Trade barriers in public procurement

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Abstract

In this paper, we estimate trade barriers in government procurement, a market which on average accounts for about 13% of GDP. We find that trade frictions are significantly different between public procurement and international markets involving private firms only. We then investigate the role of trade agreements in reducing those trade barriers. Our gravity estimates suggest that joining the EU doubles imports by public authorities, while the trade effect in private markets is relatively lower. Other FTAs with specific provisions on public procurement also have a trade-boosting effect, while the WTO GPA doesn’t seem to have any impact. Despite these liberalising effects, public procurement markets remain almost twice as home-biased as private ones. Trade cost worldwide unduly increase domestic public procurement purchases of services, while the effect is less pronounced for manufacturing. Further tests provide suggestive evidence for a political motive behind the higher trade barriers in public procurement.

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