

EU demands Canada to open procurement market despite its own protectionism

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The European Union, which has stirred a controversy by demanding that Canada open up the lucrative government procurement market to European competitors, is launching a new campaign against widespread protectionism within the 27-nation EU.

The effort, which includes possible adoption of tougher rules against "favouritism, corruption and conflicts of interest," underscores the difficulty Brussels will have in offering reciprocal access to Canadian firms on the procurement front, say analysts.

An EU document released last week cited recent research saying that a mere 1.6 per cent of public contracts are awarded by governments to operators from other member states, while an additional 11 per cent went to local subsidiaries or partner companies of firms based in other EU countries.

In other words, 87 per cent of contracts for government-purchased goods and services, from fire trucks to syringes to educational services, went to domestic companies.

"Procurement is the weakest link in the common market," said Canadian Christopher Bovis, a law professor at the University of Hull in Britain and an author of several books on the issue.

He said Canadian negotiators need to be skeptical of EU promises that Canadian companies will have fair access to major contracts for goods and services bought by European governments and government agencies, including hospitals and public utilities.

"It's a very, very closed system."

Simon Evenett, director of the Swiss Institute for International Economics, said the EU's poor results suggest that "Canadian exporters, especially those that don't have subsidiaries in Europe, won't gain much from any negotiated opening up of the EU procurement market."

The Council of Canadians, which argues that provinces and cities will lose valuable tools to create jobs and advance social goals, said Canada is poised to make a "ridiculously" generous procurement offer with no assurance Europe will reciprocate.

"The EU procurement market may become even more closed to Canadian bids as we open ours wide to the EU and the U.S., which will no doubt want the same access we give the EU," said spokesman Stuart Trew, citing comments made last week by a top official in Brussels.

Trade Minister Peter Van Loan issued a statement Tuesday expressing confidence in EU assurances that it will reciprocate.

A free trade deal, which Canada wants to conclude by the end of this year, "would secure preferential, rules-based access to the European Union's government procurement market," said Van Loan, who noted that the EU's procurement market is worth \$2.3 trillion a year.

Jason Langrish, executive director of the Canada Europe Roundtable for Business, said the agreement should have clear mechanisms to ensure Canadian firms have legal options if they are treated unfairly.

"If the EU wishes to achieve their goal of open access to sub-federal contracts in Canada, they must reciprocate, including preventing technical barriers to procurement, including the use of standards and product specifications that can effectively preclude Canadian suppliers from providing services at the Member State level," he stated in an email.

Brussels has been pushing member states since the 1970s to stop favouring local companies.

They have cited numerous studies showing that competition will sharply reduce costs to taxpayers, while boosting the ability of companies to become more competitive internationally.

The counter-argument is that local preferences allow governments to create national "champion" corporations, as well as win support on the political front.

Michel Barnier, the EU's commissioner in charge of internal markets and services, said last week that the lack of openness in Europe is particularly difficult for small and medium-sized businesses.

But Barnier, a career politician in France and a former member of Nicolas Sarkozy's cabinet, also tossed out potential opportunities for the creation of additional non-tariff barriers.

He suggested that new procurement rules include provisions allowing for contracts to be awarded based on efforts to improve the

environment, foster innovation, and fight "social exclusion," a term popular in France to describe marginalized communities like Muslim youths or Roma communities.

"My ambition is also to make sure that public procurement can help job creation, innovation, and protection of the environment," Barnier said.

Quebec Premier Jean Charest recently came under criticism for saying he wants Hydro-Quebec excluded from the trade deal because of the utility's role in regional development. Ontario Premier Dalton McGuinty ruffled feathers in Europe for his 2009 Green Energy Act, which favours Ontario companies providing cleaner energy alternatives.