

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

JAN 27 2005

The Honorable Rod Blagojevich
Governor of Illinois
Office of the Governor
State Capitol
207 Statehouse
Springfield, IL 62706

Dear Governor Blagojevich:

I want to thank you again for your state's commitment to cover state government procurement under the World Trade Organization Government Procurement Agreement (GPA) and the U.S.-Australia Free Trade Agreement (FTA). I appreciate your support of our efforts to expand trade opportunities for U.S. exporters in Illinois.

The Administration is negotiating FTAs with Panama and the Andean countries of Colombia, Ecuador, and Peru, which will open new opportunities in government procurement. I am seeking your permission to offer these trading partners the same coverage of procurement that Illinois has already agreed to provide under the GPA and the U.S.-Australia FTA.

In particular, I wanted you to be aware that a new U.S. Government policy will provide increased market access opportunities to your state suppliers and workers if your state chooses to cover some of its procurement. This policy, which is based on reciprocal government procurement policies already used in a number of states, is outlined in further detail below.

Offering state-level coverage in the new FTAs will ensure that the United States can obtain similarly advantageous coverage from our new foreign trading partners and that your suppliers gain access to the sub-federal procurement negotiated in the new agreements. The transparency and other bidding obligations contained in the FTAs will also ensure that our trading partners employ the same type of "good governance" procedures that most states have already adopted. In addition, participation in the FTAs also increases competition for government procurement contracts, lowering the costs of government.

Your agreement would not require Illinois to change its current government procurement practices. The procurement provisions will provide the same basic obligations set out in the GPA and the U.S.-Australia FTA, and, like these agreements, will apply only to larger state government purchases (over \$477,000 for goods and services and over \$6.725 million for construction contracts). Certain state procurements could be excluded from the agreement. For example, some states exclude procurement of construction-grade steel, motor vehicles, or coal.

The agreements we intend to enter with Panama and the Andean countries will have the new policy, which is designed to secure greater and broader access for U.S. suppliers to sub-federal procurement covered by our trading partners in these FTAs. Specifically, U.S. negotiators will be asking Panama and the Andean countries to open their sub-federal government procurement markets to suppliers from U.S. states that agree to participate in the FTAs. The new policy will ensure that when a state elects to participate, the benefits of its decision will flow directly to workers, businesses, and farmers in that state. If Illinois chooses not to cover its procurement in an FTA, your suppliers will not be assured of access to the sub-federal purchases of our FTA partners. Suppliers in your state will have access to federal government procurement covered by the FTAs even if Illinois chooses not to participate in the trade agreements.

This is how the new policy will work. If your state chooses to participate in the new FTAs, our foreign trading partners' sub-federal entities will open their procurement to any supplier that: 1) offers goods substantially produced or services substantially performed in your state; or 2) has its principal place of business in your state. The new policy will NOT apply to commitments that Illinois has already made under the GPA and the U.S.-Australia FTA.

This policy builds on state government procurement practices in effect in a number of states that offer non-discriminatory treatment to out-of-state suppliers if and only if the supplier's home state offers reciprocal treatment. We anticipate that this policy will be effective in addressing foreign sub-federal procurement in our FTAs and will continue to leave decision-making in the hands of individual states.

I would like to extend my personal appreciation for your consideration of my request, and I hope I can count on your continued support. I look forward to receiving a response as soon as possible as to whether Illinois is willing to participate in the Panama and Andean FTAs. Please call Jean Heilman Grier, Senior Procurement Negotiator, at (202) 395-9476 or email jean_grier@ustr.eop.gov with any questions. We look forward to hearing from you.

Sincerely,



Robert B. Zoellick