

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

GPR/W/125

1 April 1993

Special Distribution

Committee on Government Procurement

EUROPEAN COMMUNITIES: CONTRACT STATISTICS ON THE "COUNTRY OF ORIGIN OF THE PRODUCT"

The following communication from the delegation of the European Communities, dated 26 March 1993, was received by the secretariat during the Committee meeting on 29 March 1993, with the request that it be distributed to the members of the Agreement on Government Procurement.

Article VI:10(b) of the Agreement on Government Procurement refers to statistics on the country of origin of the product.

As is well known, EC statistical returns give data on contracts awarded on the basis of the country from which the winning bid was submitted. This has been done because of concern about the consistency and accuracy of origin data if it was to be required regularly. In effect, since there is neither the risk of a statistical return being challenged on such a point, nor an effective means of checking the validity of returns, why should an official go to the trouble of making an accurate assessment of information which is unlikely to be of any further use to him? He will probably make a guess.

In January 1993, the Commission of the EC carried out a survey based on a random sample of seventy-seven GPA-covered contracts awarded by EC entities, with a value of ECU 80.9 million. This has enabled it to make an interesting analysis of alternative indicators of foreign participation in contract awards.

Three alternative indicators were used:

- the address of the winning bid;
- the national ownership of the winning supplier (Hewlett-Packard is American, Fujitsu is Japanese, Siemens is EC, as is Zenith);
- the origin of the products contained in the bid.

The first two indicators can easily be obtained from the award notice. The third comes from the supplier. Exceptionally, because of the way in which the survey was carried out, the EC is confident that the data on product origin were correct.

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% share by value

	<u>Address</u>	<u>Ownership of firm</u>	<u>Origin of products</u>
EC	86	59	49
Canada	--	--	1
Hong Kong	--	1	--
Japan	--	14	17
Norway	1	1	1
Sweden	--	1	--
Switzerland	--	1	1
USA	12	20	28
other	--	4	4

One large contract awarded to a firm with a US address had an important influence on the statistic of addresses.

Interestingly, the ownership of the firm appears to be reasonably close, as an indicator, to the origin of the products. It has a certain logic as an indicator, reflecting the pole to which profits are likely to converge. In general, this indicator is relatively easy to check, as the name of the winning bidder is contained in published award notices.

The results confirm the intuitive conclusion that the address of the winning bidder will tend to give a pessimistic view of the extent of market opening under the Government Procurement Agreement.

This analysis is offered as a contribution to the discussion on ways in which GPA statistical reporting can be developed and improved.