

Public procurement in International Trade

INTA Hearing on "IMPROVING ACCESS TO PUBLIC PROCUREMENT MARKETS:
Opportunities and Risks of the new EU Instrument".

Dr Stephen Woolcock
London School of Economics

A matter of judgement

- A matter of judgement (more than most trade issues)
- Only insufficient reliable data on public procurement markets
- Divergent views on whether markets are open
- Depends on how Regulation is used and third country responses

Opinion in EU is divided

- Purchasing entities tend to favour no action
- Business interests in certain sector favour it
- Business associations have a more mixed position
- Some member state governments strongly opposed, some more in favour

How open/closed?

- Cross border supply in total public demand puts EU at 4.5% (China 5%, India 6%, USA 4.4%, Japan 4.2%)
 - Aggregate figures say nothing about 'strategic sectors'
- Commission Impact Assessment focuses on selection of sectors reliant on public contracts
 - Defence, urban transport, rail, power, medical equipment, construction, green economy etc. finds evidence EU is more open
- Supply via affiliates 14% in EU (60% EU, 24% US, 7% CH, 7% other)
 - Transparency in PP, liberal investment in EU could mean EU more open but little data outside EU
- Large, developed markets import less (domestic supply capacity)
 - An integrated EU market imports less – but EU PP market not complete

Potential costs and benefits

- Generally little work on costs and benefits of procurement regimes
- Benefits
 - Commission Impact Assessment provides some estimates of increased exports and jobs
 - Tackles national champions in 3rd countries with offensive interests
 - Enhanced leverage in negotiations
 - Coherence in EU policy
- Costs
 - Less efficient use of public expenditure
 - Possible retaliation against EU exports
 - Damage to EU image as a liberal trader
- Balance depends on how Regulation would be used

Protectionist or market opening?

- Market opening intention danger of mutual closure
- Shift towards use of more selective reciprocity
- Perception that EU move towards a tougher, less liberal/naïve approach to trade
- Strengthens belief (in developing countries) that procurement/Singapore issues are only about reciprocal access

Will it work?

- Opening procurement markets probably the hardest nut to crack in trade policy
- De facto barriers as well as de jure and commitments in agreements seldom sufficient
- Use of taxpayers money to provide jobs and contracts elsewhere a certain vote loser
- Genuinely competitive markets require liberal consensus and international structure of production
- Doubt about generalised opening of procurement markets in emerging economies
- Limited selective use of reciprocity can address competition from national champions

The Alternatives

- Do nothing
 - Some EU producers will face disadvantages
- Continue to press for widening the GPA
 - Outcome after 30 years modest
- Use bilateral or regional-to region FTAs
 - More progress but emerging markets not about to make major commitments
- Use soft law and existing instruments
 - Risk of divergent policies among EU purchasers
- Try friendly persuasion but carry a stick