IS CHINA READY TO JOIN THE GOVERNMENT PROCUREMENT AGREEMENT (GPA) OF THE WORLD TRADE ORGANIZATION?

Stéphane Coudé, Prosper Bernard Jr. and Lisa Lu

Stéphane Coudé is candidate to EDBA at Paris Dauphine University. He holds a post-MBA from the Harbin Institute of Technology in Shenzhen and a double diploma MBA/EMBA from UQAM (Université du Québec à Montréal) and Paris Dauphine University. Mr Coudé is co-author of two books on public procurement in Canada, He is currently President of XSM^2 Group; a company that he has founded in 2007 and specialized in strategy marketing and management and also do autonomous research.

Prosper Bernard received his PH.D from the Graduate School of the City University of New York in 2003. He teaches comparative politics and political economy at the City University of New York and New York University. He has recently published a book titled External Pressure, National Response: Industrial Adjustment in Canada since the 1970s (University Press of America, 2009) and has published numerous articles.

Miss Lu is Assistant Director, International Development, China with XSM^2 Group inc. She holds a bachelor degree from Yunnan Normal University in English studies. Miss Lu is also Professional Business Interpreter and translator English to Chinese and Chinese to English.

ABSTRACT. This paper presents a literature review on government procurement (GP) buy-national policies, and analyze quantitatively Chinese data on GP, FDI and GDP from 1998 to 2008. Based on our analysis, we argue that it is reasonable to believe that government procurement buy national policies of China have a positive impact on its FDI, and that FDI has a positive impact on its economic growth. But we suggest that it would be hazardous to answer our question only on this basis because there are other key factors that need to be considered. GP systems are dynamic and are shaped not just by economic factors but also by political, historical, diplomatic, legal, and cultural ones. Based on these observations about China, we conclude that China may be ready to join GPA on the condition that the negotiations lead to a positive-sum agreement for all parties.

KEYWORDS
Government Procurement – China – Government Procurement Agreement (GPA) – Government Procurement Buy-National Policy – Foreign Direct Investment (FDI) – Economic Growth

INTRODUCTION

The first Government Procurement Agreement of WTO called GPA 79, entered into force in 1981 after it was signed in 1979 during the GATT Tokyo Round. In 1988 after further negotiations, the amended GPA 79 entered into force. In 1994, after more negotiations during the Uruguay Round, GPA 94 was ratified by 22 countries, most of whom were developed countries, and entered into force in 1996 (WTO, 2007 and 2009a), one year after WTO was founded. GPA's aim has been to *"contribute to the liberalization and expansion of world trade. This is to be achieved by eliminating discrimination against, and between, foreign products, services and suppliers, by enhancing transparency of law and practices, and by ensuring fair, prompt and effective enforcement of international provisions on government procurement."*(Mattoo, 1996, p. 695). Since 1997, GPA 1994 has been in the process of being renegotiated through GPA 2007, which is still under negotiation (WTO, 2009a). There are now more than 40 members and, recently, China has launched negotiations that could eventually culminate in its entry. The eventual accession of China into the GPA[1] represents the first time that a country with a large public sector engages the GPA and this has to be taken into account at the negotiations (Wang, 2007). It is also significant because it signals China's readiness to pursue economic openness in an area previously closed to international competition. Those are the reasons we think this topic is worth exploring.

However, as we show in more detail in the discussion section, the negotiations around China's accession seem to be longer and harder than

[1] For the purpose of this article, we define the government procurement the same way as the OECD: it "*refers to goods and services bought by the government for consumption and investment but not for resale. It generally covers two main types of expenditure: consumption expenditure and expenditure on capital formation, i.e. investment expenditure. These two types of expenditure are usually classified by government function"*. (Audet & al. 2002, p.46) We also exclude military and defense spending because they are not included in the Government Procurement Law of the People's Republic of China. Articles 86 of this law stipulate that: "*Regulations on military procurement shall be formulated separately by the Central Military Commission*".

what the WTO members have expected. This has led some to argue that it is now time for China to accede the GPA (Kho and Smith, 2009). Kho and Smith argue that China should reduce its government procurement buy-national policies[2] (GPBNP) and that its accession to GPA is going to contribute to its economic growth because it will have access to other governments' GP sector, which have seen a large infusion of public money recently to stimulate their economies in light of the financial crisis.

This introduction leads to the main question of our article: Is China ready to join the Government Procurement Agreement of the World Trade Organization? To answer this question, we analyze the literature on public procurement. Our "maybe" answer to this question is based on three observations. First, the data we present suggest that we cannot conclude that there is a positive relationship between the liberalization of GP and gross domestic product (GDP[3]). Second, the literature on which we based our analysis in the article illustrate that GPBNP has a positive effect on foreign direct investment (FDI), and that FDI has a positive impact on economic growth. Third, our data analysis shows that it is reasonable to believe that this effect is present in China. And finally, in our discussion of the results, we suggest that it would be hazardous to answer our question only on the basis of these data analyses. Other key factors could influence China's behavior in the negotiations, which future research could explore more closely.

METHODOLOGY

To answer our question, we first choose to address the economic effects of government procurement on economic growth. Kho and Smith argue that the accession to GPA will give the Chinese corporations the opportunity to win projects that stem from government procurement

[2] The GPBNP of China is defined in Article 10 of the Government Procurement Law of the People's Republic of China as: *"The government shall procure domestic goods, construction and services, except in one of the following situations: (1) where the goods, construction or services needed are not available within the territory of the People's Republic of China or, though available, cannot be acquired on reasonable commercial terms; (2) where the items to be procured are for use abroad; and (3) where otherwise provided for by other laws and administrative regulations."*

[3] In this article, we use growth rate of GDP as a measure of economic growth because this data is readily available for all countries and is used in the literature to which we refer, such as the OECD studies on the size of public procurement around the world.

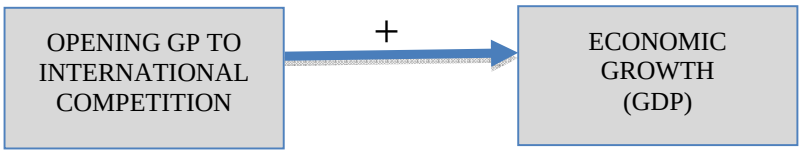
around the world to sustain the financial crisis. Our question came to our mind from the Kho and Smith's suggestion that this will have a positive impact on the Chinese economy. In fact, they are arguing that openness to international GP will have a positive impact on economic growth. Based on those observations, we first propose the following hypothesis:

> H_0 : If China liberalizes its GP regime, this will have a positive impact on GDP.

This can be illustrated by figure 1.

FIGURE 1

OPENING GP TO INTERNATIONAL COMPETITION TO STIMULATE GDP



In our review of the recent literature we did not find research that studied the relationship between GP openness to international competition and economic growth. As Trionfetti (2001, p. 30) points out, the "Literature is loosely related to international trade [of GP]."

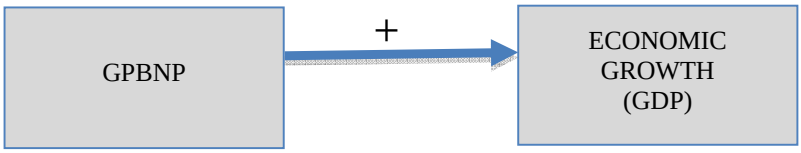
If we cannot confirm our first hypothesis in theory, we could have decided to study this specific question, but our main interest is to investigate the case of China. Besides, it would have been difficult to estimate future consequences considering the lack of previous research. But, we can identify a potential falsification (methodology of Popper) and suggest that GPBNP has a positive impact on GDP as we suggest in the following hypothesis for China:

> H_1: China's GPBNP has a positive impact on GDP.

Which can be illustrated in Figure 2.

FIGURE 2

GPBNP AS A TOOL TO STIMULATE GDP MODEL



With respect to this potential relationship, our literature review has been much more lucrative. Effectively, according to previous research, it has been shown that GPBNP has a positive influence on FDI, and that FDI has a positive impact on GDP.

GP is statistically significant with FDI when governments introduce 'buy-national' policies to support domestic businesses (Mardas, Dimitri and Papachristou, 2008). In their study on the U.K., France, Germany and Italy, Mardas *et al.* demonstrate that these countries' GPBNP is a significant factor influencing FDI among other factors. The main reason is that foreign companies need to have subsidiaries in a country in order to be able to sell to the host government in protected markets. It is important to mention that the statistical analysis of Mardas et al. was conducted in 1991, prior to the European Union's accession to the GPA in 1996. They also point out that even though these countries agreed on European Union-level GP procedures, "*European governments find their way in preserving their "buy national" policies…. [O]nly 16% of total public procurement (or 2.6% of EU GDP) in member-states is subjected to the appropriate publication procedures in 2002, and is thus open to foreign bidders. The remaining part remains to a "chasse privee" for local suppliers."* (Mardas, Dimitri and Papachristou, 2008, p.185). In other words, these governments have not complied fully with the terms in order to reserve as much of their GP to national suppliers.

For the second relation, several researchers have also demonstrated how FDI positively affects economic growth and market structure--particularly in developing countries. These benefits come in the following forms (Markusen and Venables, 1999; UNCTAD, 1992-2005; Mardas, Dimitri and Papachristou, 2008):

- Bring new qualified human resources and skilled labor;
- Create jobs;
- Stimulate manufacturing exports;
- Improve capital formation;
- Bring established brand names;
- Encourage technology transfers and contribute to technology diffusion;
- May help build domestic industries that are strong enough to rival foreign competitors;
- Generate positive spillover effects.

Moreover, these positive effects of FDI on economic growth have been present in Chinese economy between 1992 and 2004, according to previous research (Zhang, 2006). The most significant impact that FDI has had on China is that it has increased its manufacturing exports and upgraded its export structure. It has also brought new employment opportunities and generated positive spillover effects throughout the economy—including improving the national standard of living. It has also contributed to higher tax revenue for China (from 4% in 1992 of tax revenue in China to 21% in 2004) and foreign owned enterprises (FIEs) employed an estimated 23 million people in 2004 in contrast to 6 million in 1992 (Zhang, 2006). Zhang also argues that FDI has facilitated China's transition to a capitalist system starting in the late 1970s by importing market-oriented institutional practices, promoting competition, spurring privatization and reform of state-owned enterprises, and finally contributing to the integration of China into the world economy.

In considering these facts, we can test our hypothesis H_1 with the following two propositions:

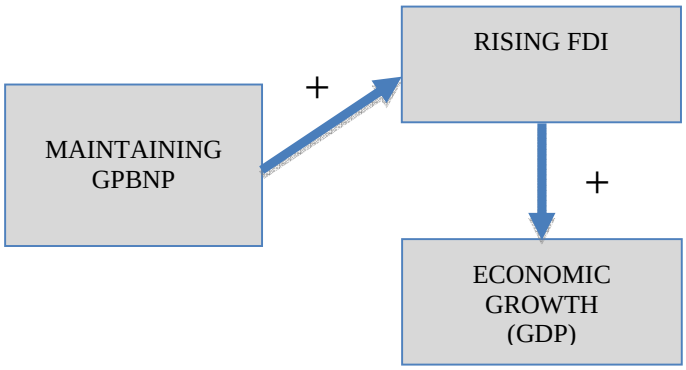
H_{1a} Considering the relationship between GPBNP and FDI, GP and FDI should be strongly correlated in China.

H_{1b} Considering the relationship between FDI and GDP, FDI and GDP should be strongly correlated in China.

This is illustrated in Figure 3.

FIGURE 3

IMPACT OF GPBNP ON FDI AND OF FDI ON GDP MODEL



We can summarize our methodology as follows:

First hypothesis	H_0
Falsification	H_1
Hypothesis to validate H_1	H_{1a} and H_{1b}

To test our hypotheses H_{1a} and H_{1b} we collected data that we could find in English and in Mandarin. Some data were only available in Mandarin, and because of language limitations, a Chinese research assistant worked with us to locate and translate official data only available in Mandarin. The data we collected focuses on GP, FDI, and GDP from 1998 to 2008 in China. We selected that period for two main reasons. First, 1998 corresponds to the first year that China started to carry out GP through a formal process that have been guided the Government Procurement Law of the People's Republic of China which came into effect in 2003, as well as the year that such data are available from China. Second, assuming that the relationship between FDI and GDP has existed between 1992 and 2004, extending the time-series analysis will reinforce the theoretical model if the relationship is still present.

For the first series of data, we looked for historical Chinese government public procurement data from official government sources. The data we

collected were available from 1998 to 2008 and are shown in the table 1 below in billions of Renminbi:

TABLE 1[4]
The Government Procurement in China from 1998 to 2008

Year	Total Government Procurement (Billions RMB at current prices)
1998	3.10
1999	13.10
2000	32.80
2001	65.30
2002	100.96
2003	165.94
2004	213.57
2005	292.76
2006	368.20
2007	466.10
2008	599.09

Our second series of data concerns the evolution of FDI and GDP at current price from 1998 to 2008 in China. Considering that FDI data were only available in US dollars, we also collected official average exchange rates for the same period in order to be able to convert the FDI amount in Renminbi. Finally, we also collected GDP deflator from 1998 to 2008 to be able to transpose FDI and GDP data, as well as GP data in constant price in our analysis, which will give us a better estimation of real growing rates. We present those data in the table 2.

[4] Source Table 1: Zhang (2009); National Bureau of Statistics of China (Various years); Li and Shi, (2006).

TABLE 2 GDP, FDI, GDP deflator and exchange rate in China from 1998 to 2008				
Year	**GDP[5] (Billion RMB at current price)**	**FDI[6] (Billion US dollars at current price)**	**GDP Deflator[7] (National Currency)**	**Average Exchange Rate[8] (US$/RMB)**
1998	8 440.23	45.463	188.718	8.279
1999	8 967.71	40.319	186.349	8.278
2000	9 921.46	40.720	190.187	8.279
2001	10 965.52	46.878	194.077	8.277
2002	12 033.27	52.740	195.203	8.277
2003	13 582.28	53.505	200.296	8.277
2004	15 987.83	60.630	214.132	8.277
2005	18 321.75	60.325	222.269	8.194
2006	21 192.35	69.468	230.358	7.973
2007	25 730.60	82.658	247.485	7.608
2008	30 067.00	92.395	265.298	6.949

From the data, the first part of our analysis consists of assessing whether our hypotheses H_{1a} and H_{1b} are confirmed in China. To do so, we will realize linear regression and calculate the coefficient of correlation between the series of data of our model by using SPSS.

If those hypotheses are validated, and the relationship between the variables are strongly correlated in China, we will then conclude that it is reasonable to believe that our hypothesis H_1 is true and hypothesis H_0 is falsified and that it is reasonable to believe that the relationship suggested by Kho an Smith cannot be validated.

[5] Source : International Monetary Fund (2009)
[6] Source : Ministry of Commerce of China (Various years)
[7] Source : International Monetary Fund (2009)
[8] Source : OECD (2009)

DATA ANALYSIS

We first converted all the data we had for FDI in RMB using the average exchange rate that we present in the methodology part of the article. After, we calculated GP, FDI, and GDP at constant price using the formulas below and report the findings in table 3.

$$GP\ constant_i = GP\ current_i\ /\ GDP\ deflator_i\ X\ 100$$

$$FDI\ constant_i = FDI\ current_i\ /\ GDP\ deflator_i\ X\ 100$$

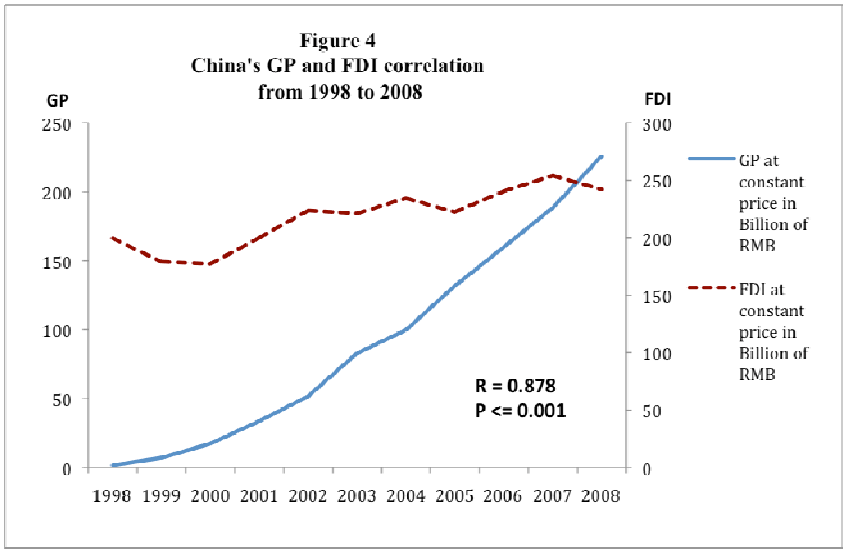
$$GDP\ constant_i = GDP\ current_i\ /\ GDP\ defaltor_i\ X\ 100$$

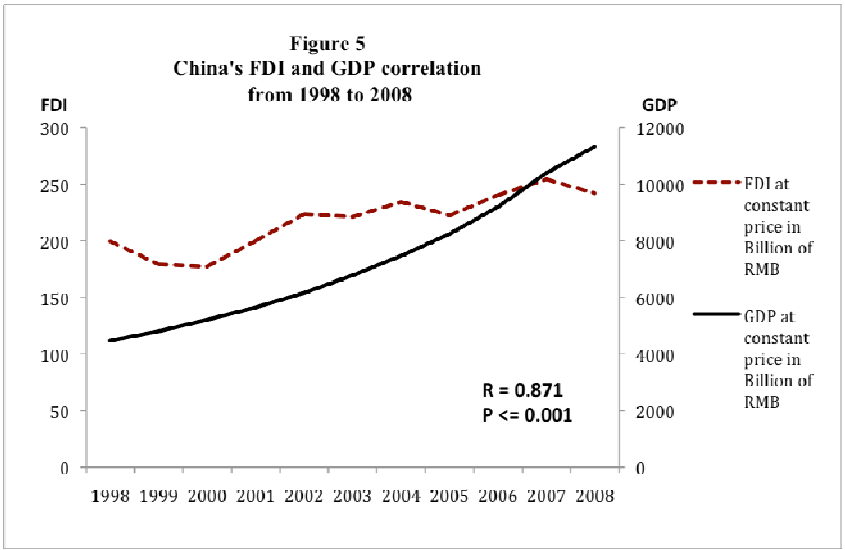
TABLE 3
GP, GDP and FDI in Billion of RMB at constant price rate in China from 1998 to 2008

Year	GP (Billion of RMB at constant price)	FDI (Billion RMB at constant price)	GDP (Billion RMB at constant Price)
1998	1.643	199.445	4 472.403
1999	7.030	179.105	4 812.320
2000	17.246	177.258	5 216.687
2001	33.646	199.925	5 650.087
2002	51.721	223.628	6 164.490
2003	82.847	221.103	6 781.104
2004	99.738	234.358	7 466.343
2005	131.714	222.390	8 243.052
2006	159.838	240.438	9 199.746
2007	188.335	254.101	10 396.832
2008	225.818	242.012	11 333.293

We then calculated the correlation between government procurement and FDI from 1998 to 2008 to see if hypothesis H_{1a} is validated. As shown in the Figure 4, we get a correlation coefficient of 0.878 between these two variables, which confirms the expected relationship. The second part of

our model is the correlation between Chinese FDI and GDP from 1998 to 2008 as we indicate in our hypothesis H_{1b}. The correlation coefficient is 0.871 as it is shown in the Figure 5. This result is consistent with the expected relationship.





DISCUSSION OF THE RESULTS AND FURTHER ANALYSIS

As we expect in our methodology section, our data analysis shows a strong correlation between variables of our hypotheses H_{1a} and H_{1b}. Because of this strong correlation, it is reasonable to believe that our hypothesis H_1 is validated and that hypothesis H_0 is falsified. And finally, because of that, it is reasonable to argue that the association between GP and GDP growth, suggested by Kho and Smith, cannot be validated.

However, we believe that public procurement is a more complex system than is suggested and that it would be hazardous to make a conclusion only on this basis. It would be hazardous because as Thai observes: "*Systems, particularly the public procurement system, are so dynamic that they cannot be understood just in terms of their elements or parts that make up an institution" (Thai, 2001, p.16).* Because of that, to study GP as a policy, there are other important issues to consider. We are not pretending to be exhaustive in this paper, but we can argue that some of them are also economical; others are political, diplomatic, historical, legal, and cultural.

With regards to other economic advantages of GP openness, we can look at the main objectives of GP as described in the Government Procurement Law. This law was adopted in June 29, 2002 by the National People's Congress and came into effect in January 1, 2003. It followed the Interim Regulation on Government Procurement, adopted

by the Ministry of Finance in April 1998. The government describes the objective of the law as follows:

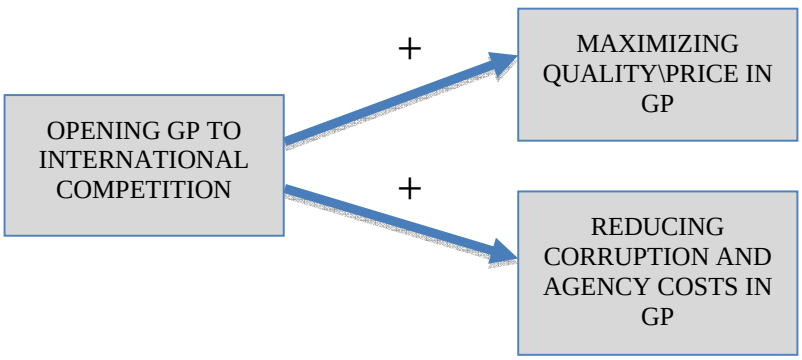
> *"This Law is enacted for purposes of regulating government procurement activities, improving efficiency in the use of government procurement funds, safeguarding the interests of the State and the public, protecting the legitimate rights and interests of the parties to government procurements and promoting honest and clean government."* (The Government Procurement Law of the People's Republic of China, 2002, p.2).

The economic gains highlighted in the law are also echoed by the WTO: "*Since public resources are scarce, the efficiency of the procurement process is a primary consideration of every procurement regime. Open, transparent and non-discriminatory procurement is generally considered to be the best tool to achieve 'value for money' as it optimizes competition among suppliers*" (WTO, 2009a).

According to these two definitions, we can see that the key objectives of openness are to economize and maximize efficiency in government procurement. These economic gains can be achieved by first ensuring fair competition, which helps to lower prices and improve product quality and second, by minimizing potential corruption and agency cost problems. These objectives can also be achieved via domestic measures for sure. However, international agreements on GP expand market access, which contribute to more competition and promote standardization in public procurement laws and regulation. Thus, we can propose a model that captures other economic advantages of GP openness, as shown in figure 6:

FIGURE 6

GP AS A TOOL TO ACHIEVE BROADER ECONOMIC GAINS



From this observation, it is reasonable to believe that this is an important incentive for countries to join GPA, and it is probably the case for China. If this can be demonstrated, than China will be more inclined to accelerate GPA negotiations, as it did in 2000 with regard to its entry to the WTO.

Effectively, and this is an observation based on historical accession of China to world economy, China's accession to the WTO came after fifteen years of difficult negotiations. The main challenge stemmed from the difficult work of eliminating the huge gap between China's economic regulations and institutionalized practices and the WTO's standards. The acceleration of the accession process required the direct intervention of the President and Premier of China in 2000, who emphasized the tremendous gains that the country would reap once becoming a WTO member. Subsequently, the Development Research Center of the Shanghai People's Municipal Government, the Shanghai Planning Commission, and the Shanghai Foreign Relations and Trade Commission established the Shanghai Action Plan as a way to invigorate the government's efforts to negotiate China's entry into WTO (Baihua, 2005). The combination of economic incentives and political will culminated in an impressive acceleration of the negotiations that ended with the official accession of China to the WTO in 2001.

Other observers have argued that one of the main issues of China's accession to GPA was actually based on the same issues of its first accession to WTO: law and regulation adaptation to GPA that could help China to improve its GP legal framework (Wang, 2009). As it did for its accession to WTO, China could be willing to adapt its laws and regulations to GPA so long as it identifies economic and political gains. Importantly, the eventual accession of China to the GPA represents the first time that a country with a large public sector engages the GPA (Wang, 2007). The prolonged GPA negotiations, in many respects, reflect the difficulty of bridging the gap between China's unique political-economic system and GPA provisions. As Wang observes on this issue, the following particularities of China have complicated its accession (Wang 2007, p 9 to 24):

- *"The difficulty in securing reciprocal concessions for listed state enterprises in negotiating entity coverage;*
- *…Difficulty in preparing the offer of entity coverage due to the lack of unified practice with respect to listing entities under different annexes of appendix I;*

- *…The danger of circumvention by setting up new state enterprises due to the limited role of "Government Control" in defining entity coverage;*
- *…The difficulty of withdrawing a covered entity and its impact on preparing the offer of entity coverage by countries with large state sector;*
- *…The implication of excluding procurement with a view to commercial sale or resale, or for use in the production or supply of goods or services for commercial sale or resale;*
- *…Ambiguity surrounding the situation of procurement associated with activities subject to competitive pressure;*
- *…Ambiguity created by the new qualification that covered procurement has to be "for government purpose";*
- *…Possible detrimental effect created by parties' derogation excluding intra-public sector procurement."*

For an agreement to be efficient, it must offer positive sum and equitable gains to participants. If the issues that we have just exposed are not addressed, China could open its GP market more or less than others, resulting in uneven gains and undermining the win-win basis of the agreement. These difficulties also allude to the problem of collective action. The win-win situation can only be achieved if the rules are clear between parties and if everyone respects the rules as suggested in game theory; otherwise the one who will not respect the rules will win while those who do lose. These issues can only be addressed through strong negotiations and adaptation between parties, and that is the reason the GPA negotiations are still ongoing.

There are also political and diplomatic factors that are shaping the GPA negotiations. The potential gains stemming from delaying or postponing China's entry to the GPA-WTO should not be discounted. Several political and economic reasons support the logic of delaying negotiations (Gilpin 2001) in the current context. First, China's industrial modernization in the next decade will be associated with an expansion of the domestic GP market. Effectively, we can see in the data on GP (see table 1) that the GP growth rate stabilized at 29% per year on average from 2004 to 2008. This growth has been attributed to the fact that the government has gradually opened the GP sector to private corporations inland. In fact, the longer China waits to join the multilateral agreement, the bigger the potential gains it can promise to GPA members when its market is more liberalized. As time elapses, therefore, Beijing's bargaining power in future negotiations increases, for it will be able to leverage China's larger GP market to secure from GPA members market access terms that are much more beneficial to China than those it can

obtain under current negotiations. This can also be illustrated by the following calculation that we have made from our data and comparison with other countries. In 2008, the GP made by China rose to almost 600 billion RMB and represented 2% of its GDP. However, even though China's growth rate seems to be very high, when compared with other countries, the numbers are relatively low. According to the OECD, GP spending potentially open for international trade in 28 OECD members accounted for 7.57%, weighted average of their GDP in 1998. In the same study, that amount was 5.10% weighted average of the GDP of the 106 countries that were not OECD members (see Audet et al., 2002, p.23 and 26[9]).

Another reason for delaying entry has to do with the fact that China may judge its current exposure to international competition to be sufficient to keep the national economy dynamic and expanding. Like any other government, Beijing has over the past three decades gradually adjusted the balance between autonomy and openness to suit China's economic modernization strategy. Too much economic openness at once can place too many burdensome policy constraints on the government's ability to stir the economy's modernization process in a way that meets the transformative objectives of the state.

Finally, and related to the latter point, as the size of China's GP market increases, the government may want to use it strategically to promote national economic goals, something it would be able to do as easily as a member of the GPA. Access to this market could be employed selectively—to help certain national firms gain a competitive edge over foreign rivals, encourage indigenous research and development in promising industries, and require foreign-owned subsidiaries to join with locally owned firms to form a technology-sharing and human capital formation partnership. It is reasonable to argue that the political logic of delaying GPA negotiations has influenced Beijing's actions in recent years. As powerful as the economic incentives are for joining the GPA, we see no reason why Beijing would be quick to abandon these political motives.

[9] According to WTO and OECD, GP accounts for between 10% to 15% of GDP of countries on average (WTO, 2009a). OECD has also used the following calculation in national accounts to calculate the GP/GDP ratio: Government consumption expenditures minus salary and defense spending. Considering that spending from defense is not included in the data of China, we have used these data from OECD to compare the ratio of China with other countries.

All these issues suggest many reasons for other GPA members to exert pressure on China to join the GPA, because China may benefit to the detriment of other large countries. For diplomatic reasons, China could also gain by joining the GPA, and we can better understand this pressure by looking at the history of those negotiations. While China was accessing to the WTO in 2001, it also agreed that it would eventually join the GPA. China started negotiations to join the GPA in April 2006 and submitted its first offer to parties of GPA in December 28, 2007 (Publictender.com, 2007) and promised to unveil its second offer in 2009. We should also note that on October 29, 2009, the Chinese government announced that it would delay the submission of its second offer to 2010 (Council on Foreign Relations, 2009). Even though the guidelines of the WTO suggest that it could take up to 18 months to join the GPA (Committee on Government Procurement, WTO, 2001), the negotiations, as of now, have been going on for more than four years. Moreover, the reaction of other parties to China's first offer was mainly tinted of disappointment, and in recent negotiations, parties have urged China to submit an improved second offer that was judge insufficient from other parties of GPA.

According to Chinese commitments so far, it seems that China is ready to accede GPA, but not on any conditions. For that reason, we decided to answer our question by saying that 'perhaps China is ready to join the GPA, but are other GPA members ready to accept China?'

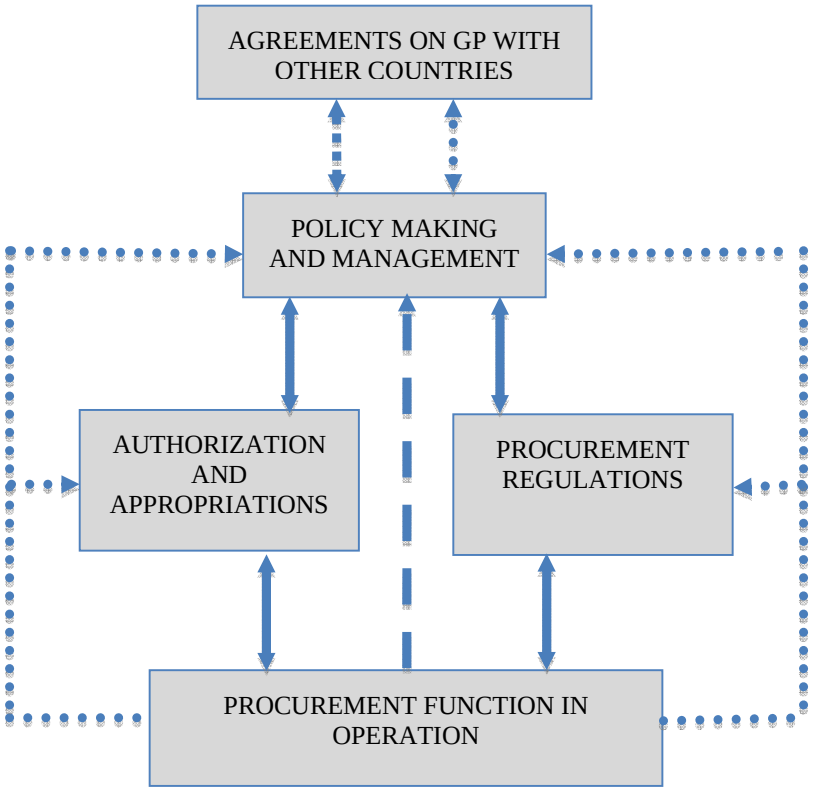
The environment of those negotiations and the GP system are too complex to call for a simple analysis of the decisions about whether China should join and whether other GPA members are ready to accept China. To better illustrate the complexity of these negotiations, and the complexity of GP as a system, we have adapted and improved a model put forth by Thai (Thai, 2001, p18) by adding an international negotiation dimension on GP agreements to his GP domestic system.

As a policy, this model shows the complexity of a GP system. As we mentioned earlier, those policies impact governmental practices, such as maximize government spending with the objective of paying lower prices and eliminating corruption. This model also shows the mutual influence that countries and international organizations can have through their agreements. By their negotiations under WTO, parties to GPA had agreed through the years to open their GP markets, and those negotiations are ongoing. The GPA has been modified and improved many times since its creation, and parties have also adapted their regulations accordingly. These negotiations are made on a reciprocal, positive-sum basis. In such a context, reciprocity should trigger greater

and equal competition in every country, which should lead to better prices and more benefits to consumers, in that case to government consumers. It is the promise of such gains that has attracted new countries, and potentially China, to the GPA since its creation.

FIGURE 7

INTERACTION OF GOVERNMENT PROCUREMENT SYSTEMS OF COUNTRIES THROUGH AGREEMENTS ON GP



CONTRIBUTIONS, LIMITS, AND FURTHER RESEARCH

The main contribution of this article is to reinforce the theory on GPBNP by showing through our data analysis that the positive associations between GPBNP and FDI and between FDI and GDP seem to be also present in China, in an oriental political-economic model. Nevertheless, we do not pretend that our approach demonstrates, without any doubt, a causal relationship between those factors. Our regressions only demonstrate that those variables are strongly correlated and that it is reasonable to believe that those associations exist in China as well. More research should be done to determine if there is a cause-and-effect relationship between GP and FDI in China among other factors based on a model as the one suggested by Mardas and colleagues (Mardas, Dimitri and Papachristou, 2008). It is also important to note that the causal relationship between FDI and GDP is better documented (Markusen and Venables, 1999; UNCTAD, 1992-2005; Mardas, Dimitri and Papachristou, 2008), especially by Zhang in China (Zhang, 2006).

But, this contribution cannot be sufficient by itself to conclude that China is ready to join the GPA because the GP environment and the issues to be considered in the GPA negotiations are complex. This paper also improves the Thai model (Thai, 2001) by considering the influence that international interaction has on the GP systems of countries and on agreements between parties. Finally, this article alludes to the importance of various economic, political, diplomatic, legal, cultural, and historical factors in determining the effects of GP systems.

This contribution also shows the importance to maintain research on all these aspects to better understand their individual and interactive implications. In that sense, the success of any negotiation between organizations (in our case governments), depends of the ability of stakeholders to find a win-win equilibrium solution. Individual choices and the environment in which individuals interact are in this case particularly important. This area is ripe for further research.

CONCLUSIONS

To our question is China ready to join the government procurement agreement of WTO, we first answer “maybe”. We answer this way even though our data analysis tends to demonstrate that GPBNP seem to have more positive impact on economic growth than GP openness to world trade through agreements such as GPA. We settle on this conclusion because there are several factors that influence the decision to join

GPA—economics, politics, diplomacy, law, and culture, among other things. GP systems are too complex to answer such a question in a simple cause-and-effect fashion. By considering a range of factors, we conclude that China may be ready to join GPA on the condition that the negotiations lead to a positive-sum agreement for all parties.

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