The EU public procurement market is one of the largest and most accessible in the world.

In Europe, companies from other countries can bid for public tenders on an equal footing with European companies. However despite this openness, many of the EU’s major trading partners apply restrictive practices in their markets that discriminate against EU businesses.

These restrictions affect competitive EU sectors such as construction, public transport, medical devices, power generation and pharmaceuticals.

Public procurement is about how public authorities spend public money to buy goods and services. This can range from buying computers, to building a road or managing a transport network. Public procurement represents a significant part of national economies.

- **€2.4 TRILLION** EU procurement market - open to bidders from all around the world
- **€8 TRILLION** worldwide procurement market - more than half is closed to European companies
- **€10 BILLION** EU companies win only a tiny bit of the world’s procurement market per year
European public procurement rules are transparent, non-discriminatory and do not differentiate between EU and non-EU economic operators. However, access to procurement markets in other countries is often a hurdle race for EU companies:

- **NATIONAL ESTABLISHMENT**
  To be able to bid in a public tender, a company is required to establish a joint venture with a local company (China, Indonesia) or even to be established locally (as is the case in Brazil or Indonesia).

- **BUY NATIONAL**
  Some countries require that a significant part of the value of a tender originates locally, for instance:
  - India 50%
  - Indonesia 30%
  China has the same policy with a general obligation to "Buy Chinese".

- **PRICE PREFERENCES**
  In some countries, a bid by a local company can be up to 15% (in Russia and Turkey) more expensive than a foreign bid and still win the tender.

- **LACK OF TRANSPARENCY**
  For instance, no publication of notices, fragmented information on the procurement procedures.

- **EXCLUSION OF CERTAIN PROJECTS FROM GOVERNMENT PROCUREMENT RULES**
  - The Three Gorges Dam, the largest hydro-electric dam in the world (USD 37.3 billion)
  - The Bird’s Nest and other 2008 Olympic venues (USD 480 million)
  - China’s high-speed rail network (set to exceed 10,000 km in 2012)
  All these projects were executed by Chinese companies.

- **THRESHOLDS**
  High thresholds for foreign companies to participate in bids. In Indonesia only construction works above €66 million are open to foreign companies.

- **PRICE PREFERENCES**
  In some countries, a bid by a local company can be up to 15% (in Russia and Turkey) more expensive than a foreign bid and still win the tender.

These are some of the reasons that explain why EU operators win **less than 1%** of total bids in Indonesia (where 98% of bids are awarded to domestic companies) and only **around 1%** in Turkey (where some 97% of bids are awarded to domestic companies).
While the EU procurement market is accessible to foreign companies...

**CHINA**
- Road bridge construction in Croatia
  - € 345,000,000
- Construction work for water projects in Poland
  - € 53,000,000

**TURKEY**
- Gas pipelines in Romania
  - € 127,000,000

**NORWAY**
- High-voltage cable in Greece
  - € 111,000,000
- Railway and tramway locomotives and rolling stock in Italy
  - € 115,000,000

...EU countries are among the most affected worldwide by discriminatory measures in public procurement

Number of discriminatory measures affecting EU Member States in the access to public procurement markets of non-EU countries

SOURCE: GTA database 2017

**The case of CHINA**

There is no transparent and comprehensive information on the procurement market in China. Its total value is estimated to be in the magnitude of €1.4 trillion (2013). China is not bound by any international commitment when conducting public procurement. Most of the procurement in China is conducted by State Owned Enterprises.
Unlocking Public Procurement Opportunities

The EU has long been a strong advocate for an ambitious opening of international public procurement markets.

- **At global level**, the EU is part of the Agreement on Government Procurement concluded in the World Trade Organisation framework. It allows EU companies to bid for certain public contracts of 18 other WTO partners. However, countries like China and India, with some of the world’s largest public procurement markets, have not signed up.

- **Bilaterally**, the EU has agreements with countries across the world to ensure European companies better conditions when it comes to public procurement. That is the case of the recent trade agreements with Canada and Japan: EU companies can now bid for public tenders not only at federal but also at **provincial and local level in Canada and in 54 major Japanese cities**. Provisions on public procurement are also included in other trade agreements currently under negotiation, for instance with Mercosur (Argentina, Brazil, Paraguay and Uruguay).

Ensuring more reciprocity – the International Procurement Instrument

The EU needs to shift into offensive gear to ensure reciprocity and tackle protectionism in access to procurement markets in third countries.

This could be achieved provided that the European Parliament and Council approve the revised proposal for an International Procurement Instrument presented by the Commission in 2016. **The Commission calls on both institutions to restart discussions and adopt this proposal before the end of 2019.**

How would it work?

The Commission will invite the country concerned to start consultations to remedy the situation in case such an investigation would confirm restrictive or discriminatory measures or practices.

As a last resort, after consultation with EU Member States, the Commission could apply measures restricting the access of
- companies,
- goods and
- services

from the third country concerned to the European procurement market.

The International Procurement Instrument would:

- provide leverage for the EU while negotiating market opening with third countries;
- enforce the principle of balanced reciprocal market access for EU business to third countries’ procurement markets;
- improve the level playing field.