TTIP and International Public Procurement: The role of data-driven policy making*

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Why public procurement in trade negotiations?

- **Size of the markets**: public procurement accounts for 6-25% of GDP on a world basis and for 19% in 2016 in the EU including procurement of utilities.

- **Large potential impact**: limited commitments at the bilateral and/or multilateral level.

- **Increasing importance**: Public procurement becomes increasingly important in a low tariff environment and thus turns into major impetus for trade policy.

- **Protectionism** in international public procurement is on the rise.
Public Procurement in % of GDP


*Note that including state-own utilities for the EU would lead to a PP share in GDP terms of 19%.
Public Procurement spending patterns

Public procurement at different government levels

Source: EUROSTAT, OECD National Account Statistics, own calculations, web access 15 September 2017
Public procurement provisions in RTAs

- **RTAs with PP clause**
- **Nr. of RTAs**

Source: WTO, list of all RTAs, 4/12/2014
Protectionism in public procurement

- Theoretical economic literature shows that local preferences i.e. 'home-bias' in public procurement can distort international specialisation and affect trade flows, output and prices, see Evenett and Hoekman (2005), Trionfetti (2001), Miyagiwa (1991).


- Recent work by Kutlina-Dimitrova and Lakatos (2016) identify the determinants for direct cross-border procurement in the EU.
Protectionism in public procurement: Stock of newly introduced measures

Source: GTA database, web access 15 February 2018
Protectionism in public procurement: Type of measures

Source: GTA database, web access 15 February 2018
Protectionism in public procurement: Implementation duration of measures

Source: GTA database, web access 15 February 2018
Protectionism in public procurement:
Top 10 most protectionist countries

Source: GTA database, web access 15 February 2018
Protectionism in public procurement: Top 20 most affected countries

Source: GTA database, web access 15 February 2018
The impact of public procurement liberalization: first quantification attempts

Kutlina-Dimitrova (2017) assesses the impact of extending the scope and coverage of the GPA in the framework of the recently created public procurement extension of the GTAP model and shows that:

- GPA parties' welfare is estimated to increase by US$8-10 billion.
- GPA parties' exports will be boosted by US$75 billion.

These results do not include extending the country coverage i.e. a possible GPA accession of China or Russia neither the impact of scraping Buy local provisions.

Dixon et al. (2017) show that scraping Buy America(n) provisions leads to an increase in US GDP by 0.12% and job creation of over 300,000 jobs. In terms of state and congressional districts level results, fifty out of 51 states and 430 out of 436 congressional districts would gain jobs.
**TTIP procurement gains and modalities of international procurement**

- **Direct cross-border international procurement**: Foreign companies may win public procurement tenders directly from abroad (*various estimates pointing to a similar share of foreign penetration*).

- **Commercial presence procurement**: Domestic subsidiaries of foreign companies may be awarded locally public contracts (*the US is the largest recipient of modality 2 contracts in the EU accounting for a quarter of the total*).

- "**Value-added" indirect international procurement**: Foreign companies participate indirectly along the value-chain as subcontractors in a tender which can be won by a foreign or a domestic company (*in the EU this share stands at about 12%*).
Towards a global public procurement database for trade negotiations

- First attempt to create a database combining both public procurement flows data covering all modalities and corresponding procurement barriers.

- This is a challenging undertaking as there is severe lack of data on both the flows and barriers side let alone a combination of those.

- However, both government procurement expenditures and corresponding barriers are needed so as to be able to assess the impact of public procurement commitments in RTAs and the GPA.
International public procurement data collection and barriers assessment project (1)

- **Project objective:**
  - The project's main objective is improving the availability, coverage and quality of government procurement data in an international context.

- **Time frame:**
  - 2016-2018 – extension of this project for another 3 years is possible.

- **Budget:**
  - 4 million euros + possible extension of another 4.5 million euros.

- **Country coverage:**
  - China, India, Brazil, Indonesia, Australia, New Zealand and Thailand. *In addition, the US and Canada will be covered in respect to modality 1 and 2 procurement.*
International public procurement data collection and barriers assessment project (2)

Milestones of the project:

- Development of a methodology for data collection;
- Making use of a dedicated taxonomy of public procurement barriers;
- Public procurement data collection in the beneficiary countries;
- Collection of a full-set of public procurement barriers;
- An assessment of the economic value of the collected public procurement barriers.
Conclusions

 International procurement has gained importance in WTO and in bilateral trade negotiations. Protectionism, however, is also on the rise in public procurement.

 First quantification attempts show that the US can reap significant benefits from scrapping Buy-America legislation.

 Currently there severe lack of data hampers sound assessment of TTIP procurement gains.

 Building up a global public procurement database will serve negotiators and analysts to evaluate and assess the impact public procurement provisions and initiatives.

 We have a long way to go before we can provide an in-depth assessment of TTIP impact in the field of public procurement. However, there are first encouraging attempts in this respect.
Thank you for your attention!