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Openness in public procurement markets: Time for a reality check

The European Parliament hearings on the Commission's proposal for a "*Regulation establishing rules on the access of third countries' goods and services to the EU internal market in public procurement*" offers an opportunity to review two key pillars of the proposal. First, the Directive proponents claim that the EU public procurement markets are much more open than those of its main partners. Second, they assume that the threat of the "reciprocity" clause (allowing the EU to deny access to EU public procurement markets to firms originating from countries with public procurement markets that the EU would feel less open than its own markets) is credible.

[The paper](#) provides robust evidence that the EU public procurement markets are definitely not more open than those of its main partners. It first shows that, when one compares what is comparable, the impact assessment working document on which the Directive proposal relies fails to support the EU claim. Moreover, the paper provides a robust and exhaustive evidence (based on National Accounts) of the fact that the EU public procurement markets are often less open than those of its main partners.

The paper goes on to argue that the threat of the "reciprocity" clause is not credible for three, cumulative, reasons. The public procurement markets of some of the EU partners are rapidly becoming bigger than those of the whole EU or than those of the largest EU Member States – meaning that EU firms will lose more than partner firms in the case of reciprocity-based measures and that it will be difficult to build strong coalitions among EU Member States for generating credible threats. The paper also argues that the "reciprocity" clause is prone to "privatisation" by a few large and powerful firms— to the detriment of all the other EU firms, with likely net costs for the entire economy of the EU Member States.

The paper provides two other interesting observations. First, it gives evidence suggesting that the Internal Market in public procurement does not work well. Second, it shows that negotiations in the context of preferential trade agreements (with Japan, the US, Taiwan, etc.) are a much more promising way to improve EU firms' access to foreign public procurement markets than the reciprocity clause. In addition, such negotiations, if well-conceived, would enormously help the EU to improve the functioning of its own Internal Market.

[Download the policy brief here](#)

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