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**TESTIMONY OF  
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**HEARING ON  
“SAFEGUARDING THE HOMELAND: EXAMINING CONFLICTS OF INTEREST IN  
FEDERAL CONTRACTING TO PROTECT AMERICA’S FUTURE”**

**BEFORE THE  
SENATE HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS COMMITTEE**

**SEPTEMBER 24, 2024**

Founded in 1969, National Taxpayers Union (NTU) is the oldest taxpayer group in the United States. We serve as the “Voice of America’s Taxpayers” and strive to represent their best interests before governments at all levels. Thank you for the opportunity to comment on federal contracting policy and related issues.

NTU supports legitimate measures to protect U.S. national security. However, history shows that unless they are carefully crafted, such measures can be abused to unduly restrict the economic freedoms that have helped make our country great. For example, the United States restricts imports of steel and aluminum produced by friendly countries including Israel and the UK based on far-fetched national security grounds. Such restrictions weaken our security more than they strengthen it.

- With respect to federal contracting and its impact on our country’s future, NTU encourages Congress to modernize Buy American laws to make the best use of taxpayer dollars and to strengthen ties with our friends and allies.

As President Dwight Eisenhower observed, it is unfair to the taxpayer for the government to pay a premium on its purchases.<sup>1</sup> Economists at the Peterson Institute for International Economics calculated that our various Buy American laws cost taxpayers \$97 billion in 2017.<sup>2</sup> Since then, the Trump and Biden administrations have each added costly new Buy American restrictions, including the “Buy American and Hire American” executive order issued by President Donald Trump<sup>3</sup> and the “Executive Order on Ensuring the Future Is Made in All of America by All of America’s Workers” from President Joe Biden.<sup>4</sup>

- Removing barriers to the use of affordable goods and services provided to the government by U.S. allies would strengthen our national security ties, and, by promoting a more efficient use of taxpayer dollars, would help control federal spending. The security benefits of reducing waste and inefficiency should be

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<sup>1</sup> President Dwight D. Eisenhower, “Special Message to the Congress on Foreign Economic Policy,” March 30, 1954.

<https://www.presidency.ucsb.edu/documents/special-message-the-congress-foreign-economic-policy>.

<sup>2</sup> Gary Clyde Hufbauer and Euijin Jung, “‘Buy American’ and Similar Domestic Purchase Policies Impose High Costs on Taxpayers.” Peterson Institute for International Economics, August 6, 2020.

<https://www.piie.com/research/piie-charts/buy-american-and-similar-domestic-purchase-policies-impose-high-costs>.

<sup>3</sup> President Donald Trump, “Presidential Executive Order on Buy American and Hire American,” April 21, 2017.

<https://trumpwhitehouse.archives.gov/presidential-actions/presidential-executive-order-buy-american-hire-american/>.

<sup>4</sup> President Joe Biden, “Executive Order on Ensuring the Future Is Made in All of America by All of America’s Workers,” January 25, 2021.

<https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/25/executive-order-on-ensuring-the-future-is-made-in-all-of-america-by-all-of-americas-workers/>.

especially clear in a year in which the federal government is projected to spend more on interest payments than on the military for the first time in U.S. history.

- Currently, Section 38 of the Arms Export Control Act (22 U.S.C. 2778) authorizes the President to control the export of defense articles and services. The proposed Time to Choose Act of 2024 (S. 3810) would restrict the ability of certain firms that have contracts with China or other covered entities to contract with the U.S. government.<sup>5</sup>

This appears to be a very broad criteria that fails to adequately require a demonstration of national security concerns resulting from the delivery of services provided by such firms. It would expand the costly “Buy American” principle in federal contracting to “Buy American, and only with firms that don’t do business in China.”

- Such legislation could represent a slippery slope leading to further restrictions. For example, China is the largest export market for U.S. agricultural producers. This does not mean that it would be wise for the government to require farmers to choose between contracting with American farmers to provide food for school lunch programs or continuing to export to China.

Furthermore, this type of legislation could open the door to similar restrictions being placed on U.S. firms that do business with countries that have policies viewed unfavorably by the president. For instance, an American company could conceivably be penalized for doing business in a country with different environmental, labor, or social policies.

- If federal policymakers want to curtail interactions with China, they should first look at the practices of the federal government, which has contracted with China to make interest payments on \$776.5 billion in Treasury securities. These transactions should not be treated more permissively than those conducted by private businesses.
- The federal government already has gone too far in micromanaging the way that private companies do business. More laws and regulations could especially burden small businesses included in the hundreds of thousands of business entities covered by the North American Industry Classification System categories specified in the bill.

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<sup>5</sup> S.3810, Time to Choose Act of 2024. <https://www.congress.gov/bill/118th-congress/senate-bill/3810/text>.

- At a time when some politicians and policymakers are seeking to reduce the U.S.-China trade deficit, it should be noted that restricting U.S. firms from providing goods or services to China also would increase the deficit.

In conclusion, the federal government can promote our economic and national security interests by prioritizing the procurement of goods and services based on which firms are able to provide the best value for taxpayers' dollars.