

GOVERNMENT PROCUREMENT

United States Reported Opening More Opportunities to Foreign Firms Than Other Countries, but Better Data Are Needed

Why GAO Did This Study

Globally, government procurement, estimated at \$4.4 trillion annually, constitutes a significant market for international business. However, according to officials from the Office of the U.S. Trade Representative (USTR), which is responsible for reporting to the WTO, government procurement markets are often closed to foreign competition. GAO was asked to review U.S. participation in international procurement agreements, which seek to ensure fair and open competition on a reciprocal basis. This report (1) broadly compares GPA-covered government procurement reported to the WTO by the United States and other parties; (2) assesses the usefulness of statistical reporting of government procurement data by GPA and U.S. FTA parties for more detailed comparisons; and (3) examines the extent to which the U.S. approach to reporting such data ensures timeliness, accuracy, and comparability. GAO analyzed WTO and U.S. documents and data pertaining to the GPA and U.S. FTAs and interviewed officials in Washington, D.C., and Geneva, Switzerland.

What GAO Recommends

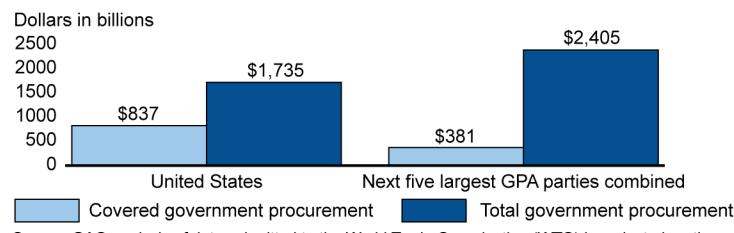
GAO is making six recommendations to USTR to improve statistical reporting of government procurement under the GPA and U.S. FTAs, including working with GPA parties to enhance their reporting, resuming the required data exchange with NAFTA parties, improving U.S. federal and state procurement data reported to the WTO, and ensuring that U.S. statistical notifications to the WTO are well documented and reviewed for accuracy. USTR did not provide official comments.

View GAO-17-168. For more information, contact Kimberly M. Gianopoulos at (202) 512-8612 or gianopoulkos@gao.gov.

What GAO Found

Under the World Trade Organization (WTO) Agreement on Government Procurement (GPA), the United States has reported opening more procurement covered by the agreement to foreign firms than have other parties to the agreement. For example, U.S. data for 2010—the most recent available—show that the United States reported \$837 billion in GPA-covered procurement. This amount is about twice as large as the approximately \$381 billion reported by the next five largest GPA parties—the European Union, Japan, South Korea, Norway, and Canada—combined, even though total U.S. procurement is less than that of the other five parties combined. (See figure.)

Government Procurement Opened to Foreign Competition under the WTO GPA as Reported by the United States and Next Five Largest GPA Parties, 2010



Source: GAO analysis of data submitted to the World Trade Organization (WTO) by selected parties to the Agreement on Government Procurement (GPA). | GAO-17-168

Deficiencies in the statistical reporting of government procurement by GPA and U.S. free trade agreement (FTA) parties, including the United States, limit detailed comparisons as well as transparency—one of the GPA's stated goals. For example, the GPA parties' reports that GAO reviewed were not always submitted on time and often lacked certain required data. Also, a lack of common understanding of key terms' definitions led to inconsistencies in GPA parties' reporting. Moreover, while parties to the North American Free Trade Agreement (NAFTA) are required to exchange government procurement data annually, NAFTA's parties have not done so since 2005; other U.S. FTAs GAO reviewed do not require reporting of government procurement data. As a result, policymakers and others have limited information with which to monitor the agreements or assess their financial benefits.

The U.S. approach to statistical reporting of GPA-covered government procurement to the WTO does not ensure the data's timeliness, accuracy, and comparability. For instance, while a recent revision of the methodology for calculating covered U.S. federal procurement improves accuracy, it creates a 6-year reporting delay. In contrast, the GPA requires the reporting of annual procurement statistics within 2 years. In addition, U.S. agencies have not developed a methodology for reporting states' covered government procurement, as the GPA requires. Instead, the United States reports total state-level procurement, which GAO estimated may exceed covered procurement by about 10 percent. Further, the expertise needed to report government procurement data to the WTO is fragmented among the four agencies involved, leading to inconsistencies, errors, and deficiencies. Federal standards for internal control call for U.S. agencies to issue relevant, accurate, and reliable information within a time frame that enables entities to carry out their responsibilities.