtaining market access through government procurement agreements. We examined the relative size of government procurement markets based on average annual data from 2008 through 2012 (the most recently available and comparable macroeconomic data) of 60 countries with which the United States has signed government procurement agreements under the World Trade Organization's (WTO) Agreement on Government Procurement (GPA) or free trade agreements (FTA) or is currently negotiating trade agreements, which include government procurement provisions.¹ This appendix provides a summary account of the information sources we used to answer these questions, the analyses we conducted, and the limitations we encountered.

Data Sources and Analysis

Our information sources include electronic datasets from the United Nations' National Accounts Official Country Data database based on the 1993 Systems of National Accounts (SNA),² the International Monetary Fund's (IMF) International Financial Statistics and April 2015 World Economic Outlook Database, U.S. Bureau of Economic Analysis reports on the Main Aggregates of General Government, and WTO country statistical reports.

¹The United States has signed agreements covering government procurement with 56 countries and is currently negotiating with 4 additional countries. There are 43 GPA and 20 FTA partner countries, 4 of which are also parties to the GPA. We note, however, that we only included 41 GPA countries, including the United States, in our analysis. Liechtenstein is a GPA country, but we have excluded it from our sample since relevant data in the 1993 United Nations' System of National Accounts (SNA) and sources used for other countries were not available. Montenegro is also a GPA country but joined the GPA on July 15, 2015 after we completed our analysis. All Transatlantic Trade and Investment Partnership (T-TIP) countries are European Union member states and therefore have already committed to certain government procurement market access under the GPA. There are 11 TPP countries with which the United States is currently negotiating a trade agreement that includes government procurement; 7 out of the 11 countries are already parties to the GPA or U.S. FTAs.

²The statistics for each country are presented according to the uniform table classifications as recommended in the SNA (1993), which was adopted by the United Nations Statistical Commission during its 27th session in 1993 as the international standard for compilation of national accounts statistics and for the international reporting of comparable national accounting data. It is published jointly by the United Nations, the Commission of the European Communities, the International Monetary Fund, the Organization for Economic Co-operation and Development, and the World Bank.

We define government procurement as the sum of intermediate consumption, including goods and services purchased by government for its own use, such as accounting or information technology services, and gross fixed capital formation which includes acquisition of capital excluding sales of fixed assets, such as building new roads, by central, state, or local government and social security funds. We use a narrow definition of government procurement; this definition does not include social transfers in kind and purchases by utilities.³ We exclude those items primarily because they are either not part of expenditures by government in the 1993 SNA or are not open to international trade. In addition, there are data reliability concerns with reporting those items on a consistent basis. For example, not all countries record social transfers in kind in the same way and confound them with other benefits or transfers. Additionally, the United States does not report social transfers in kind as a separate category of government expenditures.

We estimated government procurement based on available data on intermediate consumption and gross fixed capital formation for 46 countries according to the 1993 SNA. We constructed government total expenditures from the detailed expenditure line items in the 1993 SNA and found the share of government procurement in total expenditures. We found the minimum (12 percent), mean (24 percent), and maximum (40 percent) values of those shares. This range almost coincides with a confidence interval constructed using two standard deviations around the mean of 12 to 37 percent. For each of the remaining 15 countries, we developed a range of estimated government procurement by applying the estimated shares to these countries' general government total

³While some public corporations, such as utilities, are covered by the GPA, according to the 1993 SNA, public corporations are not part of the government. In addition, a recent European Union report has raised concerns about the reliability of procurement data for utilities. Similarly, our estimates do not include social transfers in kind, which include government provision of free housing, education, the costs of health care, and medical products reimbursed through statutory health insurance programs like Medicaid, Medicare, and food stamps, which reflect payments for individual goods and services, provided by government and non-profit institutions to households either for free or at prices that are not economically significant. Most of these transfers are not covered by trade agreements. For example, although the costs of health care and medical products are reimbursed through Medicaid and Medicare, the government does not purchase any of those products directly from foreign producers. A 2002 Organization for Economic Cooperation and Development (OECD) report, which synthesized estimates on government procurement in OECD and non-OECD countries, also excludes social transfers in kind in its definition of government procurement.

expenditures, available from IMF's World Economic Outlook.⁴ We used IMF's International Financial Statistics data on average exchange rates for each year to convert local currency units to U.S. dollars.

Our analysis has certain limitations. First, while some countries, including the United States, are currently using the 2008 SNA to classify their expenditures, we are using the 1993 version to include the largest number of countries that have consistently reported government spending data. However, countries that have switched to the 2008 classification may not have recently updated their prior estimates, which can affect the accuracy of the data. For example, according to Bureau of Economic Analysis officials, with the adoption of the 2008 SNA standards, the United States has stopped its annual revision of the U.S. submission according to the 1993 classification. Second, we may have some limited double counting in estimating total procurement since "own account investment," such as computer software that is developed and used by government employees, can be part of both intermediate consumption and gross fixed capital formation. Data on "own account investment" were not available for the countries in our data set. However, for the United States, "own account investment" was on average 2 percent of intermediate consumption from 2008 through 2012. Third, government statistics published in accordance with the 1993 SNA and IMF's 2001 Government Financial Statistics Manual are not perfectly compatible, but for the majority of the 15 countries the World Economic Outlook estimates were based on the 1993 SNA. Fourth, country data are reported in calendar years except for those for New Zealand, Hong Kong, and Singapore. For those three countries, we used quarterly exchange rate series to convert expenditures denominated in local currencies to U.S. dollars. Fifth, data in accordance with the 1993 SNA in the sample period of 2008 through 2012 are not available for all years for all countries; therefore, period averages are based on average values of available data. Finally, although Liechtenstein is a party to the GPA, relevant SNA data needed to estimate its government procurement market are not available.

⁴Available estimates of government procurement from OECD and the European Union are comparable to our findings. For example, according to the latest OECD report on government activities and performance, in 2011, on average, government procurement spending represented 29 percent of total government expenditures for the OECD member countries. Moreover, in its most recent report on Public Procurement Indicators, the European Union estimates that in 2011 its public procurement totaled \$2.433 trillion. This estimate includes \$815 million in social transfers in kind.

Interviews and Reviews of Documentary Evidence

We interviewed agency officials from the Department of Commerce, including representatives from the Bureau of Economic Analysis and the International Trade Administration; the Office of the United States Trade Representative and the Office of Management and Budget to gain an understanding of the procurement data available for analysis. We also reviewed annual reports by the Organization for Economic Co-operation and Development (OECD) using the SNA to assess general economic and government indicators, annual reports by the European Commission on public procurement in the European Union, a study by the WTO assessing the value of future accessions to the GPA, and a synthesis report of government procurement in OECD member and nonmember countries.

Appendix II: Average Annual Government Total Expenditures and Procurement for the United States and 60 Countries That Are Parties to Key Procurement Related Agreements, 2008-2012

The key procurement related agreements include the Agreement on Government Procurement (GPA), U.S. Free Trade Agreements (FTA), Trans-Pacific Partnership (TPP) Negotiations, or Transatlantic Trade and Investment Partnership (T-TIP) Negotiations.

| Dollars in billions | | | | | | | | |
|--------------------------|----------------|-------------------------------|-------------------------------------|---|------------------|-----|-----|-------|
| Country | Available data | Government total expenditures | Government procurement ^a | Share of procurement in total expenditures (percentage) | GPA ^b | FTA | TPP | T-TIP |
| United States | 2008-2011 | \$5,980.10 | \$1,683.78 | 28 | X | X | X | X |
| Japan | 2008-2012 | 2,432.34 | 393.10 | 16 | X | | X | |
| France | 2008-2012 | 1,321.89 | 232.85 | 18 | X | | | X |
| Germany | 2008-2012 | 1,312.59 | 221.50 | 17 | X | | | X |
| United Kingdom | 2008-2012 | 1,176.74 | 363.11 | 31 | X | | | X |
| Italy | 2008-2012 | 997.01 | 167.80 | 17 | X | | | X |
| Canada | 2008-2010 | 626.43 | 198.11 | 32 | X | X | X | |
| Spain | 2008-2012 | 612.30 | 133.67 | 22 | X | | | X |
| Australia | 2008-2012 | 463.89 | 55.72-184.29 | 12-40 | | X | X | |
| Netherlands | 2008-2012 | 336.38 | 91.16 | 27 | X | | | X |
| Mexico | 2008-2011 | 266.07 | 58.33 | 22 | | X | X | |
| South Korea | 2008-2011 | 259.37 | 90.23 | 35 | X | X | | |
| Sweden | 2008-2012 | 235.99 | 67.52 | 29 | X | | | X |
| Belgium | 2008-2012 | 220.48 | 26.48 | 12 | X | | | X |
| Poland | 2008-2012 | 201.77 | 53.79 | 27 | X | | | X |
| Switzerland | 2008-2012 | 189.09 | 39.98 | 21 | X | | | |
| Norway | 2008-2012 | 185.12 | 42.85 | 23 | X | | | |
| Austria | 2008-2012 | 180.36 | 22.07 | 12 | X | | | X |
| Denmark | 2008-2012 | 179.02 | 38.67 | 22 | X | | | X |
| Greece | 2008-2012 | 155.95 | 25.49 | 16 | X | | | X |
| Finland | 2008-2012 | 130.34 | 34.68 | 27 | X | | | X |
| Colombia | 2008-2012 | 111.49 | 24.90 | 22 | | X | | |
| Israel | 2008-2011 | 110.49 | 31.47 | 28 | X | X | | |
| Ireland | 2008-2012 | 104.94 | 20.82 | 20 | X | | | X |
| Portugal | 2008-2012 | 102.22 | 17.60 | 17 | X | | | X |
| Taiwan ^c | 2008-2012 | 91.48 | 10.99-36.34 | 12-40 | X | | | |
| Czech Republic | 2008-2012 | 77.68 | 20.94 | 27 | X | | | X |
| Malaysia | 2008-2012 | 74.35 | 8.93-29.54 | 12-40 | | | X | |
| Romania | 2008-2012 | 66.80 | 20.57 | 31 | X | | | X |
| Hungary | 2008-2012 | 63.26 | 14.38 | 23 | X | | | X |
| New Zealand ^d | 2008-2012 | 55.88 | 14.55 | 26 | | | X | |

Appendix II: Average Annual Government Total Expenditures and Procurement for the United States and 60 Countries That Are Parties to Key Procurement Related Agreements, 2008-2012

| Dollars in billions | | | | | | | | |
|----------------------------|----------------|-------------------------------|-------------------------------------|---|------------------|-----------|-----------|-----------|
| Country | Available data | Government total expenditures | Government procurement ^a | Share of procurement in total expenditures (percentage) | GPA ^b | FTA | TPP | T-TIP |
| Chile | 2008-2012 | 42.70 | 10.94 | 26 | | X | X | |
| Hong Kong SAR ^d | 2008-2012 | 42.49 | 5.10-16.88 | 12-40 | X | | | |
| Morocco | 2008-2011 | 40.35 | 6.90 | 17 | | X | | |
| Singapore ^d | 2008-2012 | 37.83 | 4.54-15.03 | 12-40 | X | X | X | |
| Vietnam | 2008-2012 | 35.49 | 4.26-14.10 | 12-40 | | | X | |
| Peru | 2008-2012 | 30.75 | 3.69-12.22 | 12-40 | | X | X | |
| Slovakia | 2008-2012 | 30.64 | 6.39 | 21 | X | | | X |
| Croatia ^e | 2008-2012 | 27.26 | 6.36 | 23 | X | | | X |
| Oman | 2008-2012 | 23.35 | 2.80-9.28 | 12-40 | | X | | |
| Slovenia | 2008-2012 | 22.51 | 5.27 | 23 | X | | | X |
| Luxembourg | 2008-2012 | 20.45 | 4.03 | 20 | X | | | X |
| Bulgaria | 2008-2012 | 18.08 | 5.32 | 29 | X | | | X |
| Lithuania | 2008-2012 | 15.47 | 4.09 | 26 | X | | | X |
| Latvia | 2008-2012 | 10.93 | 3.09 | 28 | X | | | X |
| Cyprus | 2008-2012 | 10.81 | 2.09 | 19 | X | | | X |
| Dominican Republic | 2008-2012 | 9.27 | 1.11-3.68 | 12-40 | | X | | |
| Guatemala | 2008-2012 | 9.07 | 2.80 | 31 | | X | | |
| Jordan | 2008-2012 | 8.65 | 1.04-3.44 | 12-40 | | X | | |
| Estonia | 2008-2012 | 8.22 | 2.57 | 31 | X | | | X |
| Panama | 2008-2012 | 7.52 | 0.90-2.99 | 12-40 | | X | | |
| Iceland | 2008-2012 | 7.09 | 2.06 | 29 | X | | | |
| Costa Rica | 2008-2012 | 6.53 | 0.78-2.59 | 12-40 | | X | | |
| Bahrain | 2008-2012 | 5.56 | 2.20 | 40 | | X | | |
| Brunei Darussalam | 2008-2012 | 4.97 | 0.6-1.97 | 12-40 | | | X | |
| Honduras | 2008-2011 | 4.18 | 0.98 | 23 | | X | | |
| Malta | 2008-2012 | 3.64 | 0.76 | 21 | X | | | X |
| Armenia | 2008-2011 | 2.77 | 0.95 | 34 | X | | | |
| Nicaragua | 2008-2009 | 2.53 | 0.78 | 31 | | X | | |
| Aruba ^f | 2008-2012 | 0.64 | 0.17 | 26 | X | | | |
| El Salvador | 2008-2012 | 0.53 | 0.06-0.21 | 12-40 | | X | | |
| Total | | 18,812.14 | 4,319-4,551 | | 41 | 21 | 12 | 29 |

Legend: FTA = free trade agreement; GPA = Agreement on Government Procurement; T-TIP = Transatlantic Trade and Investment Partnership; TTP = Trans-Pacific Partnership

Source: GAO analysis of data from the United Nations National Accounts Official Country Data database, the International Monetary Fund's International Financial Statistics, Aruba's 2010 Article IV staff report, the International Monetary Fund's World Economic Outlook, April 2015 database and Asian Development Bank's Key Indicators for Asia and the Pacific 2014. | GAO-15-717.

Appendix II: Average Annual Government Total Expenditures and Procurement for the United States and 60 Countries That Are Parties to Key Procurement Related Agreements, 2008-2012

^aRanges are based on GAO estimates.

^bLiechtenstein is a party to the GPA, but relevant United Nations' System of National Accounts data needed to estimate its government procurement market are not available. Montenegro is also a GPA country but joined the GPA on July 15, 2015 after we completed our analysis.

^cExchange rate series for Taiwan were not available in the International Monetary Fund's (IMF) International Financial Statistics. Therefore, we used period average exchange rates reported by the Asian Development Bank. Although the United States does not have diplomatic relations with Taiwan, we have listed it as a separate country because whenever the laws of the United States refer or relate to foreign countries, nations, states, governments, or similar entities, such terms shall include and shall apply to Taiwan.

^dEstimates for Hong Kong, New Zealand, and Singapore are reported in fiscal years since data in calendar years were not available. Hong Kong is a special administrative region of China, but we have included it as a separate country because it is an economic entity separate from the rest of China and is able to enter into international agreements on its own behalf in commercial and economic matters.

^eCroatia joined the European Union and the GPA in 2013.

^fSince data for Aruba were not available in the IMF's World Economic Outlook; we used the latest available IMF's Article IV Consultation country report as a source for governments' current and capital expenditures, as well as expenditures on goods and services. Government procurement includes spending on goods and services and capital expenditures by the central government.

Appendix III: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

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