Monitoring Implementation: Japan and the WTO Agreement on Government Procurement[1]

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Abstract:

Although WTO agreements contain a variety of provisions to encourage compliance by signatories, little attention is given to the incentives created by the mechanisms other than dispute settlement. The WTO's Agreement on Government procurement contains a number of such mechanisms, including detailed reporting requirements. This chapter examines the performance of the compliance mechanisms of the Uruguay Round's Agreement on Government Procurement (GPA) during the Japanese economic slump of the 1990s. Using hitherto unanalysed data, it is shown that the share of Japanese government procurement contracts above GPA-specified thresholds fell during the years 1997 to 1999. Furthermore, the proportion of total contracts awarded to foreigners in 1998 and 1999 was lower than in 1990 and 1991. In the absence of these changes, the value of contracts awarded to foreign firms would have been approximately 25 percent higher in 1998 and 1999. These findings suggest that the current set of extensive compliance mechanisms in the GPA have failed to prevent reductions in foreign penetration to Japan's state procurement markets at a time when Japanese policymakers were under substantial pressure to bolster domestic economic performance.

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Introduction

A wide variety of instruments are employed in WTO agreements to foster compliance with agreed international trade rules. These include monitoring provisions, reporting and notification requirements, the Trade Policy Review mechanism, and ultimately recourse to the Dispute Settlement Understanding (DSU). For a number of reasons most analyses have focused on the incentives supplied by the DSU, and have overlooked the other more subtle factors that were designed to discourage breaking agreed rules. This focus has had another by-product that continues to influence discussions in the Doha Round, namely, that the strong provisions in the DSU appear to have made some WTO members wary of taking on additional obligations. The question, then, arises as to whether non-DSU compliance mechanisms might provide sufficient incentives to foster compliance with multilateral rules. A related question is whether the combination of the DSU and detailed reporting (transparency) requirements provides strong enough incentives also.

The Uruguay Round's Agreement on Government Procurement (GPA) is a good vehicle to examine such matters as it contains extensive reporting requirements on state purchasing decisions as well as falling under the DSU. We examine whether those compliance mechanisms were sufficient to prevent Japan backsliding--that is, reducing foreign penetration of its central government procurement markets--during the slump of the 1990s when there was considerable pressure on Japanese politicians to bolster domestic economic performance.[4] This prompted numerous initiatives by the central government in Tokyo to restart the economic growth engine that so impressed observers after the Second World War. These initiatives were often encouraged by domestic political interests and a pertinent question is whether the measures taken discriminated against foreign firms. Most likely, many measures—such as the expansion of the monetary stock—were not implemented in a discriminatory manner. But what of government procurement practices? Was there any systematic reduction in the proportion of contracts awarded to foreign firms? Or were the disciplines of the Uruguay Round

[4] It is worth noting that during the 1990s the average rate of annual GDP growth was 1.7 percent. This is in contrast to the 1980s when annual growth averaged 3.7 percent.

Agreement on Government Procurement sufficiently strong that foreign penetration of Japanese procurement markets was preserved?

In this chapter Japanese submissions to the General Agreement on Tariffs and Trade and to the World Trade Organization (WTO) about her government procurement practices during the 1990s are examined. To the best of the authors' knowledge, this is the first such analysis of Japan's—or indeed any country's—submissions on government procurement after the URGPA came into effect. Furthermore, this chapter presents a comparison of selected aspects of Japanese government procurement of goods before and after the signing of the URGPA. The findings are disquietening. First, even after the signing of the URGPA, at most a quarter of Japanese government procurement that fell under the disciplines of the URGPA involved contracts whose value exceeded agreed thresholds and did not make use of limited tendering techniques. Moreover, just over six percent of the value of such contracts was in fact awarded to non-Japanese firms.

Second, the observed inter-temporal changes in Japanese government procurement patterns suggest that foreign market access was eroded in the late 1990s, after nearly a decade of economic stagnation in Japan. The proportion of goods and services that were supplied in contracts above agreed thresholds is lower in 1999 than in 1997; effectively resulting in a 0.8 billion SDR shift of expenditures below URGPA-specified thresholds in 1999.[5] Furthermore, the probability of a foreign firm winning a contract from the Japanese government in 1998 and 1999 was smaller than in 1990 and 1991. Taken together, both of these changes reduced the total value of contracts awarded to foreign firms. In fact, in the absence of these changes, it is estimated that in 1998 and 1999 foreign firms would have won more contracts worth a quarter more than they actually did. This implies that foreign access to the Japanese government procurement market was considerably eroded in the late 1990s and calls into question the strength of existing WTO disciplines on government procurement.

[5] Japanese submissions on government procurement expenditures to the WTO tend to be reported in Special Drawing Rights (SDR), the unit of account employed at the International Monetary Fund. As will become clear later, all financial magnitudes reported in this chapter are converted into year 2000 prices. In December 2000, one SDR was worth on average 1.28975 United States dollars.

This remainder of this chapter is organised as follows. The next section describes the reporting requirements that the URGPA requires of signatories and describes the extent of compliance with these strictures. The third section describes and then analyses Japanese submissions on its government procurement outcomes throughout the 1990s. Implications for future research and for policymakers are outlined in the final section of the chapter.

Reporting requirements in the World Trade Organization's Agreement on Government Procurement

The Uruguay Round Agreement on Government Procurement is a plurilateral agreement of the WTO that has 37 Contracting Parties[6] as its signatories. Article XIX:5 of the URGPA pertains to statistical submissions made by the Contracting Parties to the Committee on Government Procurement. Only five of the 37 Contracting Parties have regularly made these submissions to the Committee since the mid-1990s. These Contracting Parties are Japan, Norway, Switzerland, the United States of America, and Hong Kong, China. All of these five with the exception of Hong Kong, China have made these submissions in an electronic format since 1997.[7] With the exception of Norway, such submissions, however, were not made in each year during 1990 to 1999.[8] Japan, for instance, has submitted statistics only for the years 1990-93 and 1997-99. The United States of America did not make submissions in 1992, 1994 and 1995 and Switzerland did not provide data for the year 1992.

The present Agreement on Government Procurement came into effect on January 1, 1996. For this reason, the period under study has been delineated into two sub-periods 1990-1995 and 1997-1999 so as to examine the operation of the previous GPA and the current URGPA and to draw conclusions therefrom. The earlier GPA was negotiated

[6] This count takes each member of the European Union as a separate Contracting Party. At present, there are twenty five members of the European Union.
[7] The US and Switzerland have done so for 1996 as well.
[8] For a list of all the Contracting Parties that have made submissions to the Committee on Government Procurement, refer to Annex 1 of this chapter.

during the Tokyo Round of Trade Negotiations (1973-79) and came into force on January 1, 1981. This was amended in 1987, with the amended version entering into force in 1988. The URGPA was negotiated in parallel with the Uruguay Round[9] and extended the scope and the coverage of the Tokyo Round Agreement to include, amongst others, services and more procuring entities. Unlike the 1987 Protocol that amended the Tokyo GPA, the URGPA was a new text that superseded its predecessor. Interestingly, while the GPA under the Tokyo Round applied annually to a total value of contracts of about US $30 billion during the period 1990–1994, under the URGPA, the value of procurement open to international competition has been estimated to have increased ten-fold.[10]

There are considerable similarities between the statistical reporting requirements of the URGPA and its predecessor, the Tokyo Round Agreement on Government Procurement. In fact, Article XIX:5 of the URGPA corresponds to Article VI:9 of the Tokyo Round GPA and to Article VI:10 after the 1987 Protocol. Similarly, Article XV:1 of the URGPA, that pertains to circumstances under which limited tendering may be resorted to by procuring entities, corresponds to Article V:15 in the Tokyo Round GPA and to Article V:16 after the 1987 Protocol. Given this chapter's focus on Japanese government procurement outcomes in the 1990s, the relevant comparison is between the data submitted under the GPA after the 1987 Protocol and the URGPA. Fortunately, the relevant Articles in both these versions have the almost identical data requirements for statistical submissions that Contracting Parties need to make to the Committee on Government Procurement.[11]

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[9] The new Agreement on Government Procurement was negotiated mainly within the Committee on Government Procurement and pursuant to the authorization of the Code itself, in Article IX:9. The negotiations were thus not formally a part of the Uruguay Round, but were launched by a ministerial declaration and conducted within certain negotiating groups.

[10] Bernard M. Hoekman & Petros C. Mavroidis. "Multilateralizing the Agreement on Government Procurement." In Bernard M. Hoekman and Petros C. Mavroidis, eds. *Law and Policy in Public Purchasing: The WTO Agreement on Government Procurement.* Studies in International Trade Policy. Ann Arbor: University of Michigan Press. 1997. p 296.

[11] The only difference is that the Tokyo Code included procurement by central government entities alone while the Uruguay Code incorporated that by all central government, sub-central government entities and other government entities such as utilities. Hence, the relevant Articles in the two Codes necessitated data submissions from the respective covered entities in the two Codes. Interestingly, even this difference does not amount to much in the case of Japan and Switzerland, both of which have submitted statistics on central government entities alone.

Prior to the completion of the negotiations on the URGPA, the scope of the GPA was limited to goods alone and to those services that were incidental to the procurement of such goods. With the UR, the scope of the GPA was expanded to explicitly incorporate services (including construction services[12]) and as such, data in the pre-1996 period refers to goods alone while that in the post-1996 period often combines data on both goods and services. As will become clear in the next section, this constrains the number of comparisons of Japanese government procurement outcomes that can be made before and after the URGPA came into force.[13]

In general, the URGPA necessitates that only government procurement above certain specified thresholds be subject to international competitive bidding, so long as such procurement is not covered by provisions allowing for limited tendering or for derogations. The reporting requirements in the URGPA reflect the fact that not all so-called above-the-threshold procurement is open to unimpeded competition from foreign firms. Thus, Article XIX:5(a) of the URGPA requires the submission of information on the value of contracts awarded both above and below the threshold. Article XIX:5(b) requires data on procurement above the threshold to be classified by procuring entities and by goods and services according to the nationality of the winning supplier irrespective of whether the supplier is located in a Contracting Party to the GPA.[14] Data also needs to be provided on the use of limited tendering practices broken down by entity and by categories of goods and services (Article XIX:5(c)) and on derogations from the principles of Most Favoured Nation and National Treatment (Article XIX:5(d)). Moreover, all of this information needs to be provided for each entity listed in Annex #1 (central government entities), Annex #2 (sub-central government entities) and Annex #3

[12] The issue of services in the GPA is rather interesting because à la GATS, services here follow a positive list approach i.e. only services explicitly mentioned by Contracting Parties in Appendix #1 of the GPA are covered by the Agreement. Such "covered" services find a mention in Annex #4 of the GPA while construction services are found in Annex #5 of the Agreement.

[13] As noted below, the GPA requires that Contracting Parties submit data on the number and value of contracts awarded both above and below the threshold. Furthermore, the above threshold figures need to be classified as goods and services. However, below the threshold there is no breakdown between goods and services. This means that it becomes difficult to examine how goods or services contracts awarded above threshold have separately changed overtime as a proportion of total goods or total services contracts, respectively, as the case may be.

[14] I thank Mr. Robert Anderson of the WTO Secretariat for confirming this point. Mr. Anderson is the person currently responsible for GPA matters at the WTO Secretariat.

(all other entities procuring in accordance with the provisions of the URGPA such as utilities for instance) of a Contracting Party's commitments under the URGPA. Unfortunately, only United States of America's and Norway's submissions provide data on all of the relevant entities, with Annex #1 entities being the only ones for which information is consistently available.

For the purpose of comparison, the 1987 Protocol required reporting data on central government entities alone and only goods were covered. The data requirements in clauses (a) and (b) of Article XIX:5 of the UR GPA are essentially the same as those in Article VI:10(a) and (b) of the 1987 Protocol. But Article VI:10 (c) of the 1987 Protocol pertaining to limited tendering did not go as far as the URGPA's Article XIX:5(c) in requiring that the "country of origin of the product" also be reported. Similarly, since Annex #1 entities were the only ones included in the 1987 Protocol, Article VI:10(d) of that Protocol only required that data on derogations be provided as contained in Annex #1 while Article XIX: 5(d) of the URGPA extends this requirement to all "the relevant Annexes." These derogations, in both cases, are specified in the General Notes to the Schedules of Parties in Appendix I to the GPA.

As mentioned above, the URGPA's requirement of international competitive bidding does not apply to all procurement of the covered entities. Coverage depends on whether the value of the procurement is at or above a certain threshold value. Thresholds differ depending on the type of procurement and on the level of government making the purchase and are stated in terms of the International Monetary Fund's accounting unit, the Special Drawing Right ("SDR").[15] For Annex #1 central government entities, the threshold values are SDR 130,000 for procurement of goods and services and SDR 5 million for procurement of construction services. For Annex #2 sub-central government entities, the thresholds are SDR 200,000 for goods and services, (except for the United States and Canada which apply a SDR 355,000 threshold) and SDR 5 million for construction services (with the exception of Japan and the South Korea, which apply a SDR 15 million threshold). For Annex #3 entities, the threshold values are SDR 400,000

[15] The dollar values used were set on March 1, 2000 and remain valid until March 2002.

for goods and services (with the exception that the United States applies a $250,000 threshold for federally owned utilities) and SDR 5 million for construction services (barring Japan and Korea, which apply a threshold of SDR 15 million). Additionally, Annexes of individual signatories may specify higher thresholds for particular Contracting Parties in a bid to ensure reciprocity.[16] Exceptions from the obligations of the Agreement are allowed for developing countries in certain situations outlined in Article V of the URGPA.[17] General exceptions are contained in Article XXIII of the URGPA[18] and refer to actions taken to protect national security interests, public morals, order or safety, human, animal or plant life or health or intellectual property; and relate to the production of goods or services by handicapped persons, by philanthropic institutions, and by prison labour.

As for the methods of procurement, the URGPA allows the use of open, selective, and limited tendering procedures in decreasing order of preference. Under the former, all interested suppliers may submit a tender (Article VII:3(a)). Under selective tendering, only those suppliers who have been invited by the procuring entity to submit a tender may do so (Articles VII:3(b) and X). Under limited tendering the procuring entity contacts each supplier individually (Article VII:3(c)). Article XV of the URGPA prescribes the circumstances in which a procuring entity may resort to limited tendering through a series of ten clauses to this Article.[19] The 1987 Protocol, on the other hand, did so using five clauses under Article V:16. The first five clauses of the respective Articles under the both Agreements (URGPA and the 1987 Protocol) are essentially the same with the proviso that the URGPA takes account of the inclusion of services and makes recourse to limited tendering possible under clause (b) “for works of art or for reasons

[16] For instance, while the threshold for construction services is SDR 5 million for the US, it is SDR 15 million in the case of Korean firms.
[17] These can be for the purposes of safeguarding balance-of-payments position; for promoting the establishment or development of domestic industries including the development of small-scale and cottage industries in rural or backward areas; and for supporting industrial units so long as they are wholly or substantially dependent upon government procurement.
[18] According to this article, these measures should not be applied in a manner that would constitute a means of arbitrary or unjustifiable discrimination between countries where similar conditions prevail or a disguised restriction on international trade.
[19] Nothing prevents a procuring entity from approaching a foreign firm to bid for a contract under limited tendering.

connected with protection of exclusive rights…or in the absence of competition for technical reasons." The additional five clauses (f) to (j) in Article XV allow for the use of limited tendering procedures for additional construction services, new construction services, "products purchased on a commodity market," "for purchases under exceptionally advantageous conditions which only arise in the very short term" and for "contracts awarded to the winner of a design contest."

To summarise, the foregoing requirements specified the data that Contracting Parties are supposed to submit under the URGPA and under its predecessor. A comparison of the latter two agreements revealed that only the procurement of goods above the relevant thresholds were reported in a comparable manner before and after the signing of the URGPA. Services procurement data was reported after the URGPA came into force. With no provision to separately report below-the-threshold purchases of goods and of services, it is impossible to calculate the proportion of a Contracting Party's purchases of services below-the-threshold after the URGPA came into force. This limits the extent to which comparisons of pre- and post-URGPA procurement practices can be undertaken. On a different note, for Japan there are now three years of URGPA submissions that can be analysed to see if the proportion of below-the-threshold purchases of both goods and services has increased as Japan's stagnation continued into the late 1990s.

An analysis of Japanese submissions on government procurement in 1990, 1991, 1997, 1998, and 1999

The purpose of this section is to describe the principal quantitative findings of an analysis of Japan's submissions to WTO concerning its central government purchases in 1990, 1991, 1997, 1998, and 1999. The data for 1997 to 1999 were chosen as they represent the full set of Japan's submissions about her procurement decisions since the implementation of the URGPA. The data for 1990 and 1991 were analysed so as to provide a benchmark for the goods procurement data reported in the submissions for 1997 to 1999. All expenditures reported below have been converted to year 2000 Japanese prices and are

stated in SDRs.[20] In December 2000, one SDR was worth on average 1.28975 American dollars.

For each year 1997 to 1999, table 1 reports for 31 state entities the total value of their (i) transactions whose values are above and below the relevant URGPA-specified thresholds, (ii) transactions whose value are above the relevant URGPA-specified thresholds, and (iii) transactions whose value exceeds the relevant URGPA-specified thresholds and where some form of limited tendering is used. Data for goods transactions is also broken out from data on goods and services transactions together. As the last line of table 1 makes clear,[21] total spending reported to the WTO fluctuated around 36 billion SDRs during the years 1997 to 1999. Total expenditures above the threshold fell from 13.126 billion SDRs in 1997 to 11.678 billion SDRs in 1999; a reduction of 12.1 percent. The total value of above threshold spending that employed limited tendering fell from 3.628 billion SDRs in 1997 to 2.894 billion SDRs in 1999; a contraction of 21.8 percent. Total spending on goods above the threshold fell from 1997 to 1999. However, goods spending on contracts above the threshold that also involved the use of limited tendering rose from 826.4 million SDRs in 1997 to 1.094 billion SDRs in 1999. This latter finding implies that the use of limited tendering in above-the-threshold services procurement fell sharply from 1997 to 1999.

More disaggregated data on Japanese procurement revealed that 10 procuring entities accounted for over 95 percent of the Japanese government's total purchases in 1998 and 1999; see table 2. The 10 procuring entities are—in decreasing order of their share of total reported expenditures—the Ministry of Construction, the Ministry of Education, the Hokkaido Development Agency, the Ministry of Posts and Telecommunications, the Ministry of Transport, the Ministry of Agriculture, Forestry and Fisheries, the Ministry of Health and Welfare, the Defence Agency, the Ministry of Finance, and the Ministry of Justice. Taken together, in 1998 and 1999 these 10 procuring entities accounted for 96.1 percent of reported contracts above and below the relevant thresholds and 89.3 percent of

[20] The Japanese GDP wholesale price index was used to convert expenditures into 2000 year prices.
[21] Please note that table 1 takes up two pages.

reported contracts that were above URGPA-specified thresholds and where limited tendering was also employed. Moreover, three entities alone (the Ministry of Construction, the Ministry of Education, and the Hokkaido Development Agency) accounted for just under 60 percent of reported spending above and below the relevant URGPA-specified thresholds. Four procuring entities (the Ministry of Construction, the Ministry of Posts and Telecommunications, the Ministry of Education, and the Ministry of Transport) account for over 70 percent of reported contracts above the threshold. Three entities (the Ministry of Construction, the Ministry of Posts and Telecommunications, and the Ministry of Education) account for over half of the contracts that employ limited tendering and whose contractual value exceeds URGPA-specified thresholds. These latter findings highlight just how concentrated are the Japanese government procurement expenditures that fall used the disciplines of the URGPA.

The percentage of contracts above the threshold varies across the 10 largest procuring entities from 10.2 percent (the Hokkaido Development Agency) to 71.8 percent (the Ministry of Posts and Telecommunications); see column five of table 2. Given that limited tendering procedures are often used to exclude foreign firms from bidding for government contracts, it is instructive to calculate the percentage of the total value of a procuring entity's contracts that are both above the threshold and do not involve the use of limited tendering. If limited tendering procedures are indeed used to prevent foreign firms from bidding for contracts, then the latter percentage provides an upper bound on the percentage of the total value of a procuring entity's contracts that are open to international competitive bidding. This is because some of the contracts that are above the threshold and do not involve limited tendering may fall under derogations to the URGPA that has Japan negotiated. These upper bounds were calculated for the 10 largest state procuring entities in Japan and are reported in the last column of table 2. In only one procuring entity—the Ministry of Posts and Telecommunications—did the (maximum) percentage of contracts that was effectively open to international competitive bidding in 1998 and 1999 exceed 50 percent—and then only just (coming in at 52.6 percent.) The three largest procuring entities, which together account for just under 60 percent of total

Japanese procurement that falls under the disciplines of the GPA, offer at most 36.1 percent of their contracts out for international competitive bidding.

Table 3 summarises the main findings of Tables 1 and 2. If limited tendering procedures are used to exclude foreign bidders, then on average during 1998 and 1999 no more than 25.2 percent of the value of Japanese procurement contracts that are covered by URGPA disciplines were be subject to international competitive bidding. Alternatively put, on average in 1998 and 1999 less than 9.5 billion SDRs (or US$12.5 billion) was put up for international competitive bidding in which foreign firms could potentially compete on terms that did not *de jure* discriminate in favour of their Japanese rivals. Given that some of the contracts in this 25.2 percent are likely to involve derogations from the URGPA, it is highly probable that under a quarter of reported Japanese government procurement expenditures could be openly competed for from abroad. This finding suggests that the liberalisation of procurement practices in Japan probably has a long way to go.

The foregoing analysis has revealed that only a fraction of Japan's government procurement market is potentially contestable by foreign firms. However, if that proportion were rising or even constant, then this might suggest that the URGPA has at a minimum preserved the extent of foreign market access—which could be seen as an accomplishment since Japan's prolonged slump is bound to have increased pressures on domestic politicians to "protect" both domestic jobs and firms by increasing the latters' share of government contracts. Unfortunately, figure 1 presents evidence to the contrary. In only three years, that is from 1997 to 1999, the percentage of Japanese government contracts that one can be sure are potentially contestable by foreign firms through international competitive bidding fell from 26.6 percent to 24.4 percent. This may seem like just a couple of percentage points but with total reported expenditure equalling 36.277 billion SDRs in 1999, this implies that the value of contracts that foreigners can so contest has fallen by over 0.8 billion SDRs (that is, by over one billion American dollars.) On this metric, it is difficult to argue that the URGPA has preserved foreign access to Japanese government procurement markets during a period of acute economic

pain. This is the first piece of evidence that the URGPA has failed to perform under pressure.

Now the focus turns away from the size of the procurement markets that foreign firms could have contested towards the number and value of contracts that foreign firms actually won during 1998 and 1999. Table 4 presents evidence on how many contracts were actually awarded by each Japanese procuring entity to foreign firms in 1998 and 1999. More precisely, in table 4, for these two years the average percentage of the total value of each procuring entity's above-the-threshold purchases on services that were awarded to foreign firms is reported.[22] A comparable percentage for goods procurement is reported as well. Looking across all of the procuring entities in table 4, only 1.4 percent of the value of total above-the-threshold services contracts were awarded to foreign firms. For goods procurement, the comparable percentage is almost 10 times greater at 13.4 percent. These mean values mask considerable variation across procuring entities. For example, the percentage of services sourced abroad varies from zero to 66.6 percent, while the percentage of goods sourced from overseas ranged from zero to 74.2 percent.

The variation in foreign sourcing is far less pronounced among the 10 largest procuring entities. For services, the maximum percentage of foreign sourcing by these 10 entities is 7.3 percent, the minimum percentage zero, and the mean 1.1 percent. The comparable percentages for goods are 0.9 percent, 28.2 percent, and 13.1 percent respectively. Finally taking goods and services together, foreign firms won contracts on above-the-threshold procurement that were worth 6.1 percent of the total value of all above-the-threshold procurement reported by Japan to the WTO. This implies that in 1998 and in 1999 the value of Japanese government contracts won by foreign firms was just under a quarter of the value of those Japanese government contracts that, according to the URGPA, should be put out for international competitive bidding (compare 6.1 percent with 25.2 percent, the latter figure coming from table 3.) This finding suggests that when foreign firms were given the chance to compete for Japanese government contracts they won a significant

[22] The average is a weighted average that takes account of the fact that a procuring entity's spending on services in 1998 may differ from that in 1999.

proportion of them, suggesting that the competitiveness of foreign bidders are not the constraint on their penetration of Japanese state purchasing markets.

How has the percentage of contracts awarded to foreign firms by Japanese government procuring entities changed over time? Here one can compare Japanese submissions on goods procurement in 1990 and 1991 with the comparable numbers reported in 1998 and 1999. This comparison can be performed in two ways: by comparing the number of contracts awarded to foreign firms and by comparing the value of contracts awarded to foreign firms. Table 5 presents data on the former and table 6 the latter. Of the 53 procuring entities in Japanese submissions throughout the 1990s, data on above-the-threshold goods procurement is available for both sets of years (1990, 1991 and 1998, 1999) for 21 procuring entities. All of the largest procuring entities report such data in both sets of years, so little is lost by focusing on these 21 procuring bodies.[23]

Table 5 reports for 1990 and 1991 and for 1998 and 1999 the total number of goods contracts that were awarded above-the-threshold, the number of these contracts that were awarded to foreign bidders, and the number of above-the-threshold contracts where limited tendering procedures were used. In columns eight and nine of table 5, the proportion of contracts awarded to foreigners in 1990 and 1991 and awarded to foreigners in 1998 and 1999 are reported. In columns 11 and 12 of this table the proportion of contracts that are awarded in 1990 and 1991 and in 1998 and 1999 without resort to limited tendering are reported also. Finally, two test statistics are computed for each procuring entity. The first test statistic (in the tenth column) provides evidence on whether the (null) hypothesis that the proportion of contracts awarded to foreigners in 1990 and 1991 is the same as that in 1998 and 1999 can be rejected in favour of a (an alternative) hypothesis that the former proportion is greater than the latter proportion. Values of this test statistic, which is normally distributed, above 1.645 indicate that there is a 95 percent or more chance that in fact the true proportion of contracts awarded to

[23] In much of what follows we compare differences over time in the propensity of a state procuring body to source from foreign firms. It should be noted that such intertemporal comparisons may become suspect (i) if there are changes in the responsibilities that a state body has and with it changes in the pattern and conduct of its procurement and (ii) if the composition of the procuring body's spending changes towards, or away from, goods where there is a higher propensity to source from Japanese firms.

foreign firms at the end of the 1990s (1998 and 1999) is smaller than at the beginning of the 1990s (1990 and 1991).[24] The second test statistic (reported in column 13) evaluates the (null) hypothesis that the proportion of above-the-threshold contracts that do not involve the use of limited tendering in 1990 and 1991 is the same as in 1998 and 1999 can be rejected in favour of a (an alternative) hypothesis that the former proportion is greater than the latter.

In 1990 and 1991 all Japanese procuring entities issued 15150 contracts above the threshold, of which 26.0 percent were awarded to foreign firms. Ninety one and a half percent of these contracts did not involve the use of limited tendering procedures. In 1998 and 1999, the number of contracts had risen to 18456, the percentage awarded to foreigners had fallen to 23.9 percent, and the percentage of these contracts that did not employ limited tendering was lower at 85.7 percent. Of things being equal, the latter two findings are not conducive to greater foreign access to Japanese government procurement markets. In fact, the test statistic 1 in the last line of table 5 (which is found on the second page of this table) takes the value of 4.432, providing strong evidence in favour of the hypothesis that the true proportion of contracts awarded to foreign firms was lower at the end of the 1990s than at the beginning of the 1990s.

Table 5 also reveals that either of the 21 procuring entities saw statistically significant reductions in the proportion of contracts awarded to foreign firms (as evidenced by the value of the test statistic 1 exceeding 1.645 for these entities.) Seven of these eight procuring entities were in the "top ten" largest procuring entities identified earlier. In fact, during 1998 and 1999, 9426 of the 18456 above-the-threshold contracts awarded by all Japanese procuring entities were awarded by these eight procuring entities. In contrast, in only three procuring entities is there evidence of more foreign sourcing in 1998 and 1999 compared to 1990 and 1991.[25] These three procuring entities awarded only 357 contracts during 1998 and 1999. The principal findings in this regard are summarised in

[24] Formally, a one tail test is being performed here on two computed proportions. The null hypothesis is that the true value of the proportions for 1990 and 1991 and for 1998 and 1999 are equal. The alternative hypothesis is that the former exceeds the latter. The test statistic takes account of the fact that in neither case is the true value of the proportion observed.
[25] Here the value of test statistic 1 is less than -1.645.

figure 2; the number of contracts issued in 1998 and 1999 were awarded by procuring entities that have reduced the proportion of awards to foreign bidders far exceeds the number of contracts issued by those entities that now purchase proportionally more from foreign firms than at the beginning of the 1990s.

The final column of table 5 presents that test statistic for the maximum proportion of an entity's purchases that are subject to international competitive bidding. In eight entities, which awarded 13702 out of the 18456 contracts issued in 1998 and 1999, the value of test statistic 2 exceeds 1.645. This finding supports the contention that the proportion of above-the-threshold procurement contracts in Japan that are subject to international competitive bidding has fallen after the implementation of the Uruguay Round Agreement on Government Procurement. Figure 3 summarises the main findings here; reinforcing the impression that the foreign access to the Japanese government procurement market has contracted over time.

The differences over time in the propensity of procuring bodies to source from foreign firms, in particular the fact that some bodies sourced more from abroad in 1988-1999 than in 1990-1, suggests that a common factor--perhaps the poor macroeconomic performance--cannot entirely account for the observed variation in procuring propensities. Something else must be going on, and a candidate explanation is that some procuring agencies--in particular, those offering a substantial number of contracts--may have taken steps to divert contracts to local suppliers so as to stimulate certain sectors of the Japanese economy. (Such steps may well have come as a result of direct instructions or more subtle suggestions from Japanese politicians.)

In addition to comparing the proportion of contracts awarded to foreign firms, one can compare the share of the total value of each procuring entity's (above-the-threshold) purchases of goods that are spent on foreign firms in the early 1990s and in the late 1990s; see table 6. Where available, data on the value of each procuring entity's above-the-threshold purchases of goods and the value of contracts awarded to foreign firms in 1990 and 1991 and in 1998 and 1999 was assembled. For 30 procuring entities such data

was available and it was possible to calculate the share of above-the-threshold goods procurement awarded to foreign firms either in 1990 and 1991 or in 1998 and 1999. For 23 such entities these shares could be calculated for both sets of years. Table 6 ranks these 30 procuring entities by the annual average value of the above-the-threshold procurement in 1998 and 1999 and reports the shares described above.

In seven out of the 23 entities the share of contracts awarded to foreign firms was higher in 1990 and 1991 than in 1998 and 1999. In contrast, in 13 procuring entities the shares were higher in 1998 and 1999. Unfortunately, the market access expansion associated with the latter entities is offset by the effect of the falling shares in the former entities. To demonstrate this, we calculated what would have been the value of contracts awarded to foreign firms by each procuring entity in 1998 and 1999 had the shares of contracts awarded to foreign firms taken their 1990 and 1991 values. The final column of table 6 reports the difference for each procuring entity between the value of contracts that would have been awarded in 1998 and 1999 had the share spent on foreign firms remained at its 1990 and 1999 level and the value of contracts actually awarded to foreign firms in 1998 and 1999. Calculated in this way, a negative value for this difference is consistent with greater foreign market access. Summing across the 23 procuring entities the reduction in market access equals 131 million SDRs per annum; see the last column and last row of table 6. This may not seem a lot, but it does constitute 17.1 percent of the 769.08 million SDRs, which is the annual average for 1998 and 1999 of above-the-threshold contracts awarded to foreign firms.

To recap, in Table 1 evidence was presented that the proportion of Japanese government procurement falling below GPA-specified thresholds fell from 1997 to 1999. Of the goods contracts awarded above the threshold, the evidence presented in table 6 demonstrates that the average share of contracts awarded to foreign firms is lower in 1998 and 1999 than in 1990 and 1991. Both changes imply that foreign market access in 1998 and 1999 is almost certainly smaller than it was in preceding years. The question, now, is how much smaller? In the last paragraph the falling share of above-the-threshold

goods contracts awarded to foreign firms was found to have reduced foreign sales to the Japanese government by on average 131 million SDRs per annum.

One can also calculate the value of the additional above-the-threshold goods and services contracts if the proportion of contracts above and below the threshold in 1998 and 1999 had been at the 1997 level (that is, at 26.6 percent.) Furthermore, given that 6.1 percent of such above-the-threshold goods and services contracts were awarded to foreign firms in 1998 and 1999, one can then compute the estimated value of additional foreign contracts that would have prevailed had Japan not shifted more its government procurement below GPA-specified thresholds. This resulted in an annual average reduction of foreign contracts worth 61.1 million SDRs. Table 7 presents the estimates of the increase in foreign access to the Japanese government procurement market in the absence of the two changes described above. For 1998 and 1999, the annual average increase in the value of foreign contracts would have been 192.71 million SDRs; equivalent to a quarter of the actual value of annual foreign contracts awarded by Japanese government agencies in these two years. This reinforces the earlier finding that the Uruguay Round Agreement on Government Procurement did not perform well under pressure; that is, during the prolonged downturn in the 1990s this agreement did not dissuade the Japanese government from taking steps that effectively reduced the potential value of contracts awarded to foreign firms.

These findings were confirmed by an econometric analysis that is not reported here. After stripping out the variation created by traditional macroeconomic variables (inflation, economic growth, exchange rates, etc) and by several proxies for the ability of Japanese firms to win state contracts at home, we examined whether after the signing of the Uruguay Round Agreement on Government Procurement had a (level) effect on the value of goods sourced abroad by over thirty Japanese government agencies. In no econometric specification did we find a positive estimate of the effect of the URGPA (let alone a statistically significant positive estimate). Thus, the principal finding of this chapter is confirmed by a more sophisticated statistical analysis.

It should be stressed that the above findings need not necessarily imply that Japan has violated the URGPA disciplines. It could be the case that the only action that she has taken is to shift the composition of her government spending towards those goods and services that just so happen to fall below GPA-specified thresholds more often and where domestic firms have a distinct advantage in winning government contracts. This explanation may appear benign as it could be argued that Japan is adhering to the letter of the URGPA. However, such an argument ignores the fact that systematic reductions in the value of contracts awarded to foreign firms that can result from the even apparently URGPA-consistent steps outlined above, will undermine the foreign support for procurement reform and for international trade reform more generally.

Concluding remarks

To the best of the authors' knowledge, this chapter is the first to analyse the submissions of Japan under the prevailing plurilateral Agreement on Government Procurement. Japan's recent procurement patterns provide a useful prism with which to evaluate the performance of the URGPA as her prolonged slump in the 1990s had undoubtedly increased the pressure on her political leaders to "save" domestic jobs and firms. This evaluation will be of particular interest to policymakers in developing countries as it suggests that there are still considerable opportunities to expand market access in the very WTO members which have the largest procurement markets, namely in the industrialised economies.

The evidence presented in this chapter is disquietening. The pattern of reported Japanese procurement is such that more contracts fell below URGPA-specified thresholds in 1999 than in 1997. Moreover, of those contracts that remained above-the-threshold, proportionally fewer are awarded to foreign firms in 1998 and 1999 than in 1990 and 1991. In the absence of these changes, foreign firms would have won contracts worth a quarter more than they actually did in 1998 and 1999; implying that a sizeable reduction in foreign market access has occurred during the 1990s. These findings are particularly disappointing given the numerous aspects of the Uruguay Round Agreement on

Government Procurement—such as the establishment of domestic bid challenge procedures—were supposed to preserve and protect the rights of actual and potential foreign bidders.

Perhaps the most important lesson of Japanese experience in the 1990s is that multiple-step procurement procedures offer many opportunities for *de facto* discrimination against foreign bidders for state contracts, and that these opportunities can be readily exploited by governments under substantial pressure to improve domestic economic performance. Trade agreements that both enhance transparency and reduce *de jure* discrimination, such as the Uruguay Round's Agreement on Government Procurement, need not eliminate all of the possibilities for excluding foreign bidders.[26] This finding has broader implications for monitoring implementation of multilateral trade agreements, especially those with substantial regulatory content. It seems that the combined effect of extensive reporting (transparency) requirements and recourse to the Dispute Settlement Understanding did not preserve foreign market penetration of the Japanese state procurement market during the 1990s. In which case, further attention will be needed in structuring incentives to foster compliance which are not at the same time too burdensome on WTO members. It would seem that the balance between compliance mechanisms in the current Agreement on Government Procurement is not quite right and, therefore, may not be a good model for future agreements to copy.

[26] Indeed a cynic might argue that such trade agreements merely channel discriminatory efforts down channels that are not covered by the agreement. Worse still perhaps the reporting requirements of the Uruguay Round's Agreement of Government Procurement resulted in pressure being put on officials in Japanese government agencies that were seen to be awarding "too many" or relatively more state contracts to foreign firms.

Table 1: Reported Japanese governement procurement contracts for 1997-1999, goods and services and goods alone

Procuring entity	Total value of contracts awarded (millions SDR)														
	Goods and services									Goods					
	1997			1998			1999			1997		1998		1999	
	Above and below threshold	Above threshold	Above threshold and limited tendering	Above and below threshold	Above threshold	Above threshold and limited tendering	Above and below threshold	Above threshold	Above threshold and limited tendering	Above threshold	Above threshold and limited tendering	Above threshold	Above threshold and limited tendering	Above threshold	Above threshold and limited tendering
House of Representatives	39.5	14.0	9.2	48.0	27.6	22.5	56.9	28.2	19.3	9.1	5.8	6.2	5.6	6.5	6.3
House of Councillors	19.2	0.6	0.2	13.9	4.2	2.4	27.5	4.2	3.6	0.1	0.0	2.3	0.8	1.1	0.7
Supreme Court	109.9	31.0	22.2	63.4	7.8	5.1	183.2	91.6	7.1	8.8	2.3	3.7	3.6	9.7	5.3
Board of Audit	3.3	1.3	0.6	2.5	0.7	0.6	4.9	2.2	1.4	0.8	0.2	0.0	0.0	1.3	0.7
Cabinet	5.7	1.3	0.7	2.5	0.8	0.8	3.1	1.8	1.0	0.9	0.2	0.1	0.1	0.7	0.0
Prime Minister's Office	54.7	42.2	32.6	50.4	46.2	39.4	53.2	50.3	37.1	8.5	7.8	9.6	9.1	8.3	7.6
Fair Trade Commission	2.7			2.1			1.9	0.0						0.0	
National Police Agency	209.9	111.2	11.5	385.7	305.4	20.4	275.9	182.1	39.7	110.4	10.6	302.6	20.0	182.1	39.7
Environmental Disputes Co-ordination	0.3	0.1	0.1	0.0			0.1			0.1	0.1				
Financial Supervisory Agency				4.3	4.2	4.2	6.2	4.2	4.2			0.0	0.0	0.3	0.3
Imperial Household Agency	24.2	1.3	0.2	16.8	1.0	0.7	21.6	1.5	0.7	1.3	0.2	1.0	0.7	0.4	0.4
Management and Co-ordination Agency	44.6	35.3	13.4	22.2	11.5	2.8	26.9	16.6	5.8	24.8	11.4	2.3	0.5	3.0	0.3
Hokkaido Development Agency	3800.7	268.0	5.6	4185.3	332.6	29.1	3599.1	492.1	4.1	48.2	0.6	36.3	0.0	37.3	0.0
Defense Agency	1992.7	522.6	175.9	2646.1	561.1	161.6	1721.7	275.2	45.5	65.2	11.9	49.2	8.7	46.9	10.0
Economic Planning Agency	6.0	5.3	5.3	13.0	8.0	4.4	25.5	21.3	8.9	5.3	5.3	7.5	3.9	8.5	7.1

Procuring entity	Total value of contracts awarded (millions SDR)															
	Goods and services									Goods						
	1997			1998			1999			1997		1998		1999		
	Above and below threshold	Above threshold	Above threshold and limited tendering	Above and below threshold	Above threshold	Above threshold and limited tendering	Above and below threshold	Above threshold	Above threshold and limited tendering	Above threshold	Above threshold and limited tendering	Above threshold	Above threshold and limited tendering	Above threshold	Above threshold and limited tendering
Science and Technology Agency	139.9	54.6	3.7	176.5	57.3	1.7	237.2	116.3	21.7	53.9	3.7	55.1	1.7	83.5	21.5
Environment Agency	47.0	15.4	15.2	107.3	19.1	17.5	93.3	14.9	7.6	9.0	8.9	11.4	10.2	9.6	2.7
Okinawa Development Agency	266.0	64.5	1.0	0.8			2.8	1.1	0.9	5.1	0.5			0.2	0.0
National Land Agency	21.1	17.9	13.1	29.4	21.3	16.1	22.9	18.6	12.5	7.2	2.4	5.2	0.3	6.2	0.0
Ministry of Justice	902.9	140.8	51.2	401.5	247.3	206.6	431.1	230.3	163.7	54.2	42.6	147.9	128.8	85.4	77.2
Ministry of Foreign Affairs	28.9	19.3	14.9	19.5	11.7	9.3	18.6	12.3	10.0	14.2	10.1	6.9	5.1	7.3	5.8
Ministry of Finance	1095.9	675.0	364.5	976.6	665.1	353.6	883.0	591.6	349.7	168.4	31.9	407.6	272.5	418.9	284.0
Ministry of Education	3324.6	1624.0	166.7	4004.0	1844.5	216.0	6000.2	2366.7	387.0	1115.7	100.7	1337.9	165.1	1489.4	212.5
Ministry of Health and Welfare	2366.4	582.9	177.5	2382.0	550.4	199.6	2006.2	361.3	68.8	221.5	52.4	222.4	30.3	186.1	33.8
Ministry of Agriculture, Forestry and Fisheries	2689.2	811.0	270.5	2388.0	475.7	206.8	2138.2	493.1	181.0	26.9	14.7	26.2	11.0	64.2	14.2
Ministry of International Trade and Industry	162.2	64.7	34.0	241.5	102.4	41.5	249.0	93.8	40.6	55.2	28.6	90.6	32.8	71.3	20.8
Ministry of Transport	3103.4	1545.6	346.3	2808.4	1322.4	306.5	2647.6	1111.8	191.1	501.2	148.9	465.2	196.0	449.9	119.8
Ministry of Posts and Telecommunications	4312.6	3232.3	997.7	3703.1	2759.8	724.5	2728.1	1860.9	510.4	1903.0	166.4	1879.7	140.9	1060.2	91.0
Ministry of Labour	200.8	149.7	147.6	180.3	144.9	135.6	169.4	131.9	129.0	116.5	115.0	108.1	100.5	103.4	101.3
Ministry of Construction	10708.7	3092.2	745.0	12257.6	3796.8	922.9	12623.5	3087.4	575.7	207.8	42.9	152.9	27.8	216.8	31.3
Ministry of Home Affairs	5.8	1.5	1.3	16.7	8.4	8.2	18.3	15.2	10.8	0.3	0.1	0.9	0.7	4.6	0.1
Total (millions SDR)	35688.7	13125.7	3627.9	37149.4	13338.2	3660.3	36277.2	11678.4	2839.5	4743.5	826.4	5338.8	1176.8	4563.0	1094.4

Table 2: Reported procurement in 1998 and 1999 of the ten largest procuring entities in the Japanese government

Procuring entity	Procuring entity's proportion of each category below for 1998 and 1999			Percentage of the procuring entities reported contracts above and below threshold that	
	Total reported contracts above and below the threshold	Total reported contracts above the threshold	Total reported contracts above the threshold but where limited tendering was employed	are above the threshold	are above the threshold and not subject to limited tendering
Ministry of Construction	0.339	0.275	0.231	0.277	0.216
Ministry of Education	0.136	0.168	0.093	0.421	0.361
Hokkaido Development Agency	0.106	0.033	0.005	0.106	0.102
Ministry of Posts and Telecommunications	0.088	0.185	0.190	0.718	0.526
Ministry of Transport	0.074	0.097	0.077	0.446	0.355
Ministry of Agriculture, Forestry and Fisheries	0.062	0.039	0.060	0.214	0.128
Ministry of Health and Welfare	0.060	0.036	0.041	0.208	0.147
Defense Agency	0.059	0.033	0.032	0.191	0.144
Ministry of Finance	0.025	0.050	0.108	0.676	0.298
Ministry of Justice	0.011	0.019	0.057	0.574	0.129
Total	0.961	0.936	0.893		

Table 3: Only a quarter of reported Japanese procurement is both above thresholds and not subject to limited tendering		
Proportion of reported procurement expenditures in 1998-99 that are…	Largest 10 procuring entities	All procuring entities
below thresholds	0.668	0.659
above thresholds and subject to limited tendering	0.082	0.089
above thresholds and not subject to limited tendering	0.250	0.252

Figure 1: The falling proportion of Japanese procurement of goods and services above GPA thresholds

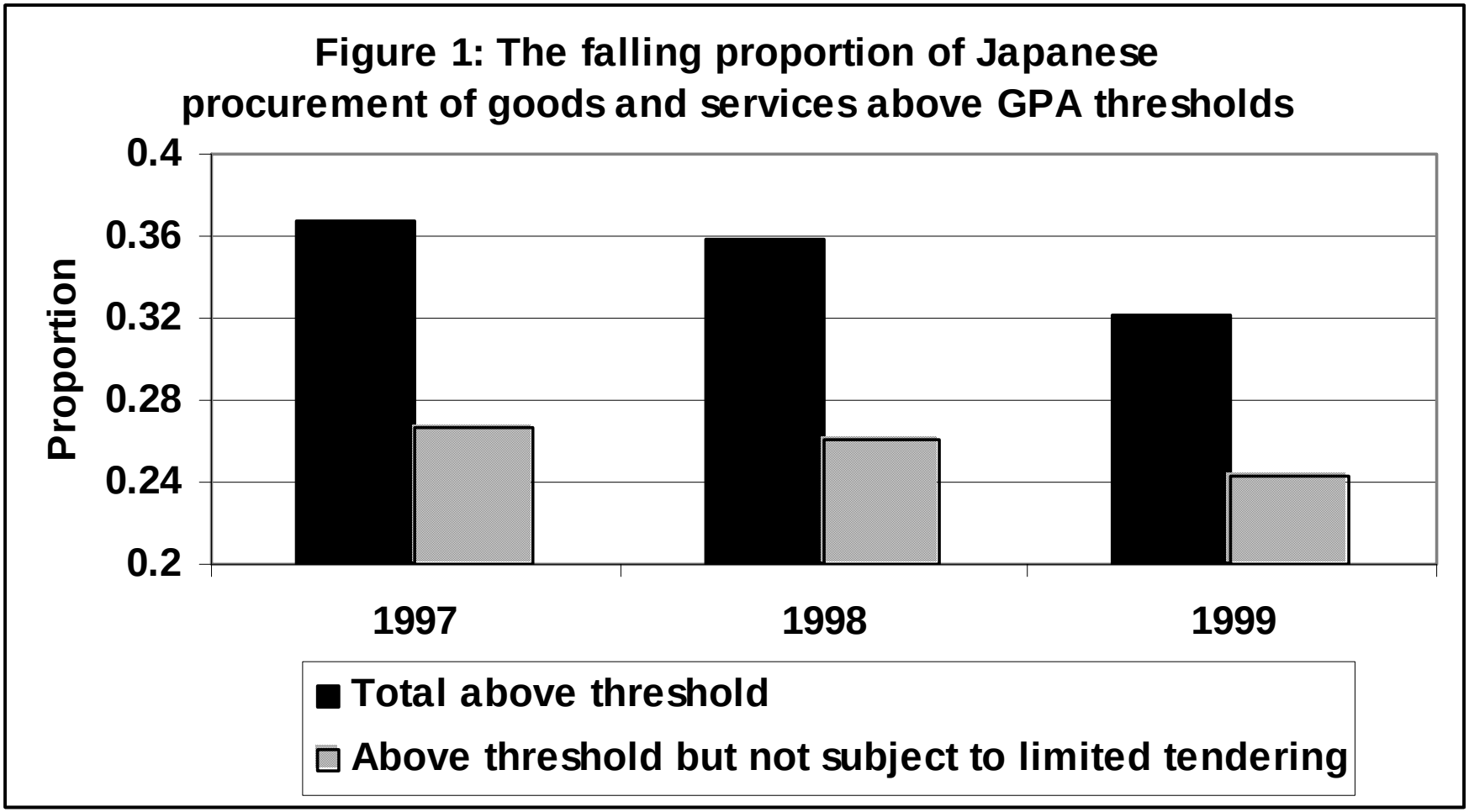


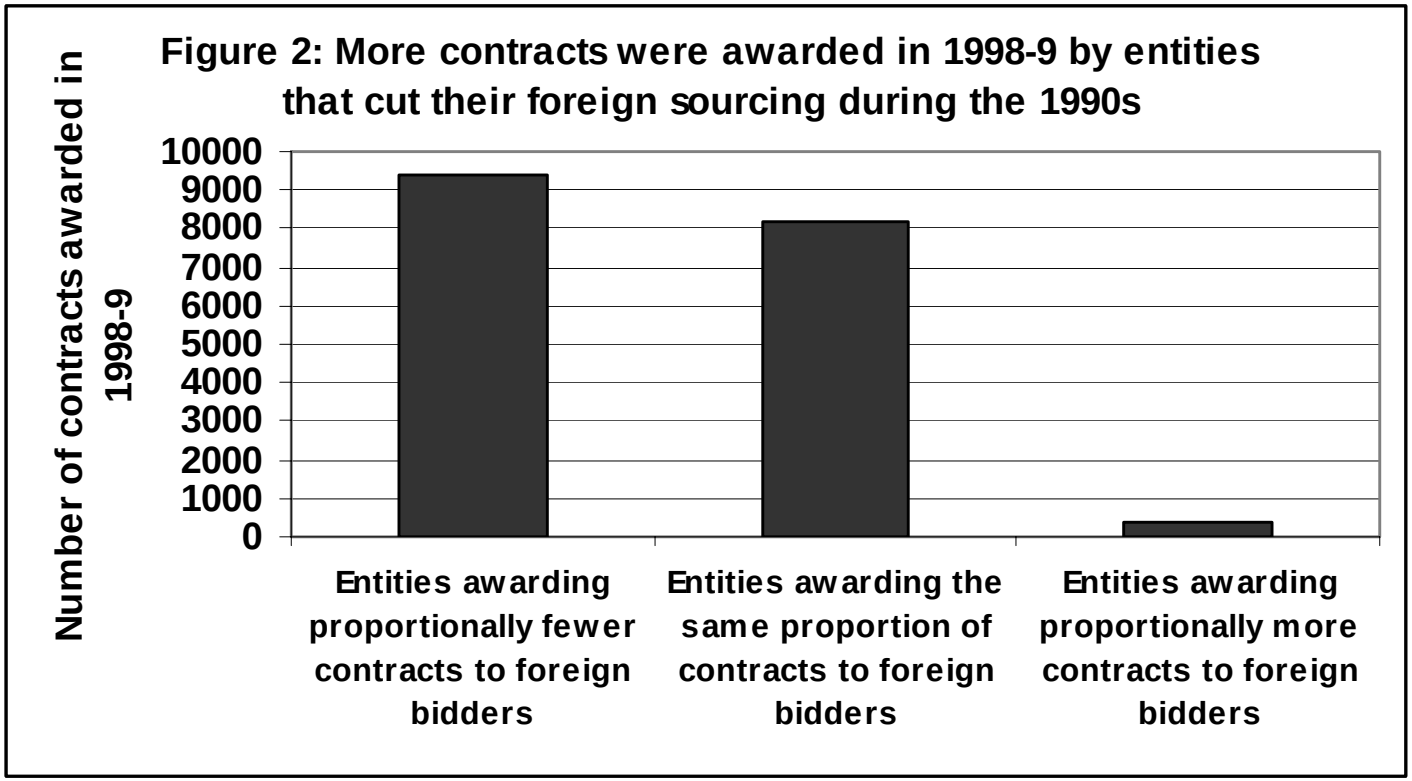
Table 4: Foreign sourcing of services and goods in 1998-9				
Procuring entity	**1998-9**		**1998-9**	
	Above threshold procurement of services		**Above threshold procurement of goods**	
	Annual average total value (millions SDR)	**Percentage awarded to foreigners**	**Annual average total value (millions SDR)**	**Percentage awarded to foreigners**
Ministry of Construction	3257.3	0.15	184.8	1.85
Ministry of Posts and Telecommunications	840.4	5.21	1469.9	6.26
Ministry of Education	691.9	0.99	1413.6	24.83
Ministry of Transport	759.5	0.21	457.6	10.92
Ministry of Finance	215.1	0.37	413.3	1.55
Ministry of Agriculture, Forestry and Fisheries	439.2	0.00	45.2	21.12
Ministry of Health and Welfare	251.6	7.25	204.3	28.18
Defense Agency	370.1	0.00	48.0	9.25
Hokkaido Development Agency	375.5	0.00	36.8	0.86
National Police Agency	1.4	0.00	242.4	7.00
Ministry of Justice	122.1	0.00	116.7	0.60
Ministry of Labour	32.6	66.55	105.8	21.94
Ministry of International Trade and Industry	17.1	5.21	81.0	29.85
Science and Technology Agency	17.5	0.94	69.3	21.66
Supreme Court	42.9	0.35	6.7	0.00
Prime Minister's Office	39.3	0.00	8.9	0.00
House of Representatives	21.6	26.47	6.3	4.88
National Land Agency	14.3	0.00	5.7	74.21
Environment Agency	6.5	0.00	10.5	38.50
Economic Planning Agency	6.7	0.00	8.0	0.00
Management and Co-ordination Agency	11.4	1.98	2.6	3.54
Ministry of Foreign Affairs	4.9	1.89	7.1	4.12
Ministry of Home Affairs	9.1	0.00	2.7	5.30
House of Councillors	2.5	0.00	1.7	0.00
Financial Supervisory Agency	4.1	0.00	0.1	0.00
Board of Audit	0.8	0.00	0.7	0.00
Cabinet	0.8	0.00	0.4	0.00
Imperial Household Agency	0.5	0.00	0.7	0.00
Okinawa Development Agency	0.5	0.00	0.1	0.00
Fair Trade Commission	0.0		0.0	0.00
National Public Safety Commission				0.00
Environmental Disputes Co-ordination	0.0			0.00
For all procuring entities	7557.4	1.39	4950.9	13.41

Table 5: Comparing the amount of foreign contracts for goods awarded by Japanese procuring entities in 1990-1 and 1998-9

Procuring entity	1990-1	1990-1	1990-1	1998-9	1998-9	1998-9	Proportion awarded to foreigners			Maximum proportion of unimpeded above-the-threshold procurement		
	Number of contracts awarded above the threshold											
	Total	Awarded to foreigners	Awarded through limited tendering	Total	Awarded to foreigners	Awarded through limited tendering	1990-1	1998-9	Test statistic 1	1990-1	1998-9	Test statistic 2
Ministry of Education	4983	2014	138	5340	1864	962	0.40	0.35	5.78	0.97	0.82	26.51
Ministry of Finance	521	70	39	548	30	113	0.13	0.05	4.47	0.93	0.79	6.32
House of Representatives	20	16	8	23	7	19	0.80	0.30	3.78	0.60	0.17	3.15
Ministry of Transport	733	190	169	803	150	220	0.26	0.19	3.41	0.77	0.73	1.96
Ministry of Construction	500	36	85	684	22	46	0.07	0.03	2.98	0.83	0.93	-5.31
Ministry of Labour	54	18	50	69	10	56	0.33	0.14	2.45	0.07	0.19	-1.94
Environment Agency	9	7	8	32	13	17	0.78	0.41	2.27	0.11	0.47	-2.61
Ministry of Posts and Telecommunications	1341	95	196	1927	106	211	0.07	0.06	1.82	0.85	0.89	-3.06
Ministry of Health and Welfare	3777	1033	203	6714	1758	538	0.27	0.26	1.29	0.95	0.92	5.34
Ministry of Foreign Affairs	20	1	20	39	1	29	0.05	0.03	0.44	0.00	0.26	-3.67
Ministry of Justice	57	1	13	263	3	138	0.02	0.01	0.33	0.77	0.48	4.67
Science and Technology Agency	95	28	34	191	55	12	0.29	0.29	0.12	0.64	0.94	-5.65
Ministry of International Trade and Industry	43	14	20	176	68	53	0.33	0.39	-0.76	0.53	0.70	-1.96
Ministry of Home Affairs	3	0	0	11	1	3	0.00	0.09	-1.05	1.00	0.73	2.03
Defense Agency	1131	47	62	741	43	49	0.04	0.06	-1.58	0.95	0.93	1.00
Management and Co-ordination Agency	12	0	1	25	3	7	0.00	0.12	-1.85	0.92	0.72	1.64
Ministry of Agriculture, Forestry and Fisheries	376	241	91	321	249	60	0.64	0.78	-3.97	0.76	0.81	-1.78
National Land Agency	8	0	3	11	7	1	0.00	0.64	-4.39	0.63	0.91	-1.48

Table 5: Comparing the amount of foreign contracts for goods awarded by Japanese procuring entities in 1990-1 and 1998-9 (continued)

Procuring entity	1990-1	1990-1	1990-1	1998-9	1998-9	1998-9	Proportion awarded to foreigners			Maximum proportion of unimpeded above-the-threshold procurement		
	Number of contracts awarded above the threshold											
	Total	Awarded to foreigners	Awarded through limited tendering	Total	Awarded to foreigners	Awarded through limited tendering	1990-1	1998-9	Test statistic 1	1990-1	1998-9	Test statistic 2
Supreme Court	4	0	4	21	0	17				0.00	0.19	-2.22
Prime Minister's Office	21	0	21	28	0	24				0.00	0.14	-2.16
Economic Planning Agency	2	0	2	11	0	4				0.00	0.64	-4.39
Total for procuring entities where test statistic 1 is greater than 1.645	8161	2446	693	9426	2202	1644						
Total for procuring entities where test statistic 1 is less than -1.645	396	241	95	357	259	68						
Total for all of these procuring entities	13710	3811	1167	17978	4390	2579						
Total for all procuring entities	15150	3944	1293	18456	4416	2637	0.26	0.24	4.43	0.91	0.86	16.76


Figure 2: More contracts were awarded in 1998-9 by entities that cut their foreign sourcing during the 1990s
Number of contracts awarded in 1998-9
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
Entities awarding proportionally fewer contracts to foreign bidders
Entities awarding the same proportion of contracts to foreign bidders
Entities awarding proportionally more contracts to foreign bidders

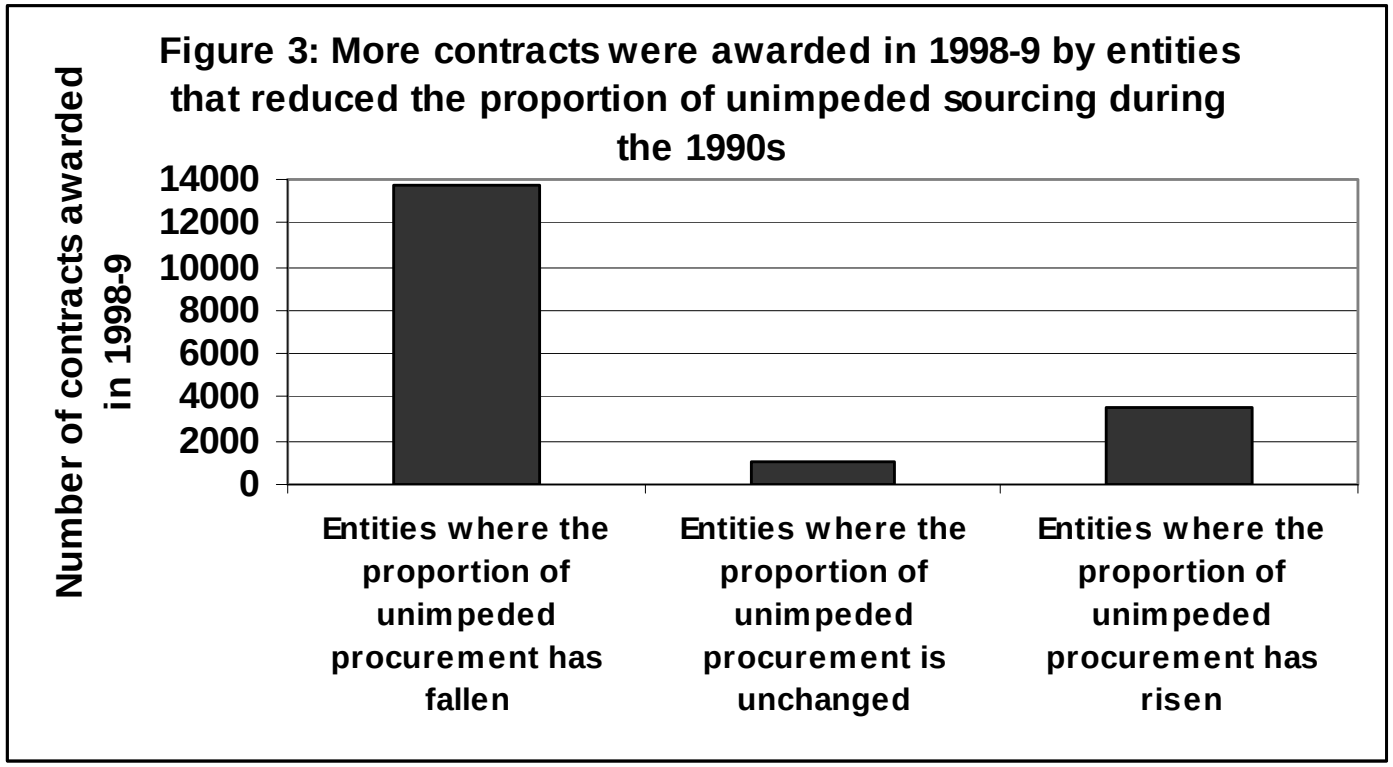

Figure 3: More contracts were awarded in 1998-9 by entities that reduced the proportion of unimpeded sourcing during the 1990s
Number of contracts awarded in 1998-9
14000
12000
10000
8000
6000
4000
2000
0
Entities where the proportion of unimpeded procurement has fallen
Entities where the proportion of unimpeded procurement is unchanged
Entities where the proportion of unimpeded procurement has risen

Table 6: Comparing goods procurement during 1990-1 and 1998-9, by procuring entity

Procuring entity	1990-1		1998-9		Change in value of foreign contracts in 1998-9 if the proportion of foreign sourcing was same as in 1990-1
	Above threshold goods procurement		Above threshold goods procurement		
	Annual average total value (millions SDR)	Proportion awarded to foreigners	Annual average total value (millions SDR)	Proportion awarded to foreigners	
Ministry of Posts and Telecommunications	858.6	0.0400	1469.9	0.0626	-33.18
Ministry of Education	692.9	0.3283	1413.6	0.2483	113.10
Ministry of Transport	268.8	0.0793	457.6	0.1092	-13.66
Ministry of Finance	126.5	0.1339	413.3	0.0155	48.91
National Police Agency			242.4	0.0700	
Ministry of Health and Welfare	121.0	0.2753	204.3	0.2818	-1.33
Ministry of Construction	91.7	0.0479	184.8	0.0185	5.43
Ministry of Justice	18.3	0.0042	116.7	0.0060	-0.21
Ministry of Labour	75.3	0.2559	105.8	0.2194	3.85
Ministry of International Trade and Industry	6.0	0.4831	81.0	0.2985	14.95
Science and Technology Agency	80.5	0.1968	69.3	0.2166	-1.37
Defense Agency	52.7	0.0630	48.0	0.0925	-1.41
Ministry of Agriculture, Forestry and Fisheries	36.9	0.2108	45.2	0.2112	-0.02
Hokkaido Development Agency			36.8	0.0086	-0.32
Environment Agency	1.4	0.4773	10.5	0.3850	0.97
Prime Minister's Office	10.2	0.0000	8.9	0.0000	0.00
Economic Planning Agency	2.3	0.0000	8.0	0.0000	0.00
Ministry of Foreign Affairs	2.8	0.0330	7.1	0.0412	-0.06
Supreme Court	1.0	0.0000	6.7	0.0000	0.00
House of Representatives	3.5	0.1083	6.3	0.0488	0.37
National Land Agency	1.2	0.0000	5.7	0.7421	-4.20
Ministry of Home Affairs	0.3	0.0000	2.7	0.0530	-0.14
Management and Co-ordination Agency	6.1	0.0000	2.6	0.0354	-0.09
House of Councillors			1.7	0.0000	
Imperial Household Agency			0.7	0.0000	
Board of Audit			0.7	0.0000	
Cabinet			0.4	0.0000	
Okinawa Development Agency	0.0		0.1	0.0000	0.00
Fair Trade Commission	0.0		0.0	0.0000	
National Public Safety Commission	47.5	0.0069			
Total for all procuring entities	2505.6	0.1425	4950.8	0.1341	131.6

Table 7: Estimated loss of foreign access to the Japanese government procurement market in 1998-9	
Category	Millions of SDRs (expressed in year 2000 yen)
Reported foreign contracts 1998-9	769.08
Additional foreign contracts in absence of	
…falling probability of awarding a contract to foreigners above the relevant thresholds	131.59
…falling proportion of contracts above the thresholds in the first place	61.13
Total reduction in foreign market access in Japanese procurement market 1998-9	192.71
…expressed as a proportion of reported foreign contracts 1998-9	0.25

Annex 1: Statistical submissions made to the Committee on Government Procurement overtime[27]

Statistics for the Year	Reporting Countries
2000	Hong Kong, China
1999	Japan, Switzerland, Norway, USA and Hong Kong, China
1998	Japan, Switzerland, Norway, USA and Hong Kong, China
1997	Japan, Switzerland, Norway, USA and Hong Kong, China
1996	Switzerland, USA, Canada, Norway and Hong Kong, China
1995	Norway, Switzerland and Hong Kong, China
1994	Austria, Sweden, Norway, Finland, Switzerland, Singapore and Hong Kong, China
1993	Austria, Sweden, Norway, Finland, Switzerland, Singapore, Canada, USA, Japan and Hong Kong, China
1992	Sweden, Singapore, EC, Austria, Japan, Norway, , Finland, Israel, USA, Canada and Hong Kong, China
1991	Canada, Singapore, Austria, Japan, Norway, Sweden, Switzerland, Finland, Israel, USA and Hong Kong, China
1990	Israel, Canada, Switzerland, Singapore, USA, EC, Austria, Norway, Finland, Sweden and Hong Kong, China
1989	Singapore, Finland, Norway, Canada, Sweden, Switzerland, USA, Israel and Hong Kong, China
1988	Singapore, Finland, Norway, Canada, Sweden, Switzerland, USA, Israel and Hong Kong, China
1987	Singapore, Finland, Norway, Canada, Sweden, Switzerland, USA, Israel and Hong Kong, China
1986	Singapore, Finland, Norway, Canada, Sweden, Switzerland, USA, Israel and Hong Kong, China
1985	Singapore, Sweden, Finland, Canada, Norway, Japan, Switzerland, EC, Austria and Israel

Source: Statistical submissions made to the Committee on Government Procurement, 1985-2000.

[27] Statistical submissions are accessible electronically for all reporting countries for the period 1997-1999 except Hong Kong, China. Electronic version is also available for USA and Switzerland for 1996.