

## **The European Commission levels the playing field for European business in international procurement markets**

The European Commission proposes to improve business opportunities for EU firms in procurement markets. The main objective of the initiative is to help open worldwide public procurement markets and to ensure European businesses have fair access to them. The proposal also aims to ensure that all companies (both European and non-European firms) are on an equal footing when it comes to competing for business in the EU's lucrative public procurement market.

Public procurement affects a substantial share of world trade flows and amounts to €1 000 billion per year. In the EU, public procurement represents up to 19% of GDP and is an essential lever for kick-starting growth again, especially during an economic crisis. The EU's public procurement market is traditionally very open. However, this is not always matched by a similar degree of openness by our trading partners. Worldwide, only a quarter of the world's procurement market is open for international competition. The restrictions applied by our trading partners affect sectors where the EU is highly competitive, such as construction, public transport, medical devices, power generation and pharmaceuticals.

The new initiative proposed by the Commission will increase the incentives for the EU's trading partners to open up their public procurement markets to EU bidders. It will ensure that EU companies can compete in the internal market with foreign companies on an equal footing. This initiative shall increase business opportunities for EU companies, both in the EU and internationally; boost the potential for small- and medium-sized enterprises to operate in a globalised economy; and increase employment and promote innovation in the EU.

Michel Barnier, European Commissioner responsible for the Internal market and Services, has declared: "The EU should no longer be naïve and should aim for fairness and reciprocity in world trade. Our initiative builds on Europe's belief that the opening up of public procurement generates benefits at global and European levels. We are open for business and we are ready to open up more, but only if companies can compete on an equal footing with their competitors. The Commission will remain vigilant in the defence of European interests and European companies and jobs."

Karel De Gucht, European Commissioner for Trade, said: "I am a firm believer in making sure trade flows freely and government procurement must be an essential part of open trade markets worldwide. It's good for business, good for consumers and brings value for money for taxpayers. This proposal will increase the leverage of the European Union in international negotiations and with our partners to open up their procurement markets for European companies. I am confident that they will then get a fair opportunity at winning government contracts overseas and so generate jobs."

The EU commitments taken in the WTO Government Procurement Agreement and bilateral trade agreements are fully respected with this initiative. The initiative clarifies EU international commitments for the European contracting authorities in a legally binding manner.

Key aspects of the proposal for a Regulation are the following:

- The important levels of openness of the EU's public procurement market are confirmed.
- The Commission may approve that EU contracting authorities for contracts above €5 million exclude tenders comprising a significant part of foreign goods and services where these contracts are not covered by existing international agreements.
- In the event of repeated and serious discrimination against European suppliers in non-EU countries, the Commission will have at its disposal a mechanism allowing it to restrict access

to the EU market, if the country outside the EU does not engage in negotiations to address market access imbalances. Any restrictive measures will be targeted, for example by excluding tenders originating in a non-EU country or imposing a price penalty.

- Finally, the proposal increases transparency on abnormally low offers in order to combat unfair competition by non-EU suppliers on the European market.

## **Background**

The 2011 Commission Communication on a "Single Market Act" and the 2010 "Trade, Growth and World Affairs" both highlighted fair competition and access to public procurement markets as one of the key tools for economic growth and job creation, in particular in the context of the recent economic crisis.

In its conclusions of 23 October 2011, the European Council called for a Commission proposal for an EU instrument for opening up public procurement, pointing out that Europe will continue to promote free, fair and open trade whilst at the same time asserting its interests in a spirit of reciprocity and mutual benefit in relation to the world's largest economies.

In December last year, the European Commission presented an overall programme to modernise public tendering. This new initiative complements this domestic effort with a set of rules for the external dimension of the procurement policy.

The EU has traditionally been an open economy and an advocate of free trade. This includes public procurement. The EU's approach is not entirely shared worldwide. Most of the EU's major trading partners operate restrictive public procurement practices which discriminate against EU suppliers. The current economic crisis has increased the use of such practices.

## **For more information**

[http://ec.europa.eu/internal\\_market/publicprocurement/modernising\\_rules/international\\_access/index\\_fr.htm](http://ec.europa.eu/internal_market/publicprocurement/modernising_rules/international_access/index_fr.htm)

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