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WORLD TRADE ORGANISATION PUBLIC FORUM BUSINESSEUROPE PANEL GENEVA

INTRODUCTORY REMARKS BY HUBERTUS ERLÉN
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Ladies and gentlemen,

I would like to welcome you to this panel discussion jointly organised by BUSINESSEUROPE and the Federation of German Industries, BDI.

Let me also say 'thank you' to all our distinguished panellists for joining us here today.

Mr Singh, Mr Oike, Ms Minard; I am very pleased that you have accepted our invitation.

Also, I should announce that the acting head of the EU mission, Mr John Clarke, will join us shortly to contribute to our debate.

Ladies and gentlemen,

The subject of today's discussion is public procurement. Our aim is to take a look, with our panellists and audience, at the rules that govern the purchases by public authorities.

I hope that we can address two issues:

First

The importance of strong and fair competition for public contracts, for consumers, businesses, taxpayers and governments worldwide.

Ladies and gentlemen,

Competition for government procurement helps ensure that government authorities get the best value for taxpayer money. It triggers competitive pricing and gives governments and consumers access to the best products and the latest innovations.

In addition, competitive and transparent tendering is vital to combat corruption. The rules put in place through international agreements, such as the Government Procurement Agreement, encourage open, unbiased, transparent and non-



discriminatory procurement procedures. These are essential components of a healthy free market economy.

Although competitive and transparent tendering is vital to support economic growth and helps to combat corruption, many governments worldwide are operating restrictive practices, which prevent them from doing business with the best of industry.

That leads me to the second issue I hope we can address, namely: In how far do the procurement rules of the World Trade Organisation truly enable much-needed competition for government contracts? And also, how we can improve the existing set of rules?

Before I allow our panellists to dive into these issues, let me just remind you of a few basic figures to frame our discussion.

30.1% of world exports: That is what the OECD estimates to be the value of total procurement markets worldwide. According to WTO data, government procurement accounts for between 10 and 15% of GDP. In OECD countries, the current figure is 16% of GDP.

In short, the topic we're addressing today is economically very significant and central to countries' development.

However, if we then take a look at the rules governing this important sector of world trade, these rules are, to put it politely, very modest.

I'd argue that this modesty comes both from the limited scope and depth of these rules.

On scope, membership of the WTO Agreement on Public Procurement (or GPA), is voluntary, and has currently only 12 Members in addition to the European Union.

On depth, the rules agreed in the GPA, and the market access opportunities it provides, are subject to many exceptions and derogations, which result in a very patchy set of commitments.

This situation has led some to argue that public procurement is today arguably the largest trade sector sheltered from multilateral trade rules.

In business we tend to agree with that point of view because in practice, these very modest rules result in many lost business opportunities.

More importantly however, it means that governments and taxpayers are not always getting real value for money. This limited set of rules sustains a lack of competition that leads to situations where taxpayer money is used to buy inferior products at inflated prices.



On the contrary, strong rules on competition for government procurement would trigger more competitive pricing and give governments and consumers access to the best products and the latest innovations.

In the EU, we have come a long way in introducing competition for public contracts. The EU's procurement market is among the most open in the world. That is a good thing, because it ensures that European taxpayers get the best possible value for their money. Also, the competition is beneficial as it improves quality and lowers prices.

At the same time however, the EU is facing growing criticism from its own ranks: Can Europe maintain its open market if other keep substantial barriers in place that prevent participation in public projects? Is this front runner approach sustainable or is it naively discriminating EU companies?

European business therefore continues to make the case for more efforts by governments worldwide to remove those barriers and to open up procurement markets.

This should be achieved through:

- **First:** an expansion of the GPA, at minimum to include all OECD members and major emerging markets. These accessions should include comprehensive market access commitments. For example, although China's GPA offer has improved, the level of ambition remains quite low even though Chinese companies are increasingly tendering abroad.
- **Second:** a revision of the current GPA market access commitments which really takes the ambition of members to a higher level. This could be done by increasing coverage to sub-national or sub-federal entities and by reducing exceptions and sectoral carve-outs.

Ladies and gentlemen,

I'd like to stop here and hand back to our moderator from Reuters Jonathan Lynne.

I look forward to hearing from our panellists today how we can inject new dynamism and ambition in the multilateral approach to public procurement.

I thank you for your attention.

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