

# EU Eyes Measures To Open Up Public Contracts

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BRUSSELS (AP) — The European Union is seeking new powers to block foreign companies from winning lucrative government contracts unless their home countries open their own public-sector deals to European firms.

The proposals unveiled Wednesday appear to be targeted mostly at China, whose companies have obtained public projects in Europe. The EU says China's massive government contracts, meanwhile, remain mostly reserved for local companies — a claim that Beijing rejects.

But the EU also hopes to gain concessions from other emerging markets and, to a lesser extent, the U.S. and Japan, which have already opened some public contract bids to European firms.

The EU says its wants to use the new powers mostly as leverage to get other countries to give European companies fair access to public-sector deals. It says fully open procurement markets could create some 180,000 jobs in Europe.

Yet the new regulation, which still needs to be approved by member states and the European Parliament, could also be seen as protectionist at a time when the EU is already clashing with several major trading partners over new CO2 emissions taxes for airlines.

"The EU should no longer be naive and should aim for fairness and reciprocity in world trade," the EU's Internal Market Commissioner Michel Barnier said. "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 initiative shines a spotlight on a hugely profitable slice of global trade in goods and services. Most countries spend between 15 percent and 20 percent of their gross domestic product on public contracts for everything from building highways to maintaining government IT systems, according to figures from the European Commission, the EU's executive arm. In Europe, purchases by governments are worth more than euro2 trillion (\$2.6 trillion) a year, or around 19 percent of GDP.

However, access to these markets varies greatly. The EU says some euro352 billion in its public contracts are open for companies from other countries that have signed the World Trade Organization's agreement on government procurement. In the U.S., only some euro178 billion in government contracts can be bid on by foreign companies, while in Japan, that figures is euro27 billion, according to Commission figures.

The U.S. and Japan are signatories to the WTO agreement, while China is not. But Chinese companies have nevertheless succeeded in winning public contracts in

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several EU countries. In contrast, the EU says only a fraction of China's euro830 billion public procurement market is open to foreign business.

"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," said Karel De Gucht, the EU's trade commissioner.

The Commission's proposals envisage two main powers. If a foreign country is consistently discriminating against European companies and has rejected EU attempts to mitigate the situation, the Commission can close the European market for companies from that country. De Gucht insisted that such steps would only be taken after extensive investigation and consultation and could target only certain sectors.

Even if there is no EU-wide ban, the Commission can allow individual public authorities to ignore bids from foreign companies for contracts worth more than euro5 million.

The Commission said it would use any bans as a last resort and hopes that countries will instead chose to open their procurement markets to European companies. It also pointed to protectionist policies recently adopted in other countries, including the "Buy American" provisions in the 2011 Jobs Bill and the 2009 American Recovery & Reinvestment Act.

De Gucht said he wasn't worried about retaliatory measures from targeted countries. "I honestly do not believe that this will result in retaliation. I believe that this will result in negotiations."

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