

EU lifts longstanding public procurement sanctions against US - Brussels, 1st March 2006

The EU will today lift longstanding sanctions imposed on the US in response to US sanctions on EU Member States. The US, which alleged that previous EU government procurement rules discriminated against US operators by allowing preferential pricing allowances in some sectors for EU operators, has today ended its measures, and the EU has responded by doing the same. The EU telecommunications market, which was the focus of US concerns, is now fully liberalised.

EU Trade Commissioner Peter Mandelson said: "I welcome the fact that the US has finally agreed to lift its sanctions against EU Member States, which enables us to do the same. This heals a dispute that has dogged both sides of the Atlantic for more than a decade."

In May 1993, the US government imposed sanctions against EU Member States. The US alleged that the EU's 1993 Government Procurement Directive, allowing Member States to give a 3% price preference to EU companies in some sectors, discriminated against US operators, especially in the telecoms sector. As a direct response, the EU imposed equivalent counter-measures. Since then, the EU telecoms market has been fully liberalized. As US sanctions are no longer justified, the US agreed with the EU that it would lift its sanctions on 1st March 2006, thereby enabling the EU to do the same.

Background

The US sanctions covered 11 Member States: Austria, Belgium, Denmark, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Sweden and the United Kingdom. Germany was removed from the list in 1994 when it committed not to apply the price preferences while Greece, Spain and Portugal had delayed the implementation of the EU government procurement directive and were therefore not covered by its terms.

The USTR sanctions were imposed unilaterally and barred European companies from three types of contracts: contracts of goods, services and construction which value fell under certain thresholds; all services contracts purchased by the Tennessee Valley Authority and the Power Marketing Administrations of the Department of Energy; a list of 14 services contracted by Federal Agencies including launching, dredging, broadcasting, R&D, legal services, hotel, health and telecommunications.

The sanctions did not apply to contracts covered by the WTO Agreement on Government Procurement, to which both the EU and the US are signatories.

The EU imposed equivalent sanctions, namely services and public work contracts under the WTO Agreement on Government Procurement thresholds.