



Swiss Institute for International Economics
and Applied Economic Research

University of St.Gallen

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The Globalisation of Public Procurement

Simon J. Evenett

March 2016

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The Globalisation of Public Procurement?

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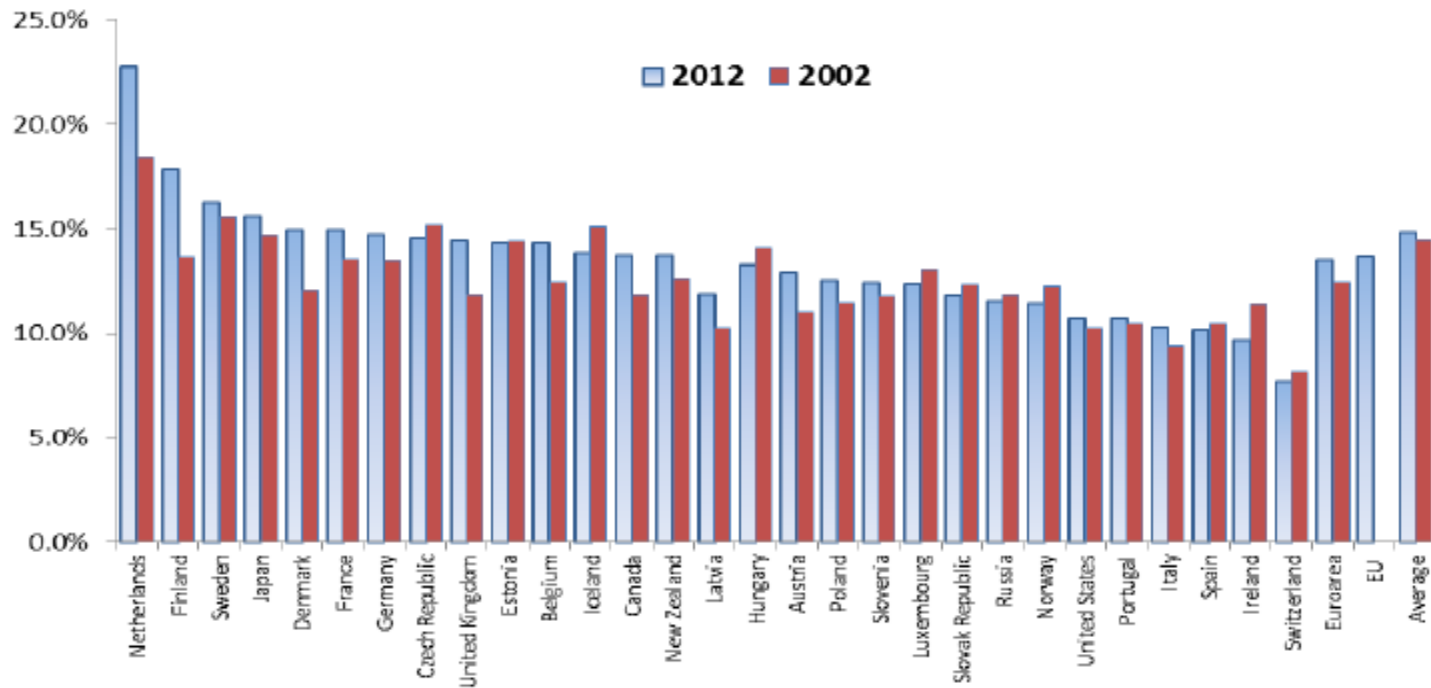
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Purpose of this presentation—to address these questions.

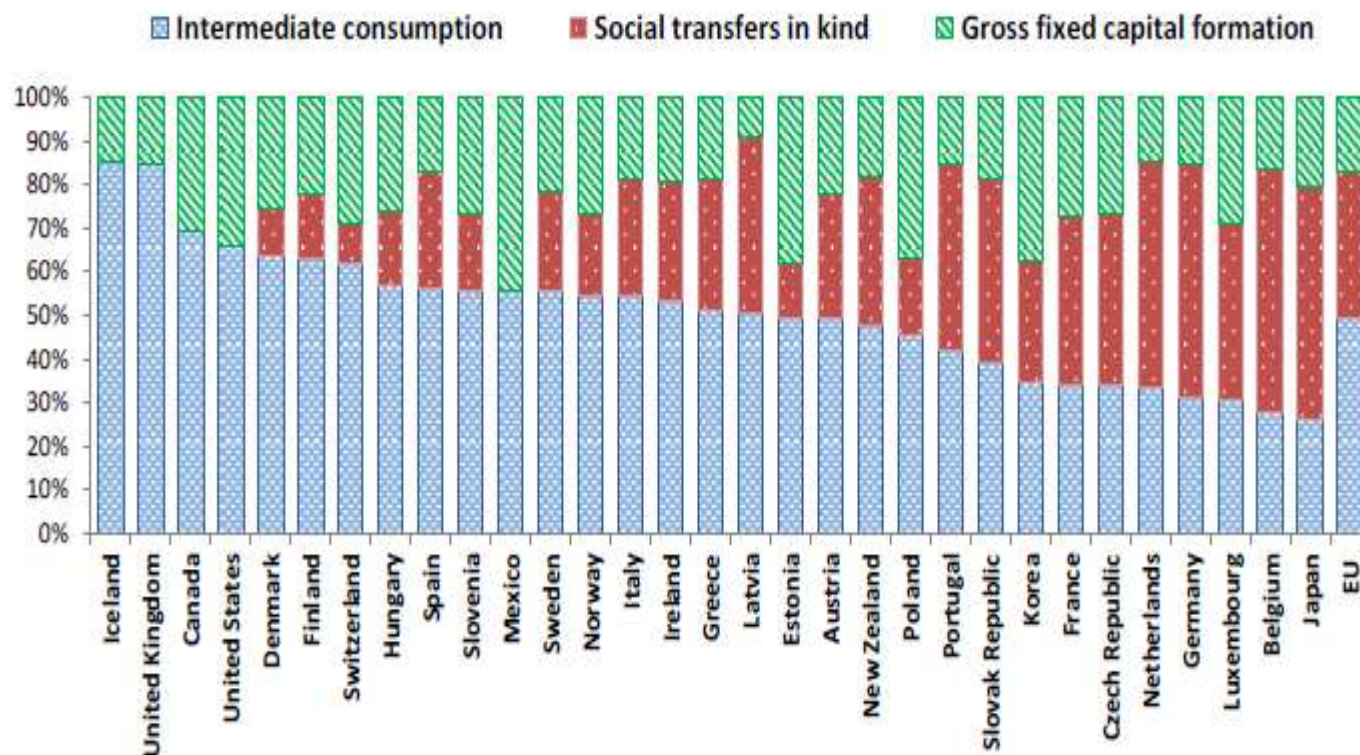
1. Bearing in mind the global economic crisis and its aftermath, using evidence on unilateral and reciprocal initiatives concerning government procurement policy to what extent can say that procurement markets are integrating?
2. Are principles supportive of integration spreading?
3. Are “bad” practices spreading as well?
4. What lessons about the drivers of procurement policy can be learned from this evidence and what do they imply for the likely future integration of procurement markets?

Public procurement spending as a share of GDP remains in the 10-20% range



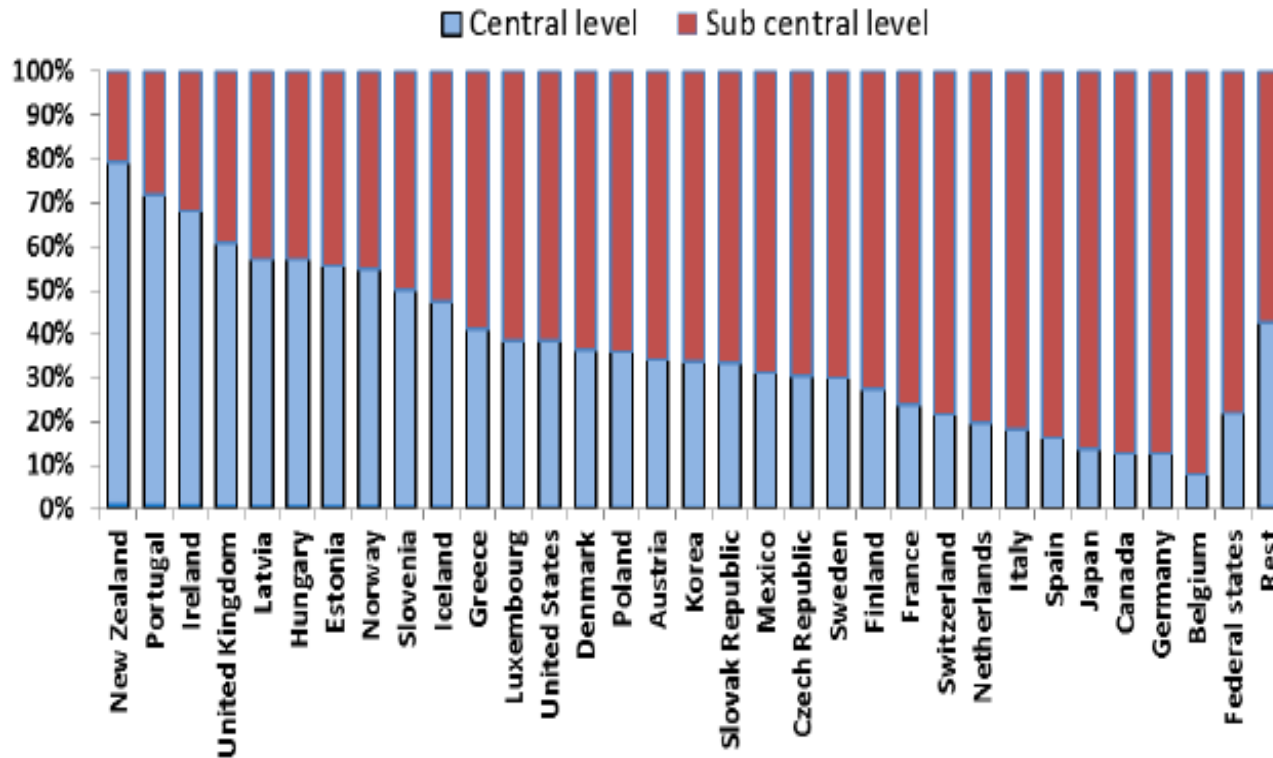
Source: Cernat and Kutlina-Dimitrova (2015).

Like most years, in 2012 not each type of spending is on goods and services



Source: Cernat and Kutlina-Dimitrova (2015).

Much procurement spending is not by the central government



Source: Cernat and Kutlina-Dimitrova (2015).



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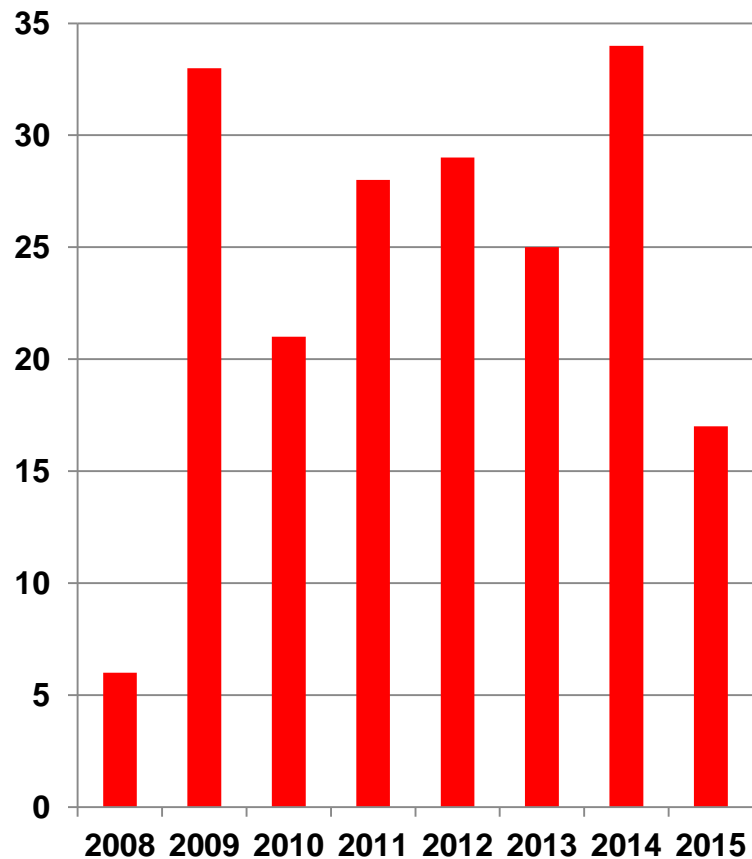
Unilateral Actions and Enforcement

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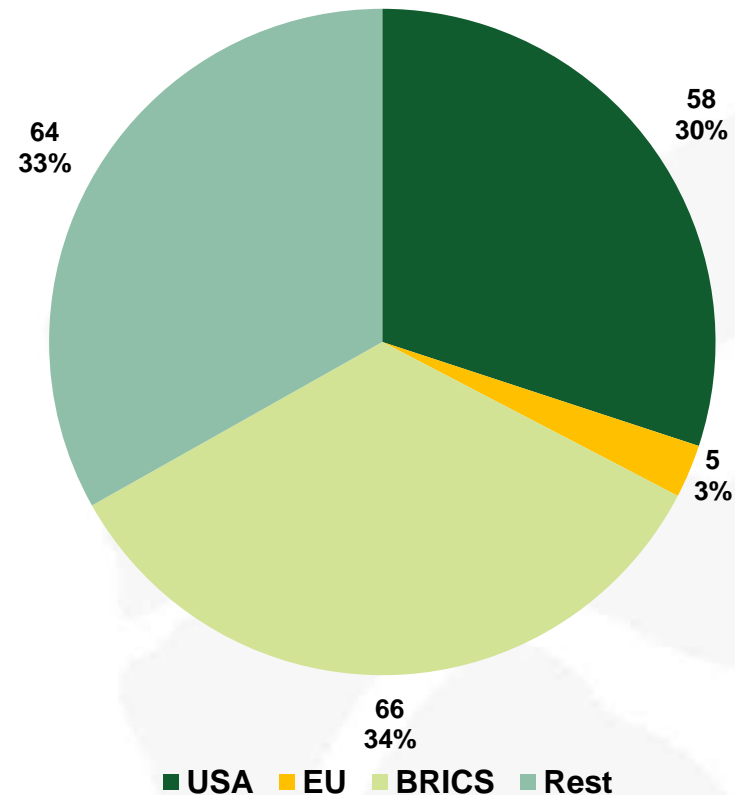
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Discriminatory government procurement interventions since November 2008



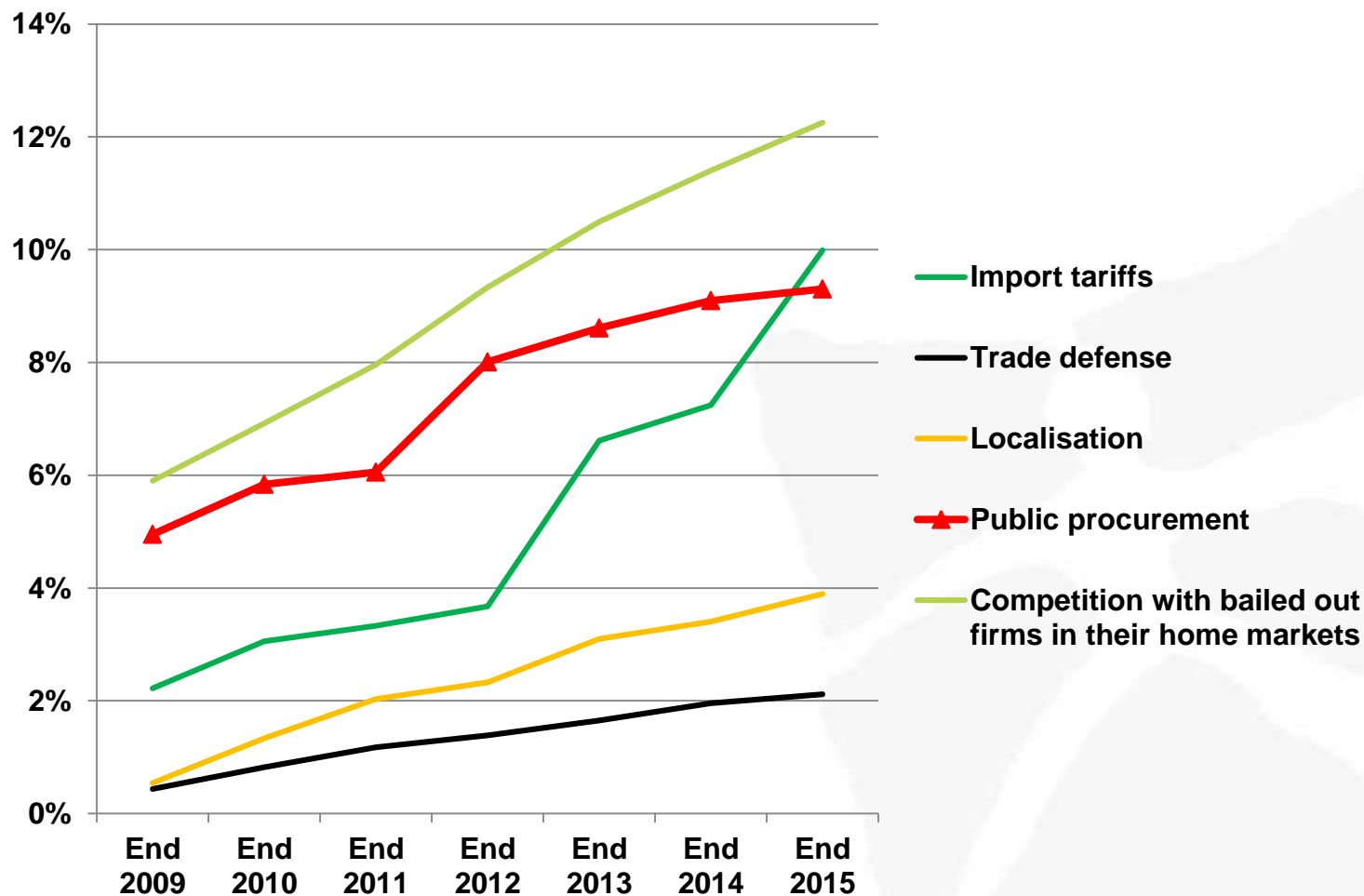
193 discriminatory interventions—but
only 21 liberalising measures



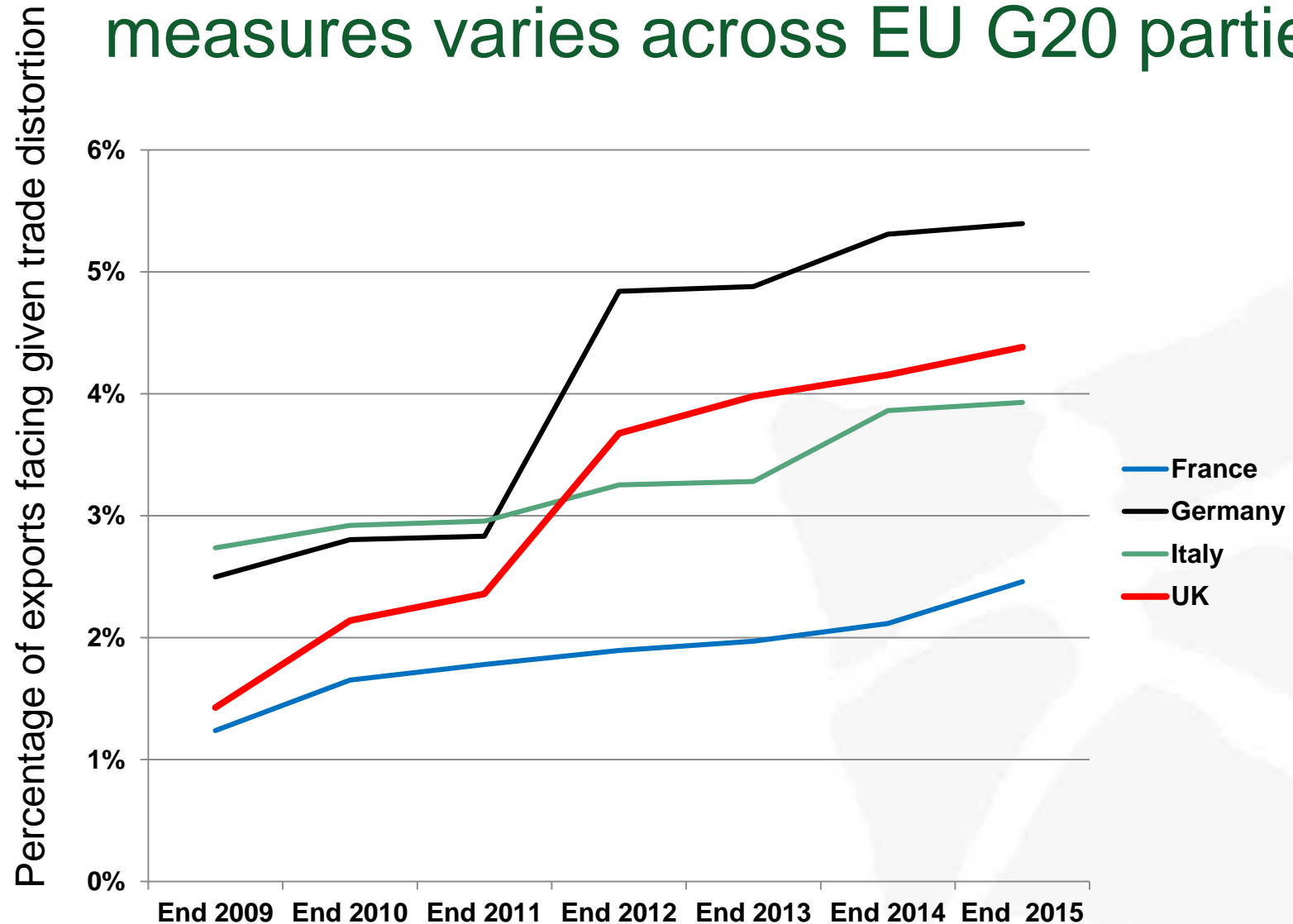
Source: Global Trade Alert

Estimates of G20 exports affected by various import distortions

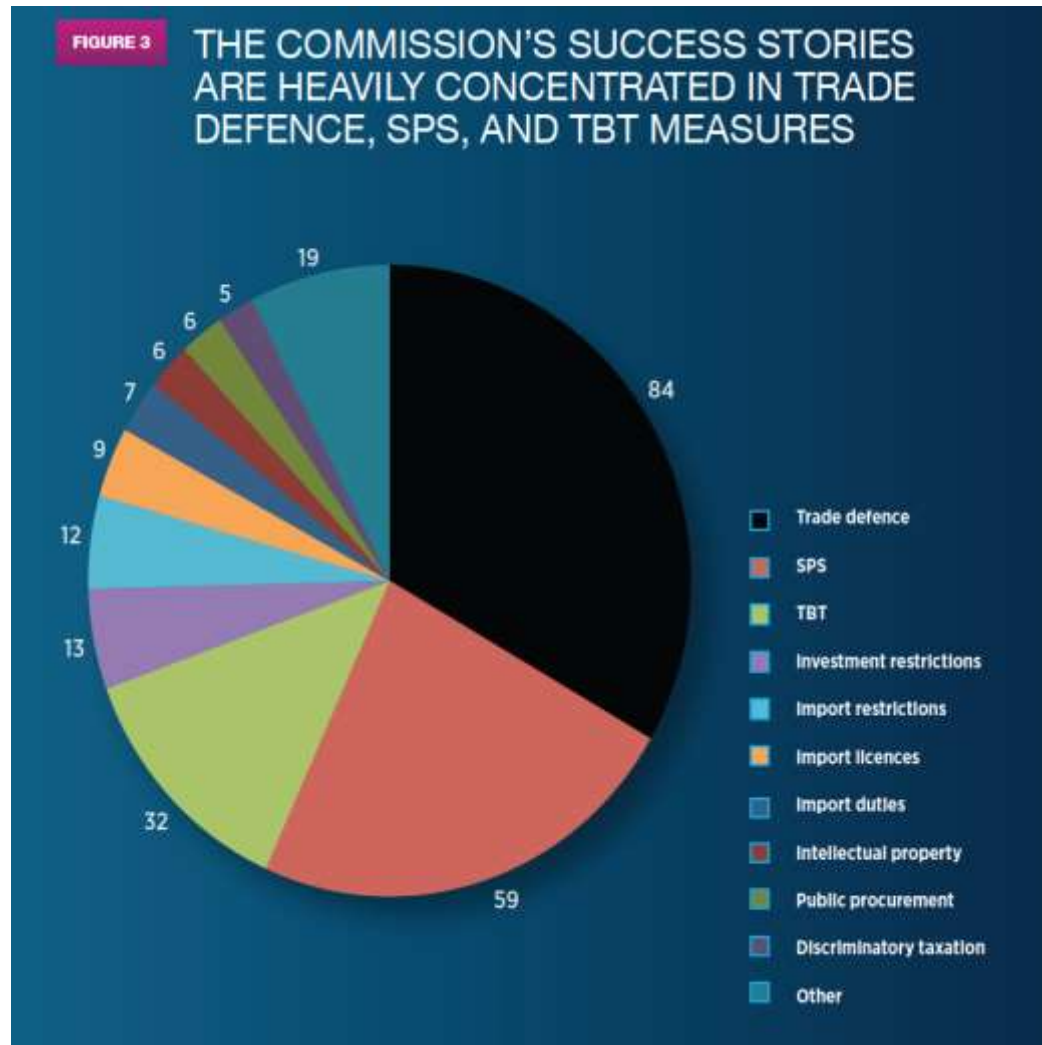
Percentage of G20 exports facing given trade distortion



Exports at risk from foreign procurement measures varies across EU G20 parties



Successful EU trade enforcement rarely involves public procurement

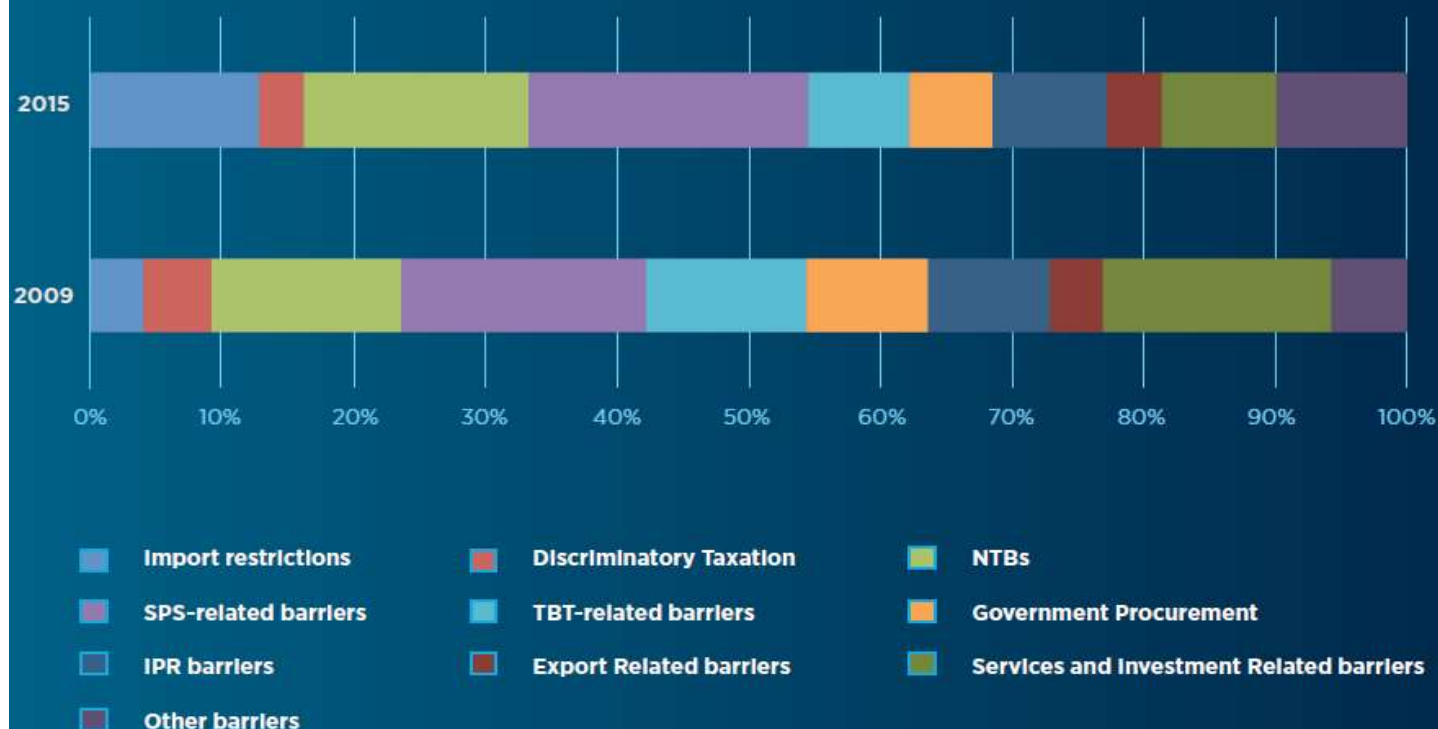


Source: Evenett (2016).

Public procurement's share of outstanding EU trade disputes fell

FIGURE 12

THE MIX OF TRADE BARRIERS FACING EU EXPORTERS THAT HAVE STILL TO BE REMOVED HAS SHIFTED TOWARDS IMPORT RESTRICTIONS, NTBS, AND SPS





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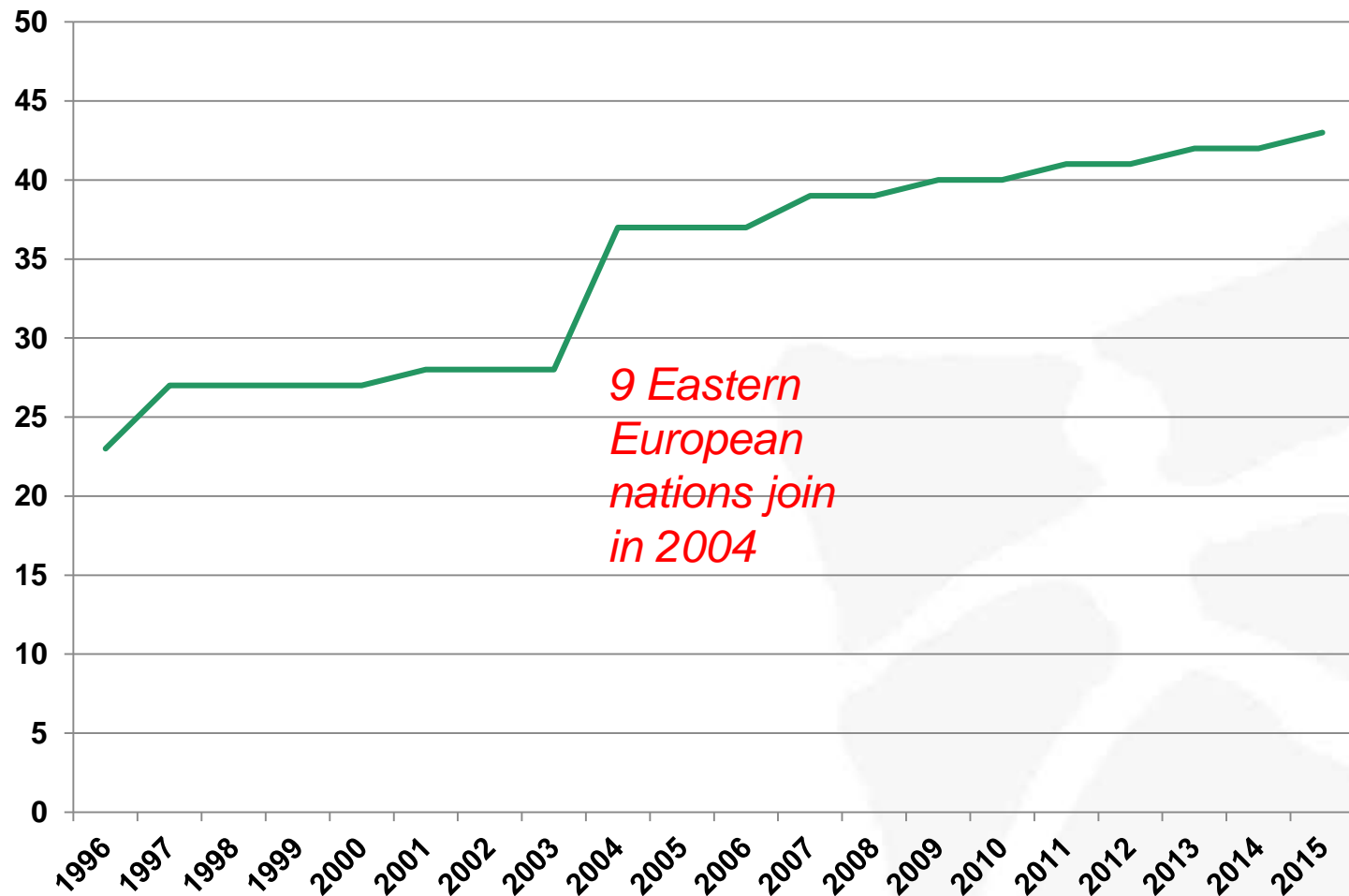
Reciprocity and government procurement

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Membership of the Agreement on Government Procurement



How much EU government procurement can be contested by foreign firms?

Table 3.21 EU procurement and GPA key figures, 2009-11

(€ billion)

EU procurement	2009	2010	2011
Value of contracts covered by GPA	250.84	227.94	237.18
Value of contracts above thresholds	353.40	318.81	335.37
Value of contracts awarded under Article XV GPA (i.e. limited tendering contracts)	14.45	9.87	7.26
Total expenditures on goods and services	2,346.01	2,416.55	2,405.88

Source: WTO documents GPA/108/add 7 and GPA/114/add 5, both dated 22 October 2014.

Source: WTO (2015)

Openness of Japanese procurement markets

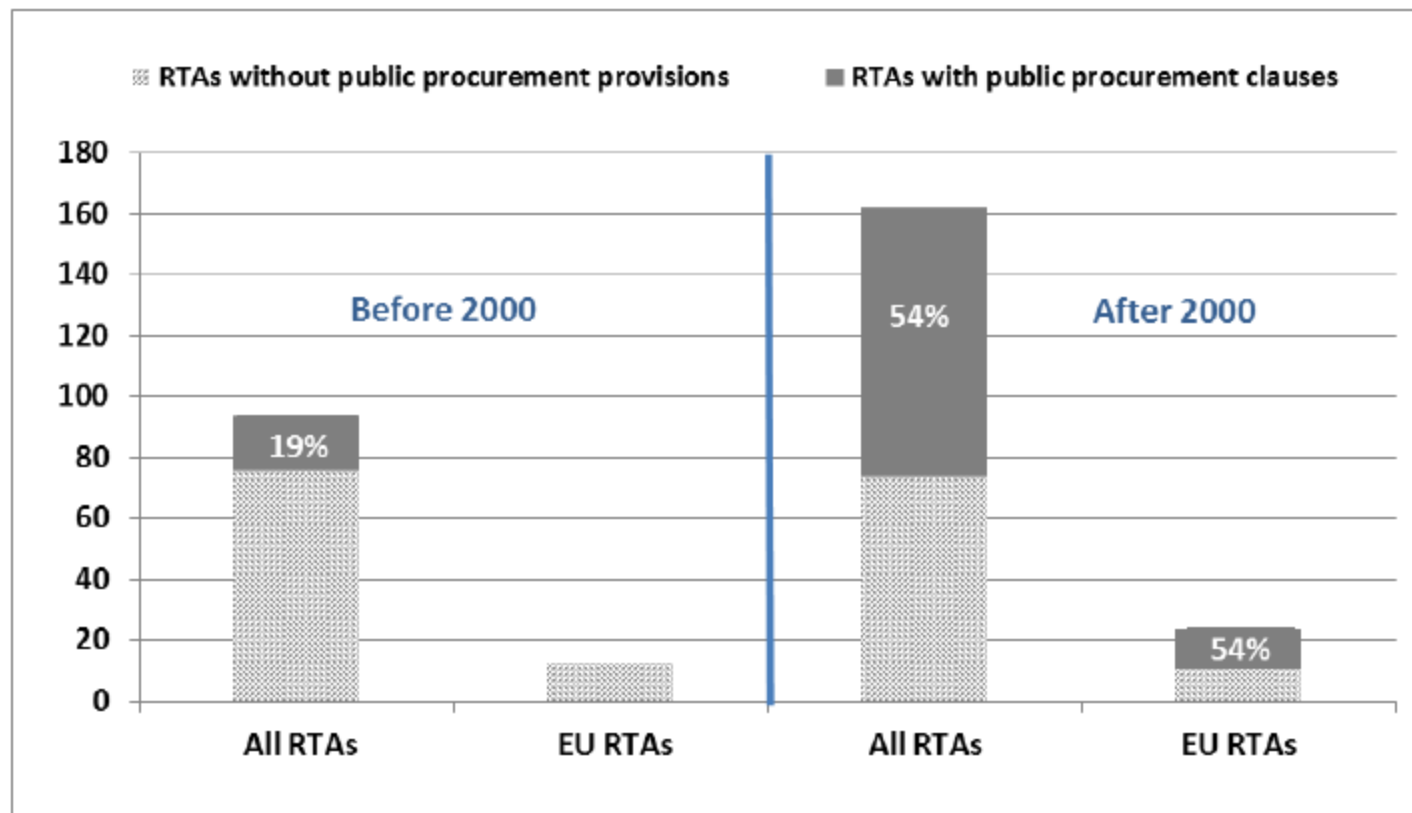
Table 3.6 Procurement by product and by origin, 2011 and 2012

(¥100 million and %)

	Products	2011		2012	
		Total value	Foreign share	Total value	Foreign share
1	Products from agriculture, and from agricultural and food processing	44.8	0.0	21.5	0.5
2	Mineral products	293.2	30.7	518.8	11.0
3	Products of the chemical and allied industries	30.7	7.8	41.1	0.0
4	Medicinal and pharmaceutical products	555.6	14.2	385.3	18.8
5	Artificial resins; rubber, raw hides and skins; leather; and articles thereof	16.4	0.0	16.1	4.9
6	Wood and articles of wood; paper-making material; paper and paperboard and articles thereof	147.3	0.0	188.5	0.0
7	Textiles and textile articles; thread for spinning and weaving; and articles thereof	80.9	1.4	68.7	2.5
8	Articles of stone, of cement and similar materials; ceramic products; glass and glassware; and articles thereof	4.0	0.0	0.4	0.0
9	Iron and steel and articles thereof	177.8	1.3	170.5	0.1
10	Non-ferrous metals and articles thereof	53.8	13.8	41.3	5.3
11	Power-generating machinery and equipment	22.9	7.7	60.0	5.0
12	Machinery specialized for particular industries	171.2	1.3	84.3	2.2
13	General industrial machinery and equipment	74.5	1.7	112.8	0.8
14	Office machines and automatic data-processing equipment	1,669.1	4.7	2,382.7	3.9
15	Telecommunications and sound-recording and reproducing apparatus and equipment	468.1	3.0	576.2	2.9
16	Electrical machinery, apparatus and appliances, and electrical parts thereof	193.7	6.5	284.6	5.2
17	Road vehicles	299.6	0.6	421.1	1.7
18	Railway vehicles and associated equipment	90.1	56.7	57.9	0.0
19	Aircraft and associated equipment	101.4	54.6	157.6	74.2
20	Ships, boats and floating structures	36.5	0.0	136.3	0.0
21	Sanitary, plumbing, and heating equipment	7.2	0.0	3.5	0.0
22	Medical, dental, surgical and veterinary equipment	613.5	44.3	776.0	25.8
23	Furniture and parts thereof	49.4	0.0	54.5	0.0
24	Scientific and controlling instruments and apparatus	874.3	28.8	1,384.2	20.1
25	Photographic apparatus and equipment, optical goods, and clocks	17.6	9.5	22.7	3.5
26	Miscellaneous articles	1,117.9	5.3	1,059.8	5.9
	Total	7,211.4	13.7	9,026.5	10.3

Source: Information provided by the Japanese authorities.

Legal provisions on GP in RTAs are spreading



Source: Cernat and Kutlina-Dimitrova (2015).

Estimated impact of procurement liberalisation in TTIP (1)

Table 7 Changes in GDP (in million euros), 2027 benchmark, limited agreement, 20 per cent direct spill-overs

	Tariffs Only	Services Only	Procurement Only
European Union	23,753	5,298	6,367
United States	9,447	7,356	1,875
Other	-7,903	-117	-1,595
Other OECD, high income	-5,065	726	-668
East Europe	-292	26	4
Mediterranean	-580	60	-8
China	2,289	-1,713	-856
India	-489	137	79
ASEAN	-832	337	-263
MERCOSUR	-363	182	-5
Low Income	-228	39	47
Rest of World	-2,344	90	75

Source: CGE calculations.

Note: Simulation involves elimination of 25% of procurement Non-tariff barriers. Source: CEPR study for DG Trade.

Estimated impact of procurement liberalisation in TTIP (2)

Table 6 Changes in GDP (in per cent), 2027 benchmark, limited agreement, 20 per cent direct spill-overs

	Tariffs Only	Services Only	Procurement Only
European Union	0.10	0.02	0.02
United States	0.04	0.03	0.01
Other	-0.01	0.00	0.00
Other OECD, high income	-0.03	0.00	0.00
East Europe	-0.04	0.00	0.00
Mediterranean	-0.04	0.00	0.00
China	0.01	-0.01	-0.01
India	-0.01	0.00	0.00
ASEAN	-0.02	0.01	-0.01
MERCOSUR	-0.01	0.00	0.00
Low Income	-0.02	0.00	0.00
Rest of World	-0.02	0.00	0.00

Source: COE calculations.

Note: Simulation involves elimination of 25% of procurement Non-tariff barriers. Source: CEPR study for DG Trade.

Effectiveness of procurement provisions

“Overall, the viewpoint of this think-piece is that neither trade liberalisation nor domestic competition and anti-corruption measures are likely to achieve full success in the absence of the other; rather, the maintenance of healthy competition and integrity and, thus, the attainment of maximum value for money for citizens in public procurement markets, is most likely to be assured through the coordinated application of all three tools.”

--Anderson, Kovacic, and Müller (2016).



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Underlying drivers of procurement policy

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Summary

1. Bad practice in procurement is spreading, probably faster than any restraint spreading through trade accords. Limited trade enforcement seen.
2. Underlying drivers:
 - Continued usefulness of government procurement as a discriminatory tool—substantively and politically.
 - Meade versus Keynes.
 - Revival of interest in industrial policy.
 - “O-ring” reasoning undermines case for trade disciplines.