

Comparative Study on International Procurement Systems: Evaluating Capabilities to Expand Abroad

This comprehensive international research study explores the international procurement setting and provides useful insight into the future of global procurement.

BY ELIZABETH A. FORSTER

The world of procurement has evolved immensely in the past century. Even in the past decade, advances have been created and implemented that were never before thought possible. With new breakthroughs in technology and the emergence of e-procurement systems, the arenas of purchasing and supply are functioning better than ever. In addition, international procurement is beginning to embark on a new collaborative chapter in its evolution. However, while advances in regionally-specific procurement are flourishing, the growth of international procurement is developing at a much slower pace.

The benefits of improved international collaboration would greatly help all nations in this regard, regardless of whether or not a nation struggles with its domestic public procurement. Unfortunately, many regions appear to be content with a more egocentric approach; paying little attention to the current situation in other nations or collaborating internationally to benefit their own procurement processes. With this in mind, several scholars on the subject, including Louise Knight, believe that “it is astonishing for such a vital, significant part of all nations’ economies that so little research has been conducted on public procurement across nations and even within nations to improve procurement to deliver these benefits.”¹

In order to combat this deficiency of knowledge and provide better insight into the benefits of international involvement, this article hopes to answer the question: How exactly do states and different regions interact and utilize procurement resources

inside and outside their borders? Since nations frequently display similar ambitions to acquire products and services,² there are already incentives to engage in different forms of consortium. Therefore, the need is great for all nations to better interact in order to achieve the highest rate of success possible within their own unique specializations.

It is important to note that when countries go beyond the trading of finished goods, comparison and mutual understanding should facilitate the establishment of collaborative efforts between nations.³ When a nation fully understands the goals and necessities of similar nations, it can better assess its own needs and feel comfortable in creating a partnership

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with a comparable system. Also, comparing systems can expose good practices that others might seek to adopt.⁴ However, some procurement practices in the world today are more perfected than others, and a few have noticeable flaws. Therefore, the sharing of ideas is advantageous to all nations.

The pressure that governments place on their procurement organizations to implement procedures and follow guidelines and mandates is increasing every year in every nation, but this can be alleviated by a consistent movement to remain up-to-date on important issues. Changes are continually implemented within every nation's general procurement system that elicit the need for up-to-date knowledge concerning the activities of other organizations and systems to surface and circulate rapidly. After all, "knowledge of a foreign national procurement system is especially useful to personnel engaged in cooperative acquisition from both a government and industry perspective, and will provide a better idea as to how to work with representatives of other organizations."⁵

The information in this article will be useful to better understand the current systems of other nations, as well as current forms of international cooperation between nations, with the ultimate goal being to help facilitate improved cooperation and prevent confrontation when procurement systems collide. However, the opportunities for international interaction are far too numerous to cover in this article. Therefore, this article will focus on several nations that currently display the most significant and potentially beneficial opportunities for improved international cooperation, including the United States, Canada, Mexico, and several western European Union countries.

I. Initial Discussion

Before jumping right into the heart of the matter, it is first helpful to examine a couple issues that require further clarification.

Overview of the European Union

The regions discussed in this article are all self-proclaimed by their corresponding country, and all have their own standard procurement practices, with the exception of the European Union (EU). Therefore, an outline of the EU is required. Generally, the EU is an internal market that currently consists of 27 member states with 23 official languages. While this article examines the EU as a whole, it also observes the individual core EU countries with the most developed procurement systems: the United Kingdom, France, Germany, Ireland, Italy, and Sweden.

The 1992 Treaty on European Union, also known as the Maastricht treaty, created the EU and merged EU countries' economic systems together to form the Commission of the European Communities (EC)—a governing body that presides over participating countries. Specifically, the EC "constitutes a separate legal system that is distinct from, but closely integrated with, international law and the legal systems of the EU member states."⁶ The EC upholds European Contract Law, which is enforced in all EU member states and serves as the basis for regulation of European procurement. The enforcement of EC legislation is carried out by the Court of Justice of the European Communities (ECJ)—a judicial branch that resembles the U.S. Supreme Court.

International Organizations and Trade Agreements

This article is meant to serve as a resource for improved collaboration between nations. With this in mind, it is important to note the many forms of international procurement systems that are already in place. These systems include numerous forms of international law that guide current worldwide procurement practices and international organizations that help to enforce and provide support for such collaboration. The most active international alliances are identified in **FIGURE 1**. There are two separate categories of international organizations: (1) nongovernmental organizations (NGOs) and (2) international governmental organizations (IGOs). There are many different types of IGOs—including the United Nations (UN), the EU, and the African Union (AU). All of these organizations contain sectors that specifically cater to the procurement of goods and services, as well as the areas of purchasing, supply, and contract management. These organizations are vital for facilitating mitigation of international issues in these areas.

Surrounding these international actors is a certain form of international law that consists of mutual agreements between nations, called "multilateral agreements" or "treaties." One of the major international agreements governing international procurement is the Government Procurement Agreement (GPA). Enacted in the early 1990s, the GPA formed a precedent for international conduction of public procurement and was the first of its kind to administer a common set of values between nations. This agreement was initiated by the World Trade Organization (WTO) and at least 28 nations have signed and ratified the agreement,⁷ including Canada, the EU, and the United States.⁸ According to the WTO,

Most Active International Alliances				
	Area (km ²)	Population	GDP per capita (PPP)	Members
Agadir (Arabic Mediterranean Nations)	1,703,910	126,066,286	4,075	4
AU (Africa)	29,797,500	897,548,804	1,869	53
ASEAN (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, and Vietnam)	4,400,000	553,900,000	4,044	10
CACM (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua)	422,614	37,816,598	4,219	5
CARICOM (small Caribbean nations)	462,344	14,565,083	4,409	(14+1)
CCASG/GCC (Arab States of the Gulf)	2,285,844	35,869,438	14,949	6
CEFTA (6 Balkan States, Kosovo, Moldova)	298,148	28,929,682	7,675	(7+1)
EU (27 European Member States)	4,325,675	496,198,605	24,235	27
EurAsEC (Belarus, Kazakhstan, Russia, Tajikistan, Uzbekistan)	20,789,100	208,067,618	8,118	6
GUAM (Azerbaijan, Georgia, Moldova, Ukraine)	810,506	63,764,600	7,154	4
NAFTA (United States, Canada, Mexico)	21,588,638	430,495,039	35,491	3
PARTA (Pacific Islands)	528,151	7,810,905	2,954	(14+2)
SAARC (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka)	5,136,740	1,467,255,669	2,777	8
Unasur/Unasul (South America)	17,339,153	370,158,470	7,749	12

Source: Lecture, Dr. Mariely Lopez-Santana, March 26, 2008.

FIGURE 1.

...the intention of the GPA is to ensure that government decisions regarding government purchases of goods and services do not depend upon where the good is produced or the service rendered, nor upon the supplier's foreign affiliations. The GPA signatories' initial step in establishing this "non-discrimination" was to create a working group at the 1996 Ministerial Conference in Singapore to investigate government procurement transparency. All WTO members were represented in this working group.⁹

From this working group, enforcement and implementation of this agreement is easier to monitor. One of the strengths of the GPA is that it focuses on extending topics of governance to "procurement of services and construction and also to subfederal government and some state enterprises."¹⁰ Its goals center on fixing major problematic issues such as discrimination and lack of transparency. However, the larger purpose of the GPA "is to establish a multilateral framework for government procurement 'with a view to achieving greater liberalization and expansion of world trade and improving the international framework for the conduct of world trade.'¹¹

Unfortunately, since this was one of the first treaties created to govern international procurement, there have been quite a few missteps in its enforcement. A few issues with the GPA are that it is not static, has limited membership, and has a lack of specificity in some areas (such as negotiation).¹² Despite these shortcomings, this is the first agreement to identify important international concerns that helped to formulate a model that depicts the ideal, functioning system for international procurement.

Another important multilateral agreement is the North American Free Trade Agreement (NAFTA), which allows for free trade between Canada, Mexico, and the United States. NAFTA is determined to "resolve issues related to government procurement, to provide a forum for future negotiations, and to facilitate technical cooperation between the parties." Under Article 1021 of NAFTA, a committee on small business, comprised of representatives of all three nations, is required to meet at least once a year to promote government procurement opportunities for small businesses. It also details the obligation of each nation to respect nondiscrimination, transparency, and national treatment. Other important topics are also

detailed, including negotiation, contract awarding, selective and open tendering, and fairness in bid challenging, among others. As one of the most important multilateral agreements to date, NAFTA opened the doors for other successful free-trade agreements between nations.

An important treaty, introduced by the United Nations Commission on International Trade Law (UNCITRAL), is the 1994 Model Law on Procurement of Goods, Construction, and Services, with Guide to Enactment. This treaty specifically recognizes that certain aspects of the procurement of services are governed by different considerations from those applicable to the procurement of goods and construction. This agreement established procedures that promote integrity, confidence, fairness, efficiency, competition, and transparency. Each nation under this treaty believes these values lead to increased economic development both nationally and internationally.

One particular international partnership that receives relatively little attention is the EU-Mexico agreement. Mexico served as a particular key investment for the EU due to its strategic position at the border of the United States.¹³ As of October 1, 2000, bilateral relations between the EU and Mexico were entered into with the Economic Partnership, Political Coordination, and Cooperation Agreement (Global Agreement) signed in Brussels on December 8, 1997. For international procurement, this agreement is essential since in addition to establishing a free-trade area with goods and services, it also launched the mutual opening of the procurement markets and the liberalization of capital movements and payments. This agreement serves as a historical benchmark for the EU since it marks its first trans-Atlantic agreement. However, although the agreement poses high potential and significant achievements, it has also been given considerable criticism. According to a report by Rodolfo Reveles from the Alternative Regionalisms Programme at the Transnational Institute,

[The agreement has] left the Mexican state unable to implement policies to promote local small- and medium-sized enterprises. The Mexican finance sector, in particular, has been left to the mercy of EU and U.S. capital, failing in its role of providing credit for production. In industry, the EU is increasingly gaining a foothold in sectors that are strategic for the country's future, justifying this with rhetoric promoting development and cooperation. In agriculture, on 1 January 2008, the Mexican countryside will be completely open to trade with the EU, as it is with NAFTA, leaving millions of small farmers and their families even less protected. Forced to compete with large, highly subsidized transnationals, they will have no choice but to continue migrating to cities and, eventually, to the United States.¹⁴

Reveles further reflects that, for the EU,

[Entering into the agreement] represented several advantages for the EU, allowing the EU to establish a platform for European companies seeking to assemble for or export to the North American market and keeping those companies from being displaced from the Mexican market. It also provided privileged access to resources, infrastructure, and cheap labour to solidify the position of European transnationals in Latin America's emerging markets.¹⁵

This agreement is very different from NAFTA and the EU since those treaties are multilateral. The Global Agreement is bilateral, distinctly made by two unequally developed countries. Therefore, its implications for the international community are strong, especially since the EU and the United States do not currently have an established free-trade agreement. Consequently, Mexico has more of an advantage from working with the EU than does the United States in this context.

These agreements allow those in the acquisition management field to work across state boundaries with free-trade and free-market benefits. With these partnerships in place, many improvements have already been made, including the quadrupling of trade among developed countries and the increasing percentages of Gross Domestic Product (GDP) derived from trade and procurement.

Summary of Initial Discussion

With the help of international organizations and multilateral agreements, all nations are able to openly express their values and expectations relating to public procurement. This practice allows countries to either accept or deny the international norms and, if they accept them, to internalize and promote them into their own national laws and regulations. Each nation is also able to notify an international organization of an issue or problem with either its own procurement system or that of another nation. The organization can then either call together a meeting to resolve the issue or act in mediation to develop a resolution. These tools of international relations mobilize nations to both widen and deepen their application of mutually agreed upon international procurement standards.

II. Important Factors Affecting Collaboration

Current National Economic Standing

For successful and sustainable cooperation with a foreign nation, knowing its current economic situation is essential to prevent unintended consequences. The level of a nation's economic development is one of the key factors that influence its ability to achieve economic growth both domestically and abroad. The ability to conduct business with another nation depends upon several economic factors:

- Currency,
- Exports,
- Unemployment,
- External debt,
- GDP growth, and
- GDP per capita.

Economically, the EU, Canada, and the United States are relatively similar, while Mexico deviates significantly. The following brief economic profiles, taken from the U.S. Central Intelligence Agency's *The World Factbook*, provide a succinct economic overview of each region.

European Union Economic Overview

Internally, the EU is attempting to lower trade barriers, adopt a common currency, and move toward convergence of living standards. Internationally, the EU aims to bolster Europe's trade position and its political and economic power. Because of the great differences in per capita income among member states (from \$7,000 to \$69,000)...the EU faces difficulties in devising and enforcing common policies. For example, since 2003, Germany and France have flouted the member states' treaty obligation to prevent their national budgets from running more than a 3% deficit. In 2004 and 2007, the EU admitted 10 and two countries, respectively, that are, in general, less advanced technologically and economically than the other 15. Eleven established EU member states introduced the euro as their common currency on 1 January 1999 (Greece did so two years later), but the UK, Sweden, and Denmark chose not to participate. Of the 12 most recent member states, only Slovenia (1 January 2007) and Cyprus and Malta (1 January 2008) have adopted the euro; the remaining nine are legally required to adopt the currency upon meeting EU's fiscal and monetary convergence criteria.¹⁶

Canada Economic Overview

As an affluent, high-tech industrial society in the trillion-dollar class, Canada resembles the U.S. in its market-oriented economic system, pattern of production, and affluent living standards. Since World War II, the impressive growth of the manufacturing, mining, and service sectors has transformed the nation from a largely rural economy into one primarily industrial and urban. The 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA)...touched off a dramatic increase in trade and economic integration with the U.S. Given its great natural resources, skilled labor force, and modern capital plant, Canada enjoys solid economic prospects. Top-notch fiscal management has produced consecutive balanced budgets since 1997, although public debate continues over the equitable distribution of federal funds to the Canadian provinces. Exports account for roughly a third of its GDP. Canada enjoys a substantial trade surplus with its principal trading partner, the U.S., which absorbs 80% of Canadian exports each year. Canada is the U.S.'s largest foreign supplier of energy, including oil, gas, uranium, and electric power. During 2007, Canada enjoyed good economic growth, moderate inflation, and the lowest unemployment rate in more than three decades.¹⁷

Mexico Economic Overview

Mexico has a free market economy in the trillion-dollar class. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the United States; income distribution remains highly unequal... Mexico has 12 free trade agreements with over 40 countries, including [the United States, Canada,] Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements... [Mexico] continues to face many economic challenges, including the need to upgrade infrastructure, modernize labor laws, and allow private investment in the energy sector. [President] Calderon has stated that his top economic priorities remain reducing poverty and creating jobs.¹⁸

United States of America Economic Overview

The U.S. has the largest and most technologically-powerful economy in the world, with a per capita GDP of \$46,000. In this market-oriented economy, private individuals and

business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. U.S. business firms enjoy greater flexibility than their counterparts in Western Europe... in decisions to expand capital plant, to lay off surplus workers, and to develop new products. At the same time, they face higher barriers to enter their rivals' home markets than foreign firms face entering U.S. markets. U.S. firms are at or near the forefront in technological advances, especially in computers and medical, aerospace, and military equipment....The onrush of technology largely explains the gradual development of a "two-tier labor market" in which those at the bottom lack the education and the professional/technical skills of those at the top and, more and more, fail to get comparable pay raises, health insurance coverage, and other benefits. Since 1975, practically all the gains in household income have gone to the top 20% of households. The response to the terrorist attacks of 11 September 2001 showed the remarkable resilience of the economy. The war in March-April 2003 between a U.S.-led coalition and Iraq, and the subsequent occupation of Iraq, required major shifts in national resources to the military. The rise in GDP from 2004-07 was undergirded by substantial gains in labor productivity. Hurricane Katrina caused extensive damage in the Gulf Coast region in August 2005, but had a small impact on overall GDP growth for the year. Soaring oil prices in 2005-2007 threatened inflation and unemployment, yet the economy continued to grow through year-end 2007. Imported oil accounts for about two-thirds of U.S. consumption. Long-term problems include inadequate investment in economic infrastructure, rapidly rising medical and pension costs of an aging population, sizable trade and budget deficits, and stagnation of family income in the lower economic groups. The merchandise trade deficit reached a record \$847 billion in 2007. Together, these problems caused a marked reduction in the value and status of the dollar worldwide in 2007.¹⁹

Economic Discussion

These brief economic profiles, as well as the other economic data presented by *The World Factbook*, illustrate many similarities and differences between these four regions' economies. The biggest discrepancy, for example, is the measured GDP per capita income. While Canada is closest to the United States' GDP per capita of \$46,000 with \$38,200, other regions have quite lower GDP per capita (such as Mexico, with only \$12,500, and the EU, with less than \$10,000).²⁰ This incongruity is similar to each nation's unemployment rate. Currently, the unemployment rate in the EU is at 8.5 percent, almost twice of that of the United States

(4.6 percent); Canada staggers somewhere in the middle with six percent while Mexico's is hard to determine due to the "underemployment" rate of 25 percent (making the actual unemployment rate of 3.7 percent incomparable).^{21, 22}

A significant suggestion of *The World Factbook* data is that all of the other regions have a higher industrial production growth rate than the United States—1.2 percent for Mexico, 1.6 percent for Canada, and 2.6 percent for the EU.²³ Since the industrial production growth rate in these countries is higher than the United States, this suggests that their general economies are still developing. This represents a great opportunity for better international collaboration between these nations since more economic growth within a country paves the way for investment opportunities by foreign enterprises.

Another interesting conclusion of *The World Factbook* data is that the United States is the biggest receiver and contributor to imports and exports in all the studied countries. The United States buys 23.3 percent of the EU's exports and produces 13.8 percent of its imports. With Canada and Mexico, the figures are even higher. For Canada, U.S. exports are at a rate of 81.6 percent and imports are 54.9 percent. With Mexico, exports to the United States account for 84.7 percent.²⁴

Current Rates of Government Procurement

Similar to economic statistics, government procurement statistics also vary between nations. Depending on the development status of a state, its procurement involvement will either greatly support the GDP or will leave it unaffected. For this, Global Trade Negotiations, an advisory committee to Harvard University that excels in trade research, notes that "government procurement of goods and services typically accounts for 10-15 percent of GDP for developed countries, and up to as much as 20 percent of GDP for developing countries."²⁵ The EU, Canada, and Mexico are on the higher end of this spectrum with the EU currently at 16 percent and Canada and Mexico both at 15 percent.²⁶ For the EU in particular, "the purchases of goods, services, and public works by governments and public utilities [are] estimated at about 16 percent of the Union's GDP, or €1600 billion, in 2006. Its importance varies significantly between member states ranging between 11 percent and 20 percent of GDP."²⁷ This broad range of procurement activity shows that the EU is not a reliable entity for consistent procurement rates since these rates vary greatly between each individual member state. Therefore, in this respect, Canada and Mexico have more constant and unified rates of procurement that may be easier to work with when dealing with international contract law, as well as other economic relations.

Globalization

In simplistic terms, “globalization” is the dissipation of national culture and identity throughout the world. In other words, it is the merging of cultural values and methods into a single global identity. There are various views on globalization, some of them claiming it to be a loss of national identity while others describe it as a greater passage to cultural understanding and acceptance. Nonetheless, globalization is greatly affecting universal procurement, exemplified by international treaties such as NAFTA and IGOs such as the EU. More specifically, “globalization is challenging procurement and supply management executives to identify and implement new strategies for managing a more diverse, geographically dispersed supply base.”²⁸ A more general point of view on globalization is that it “is a neutral concept of a global economy in which work is divided worldwide to benefit from cost advantages.”²⁹ With globalization effectively playing a role in the international acquisition of goods, the risks are significant, but the opportunities are equally great. It is therefore imperative to deduce that “ultimately, all enterprises must learn to compete in the global economy.”³⁰

Competition is vital to successful national procurement. Since globalization directly affects the abilities of nations to compete with one another, ways to mitigate positive globalization will have to be discovered sooner rather than later. Unfortunately, globalization can carry with it both positive and negative effects. On the positive side, scholars such as Sandra Switzer and Michael Stropki claim that “in our 21st century global market economy, there are significant technological, political, and economic benefits for pursuing transatlantic cooperation.”³¹ Further, “in the economic element, the pressures of globalization are attempting to bring the United States and Europe closer together and create a thriving Euro-Atlantic economy that...industries are ready to enter.”³² On the negative side, the antiglobalization view emphasizes the “downside of globalization, from the destruction of the environment and the climb in unemployment...to the threat faced by farmers and the marginalization of poor countries.”³³ Even though globalization has traumatic consequences in some areas (such as environmental impact or religious or cultural friction), for the procurement profession, this opening of national doors has proved, so far, to be more of a benefit than a detriment. For example, the relationship between the United States and Europe, in particular, is believed to be greatly strengthened by globalization.

III. Procurement Principles and Values

Principles and values are the drivers and motivators of the procurement business. What a nation holds as morally

imperative is what its procurement legislation is founded upon. Nations possessing the least concrete principles tend to have the most tribulations within their procurement systems. There are many different principles vital to procurement and each region has their own personal set protected under their national laws. Overall, these regions have many principles in common, but some are more highly regarded and closely upheld than others.

The European Union’s Procurement Principles

Although some EU countries have slightly different values, the majority agree on a few main procurement principles:

- Transparency,
- Anticorruption,
- Competitiveness, and
- Accountability.³⁴

By implementing these principles through lawmaking and holding accountable those who break them, the EU maintains an effective anticorruption policy and is subject to several transparency acts (such as the GPA and European Contract Law) and several WTO agreements (such as the WTO Plurilateral Agreement on Government Procurement). These agreements ensure the EU’s commitment to serve and protect these values.

Transparency

The first principle believed to be essential to procurement success in the EU is transparency. As included in EU policy:

The principle of transparency requires clarity with regard to decision-making, actions, and policies at both the national and international level, in public, mixed, and private institutional settings as to:

- Their position in the overall context of institutional decision-making;
- The organizational context in which they are set;
- The allocation of powers within that structure;
- The actual process of their establishment, including the parameters according to which it takes place; and
- Their content, including their status.³⁵

The EU is constantly looking for ways to improve their transparency, even though theirs is one of the more

transparent systems in the world. Following this trend, the “Transparency Initiative” was recently launched to enable Europe to speak for itself through greater openness and more effective tools.³⁶ Since then, many groups (such as the Society of European Affairs Practitioners, the European Public Affairs Consultancies Association, and the Alliance for Lobbying Transparency and Ethics Regulation) have all adopted codes of conduct with the core objective being to promote greater transparency of procurement activities.³⁷

Anticorruption

Under this belief, it is assumed that the market (not the state) should pick the winner—no favoritism between buyers and suppliers should be allowed. The EU has already taken many measures to combat corruption by producing a great deal of legislation to support the effort. A few examples of such legislation are as follows:

- Article 29 of the Treaty on European Union mentions preventing and combating corruption as one means of achieving a European area of freedom, security, and justice;
- The 1997 “Action Programme on Organised Crime” calls for a comprehensive anticorruption policy based on preventive measures;
- The 1998 Vienna Action Plan and the Tampere European Council in 1999 identified corruption as a particularly important area where action was needed; and
- The “Millennium Strategy on the Prevention and Control of Organised Crime” reiterated the need for approximation of national legislation to develop multidisciplinary EU policies and urged member states to ratify EC anticorruption instruments.³⁸

Examples of the EU’s efforts to directly tackle corruption include:

- Two conventions on the protection of the EU’s financial interests and the fight against corruption involving officials of the EC or officials of EU member states; and
- The European Anti-Fraud Office, established in 1999, which has inter-institutional investigative powers.³⁹

Therefore, although EU member states are not currently required by international law to comply with anticorruption

methods, they do identify their collective interests as wanting to mitigate corruption.

Transparency International, a global corporation dedicated to fighting corruption, publishes a “Corruption Perceptions Index” (CPI) report each year that ranks 180 countries by their perceived levels of corruption (as determined by expert assessments and opinion surveys). A CPI score of “10.0” indicates a highly reputable system with little or no corruption and a score of “0” designates a highly corrupt system. The 2007 CPI report identified European countries as having CPI scores between 4.0 and 10.0. Countries like the United Kingdom, Sweden, Finland, and Slovenia were identified as having the most transparent systems, whereas others (such as Poland and Greece) leaned more toward the 4.0 side of the scale. The western EU countries focused on in this article all maintained between a 7.9 and a 10.0.⁴⁰

Competitiveness

EU procurement organizations urge businesses to learn to compete and to become more competitive. They believe this will drive innovation and efficiency and generate welfare gains.⁴¹ To enhance competitiveness, the EU protects efficient markets from bid-rigging and inflated prices. In general, competitiveness helps to perpetuate the acquisition process as well as help the economy.

Accountability

Accountability is the backbone of every nation’s procurement process and is essential for ensuring that each step in the process is closely monitored. Accountability makes certain that those who carry out procurement tasks are fulfilling their obligations to abide by the corresponding rules and regulations, and that those who do not will receive the proper disciplinary action.

Louise Knight describes that under accountability, “procuring public entities and their officers must be accountable for the effectiveness, efficiency, [and] legal and ethical manner in which they conduct procurements. They can be asked and should be able to explain at all times their way of operating.”⁴² This way, no “shady” practices can go undetected. The EU exemplifies accountability in their procurement practices by creating an environment of transparency and competitiveness where opaque practices are more difficult to come by.⁴³

The European Anti-Fraud Office, in particular, seeks out fraud and other irregular activities and assures responsibility to the citizens of Europe.⁴⁴ Another example includes numerous EU-led regional workshops held internationally.

One such workshop, “Promoting Transparency and Accountability of Local Governments and Deterring Corruption in Public Contracting and Procurement,” was held in Bali, Indonesia, in June 2006.⁴⁵ Through these two initiatives (implementing the Anti-Fraud Office and holding conferences with other nations in order to promote accountability and transparency), among many others, it is evident that the EU accountability is of the utmost importance.

Canada’s Procurement Principles

Canada has very few problems reinforcing its main procurement principles:

- Transparency,
- Fairness, and
- Openness.⁴⁶

Canada’s principles are consistent with the current policy and legislative base governing federal government procurement.⁴⁷ For a number of years, Canada has been fully complying with treaties governing procurement activity. Within its Procurement Review Policy, it is stated that one of Canada’s objectives is “the preeminence of operational requirements, competition, fairness, and accessibility as major policy cornerstones of the federal procurement process.” Canada has several different committees—such as the Procurement Strategy Committee (PSC)—that regularly ensure that policies reflecting Canada’s procurement principles are being upheld.

Transparency

Canada allows for greater transparency through several different government initiatives. The first of these initiatives is “MARCAN.” Established in 2001, this online enterprise,

...provides links to Web sites that may publish tender notices for procurement opportunities within the Canadian public sector. MARCAN also provides information on the rules for public sector procurement that governments have committed to under the AIT [Agreement on Internal Trade], general compliant procedures, and procurement contact information, as well as statistics on government contracting reported by governments.⁴⁸

With MARCAN, anyone can access important information regarding Canadian public procurement. MARCAN is one of Canada’s facilitators of international transparency. Some other measures to strengthen the transparency of Canadian government procurement include:

- A legislated commitment to fairness, openness, and transparency in the procurement process;
- Promoting fairness, openness, and transparency through the independent third-party review of a new policy on managing procurement;
- Including integrity provisions in contracts to preclude corruption, collusion, and the payment of contingency fees in the procurement process;
- Providing accreditation and training for procurement officers; and
- Removing access barriers for smaller vendors and vendors in all regions of Canada.⁴⁹

Fairness

“MERX,” Canada’s electronic tendering service, provides for the procurement process to be conducted openly by use of the Internet. The purpose of this service, as stated by one study on Canada’s approach to transparency, is to “support government procurement policies and trade agreements, which ensure all businesses within their jurisdiction and the jurisdiction of their respective trading partners have fair and equal access to all competitive procurement opportunities.”⁵⁰

Openness

Evidence of Canada’s dedication to protecting its procurement principles is clearly visible since nothing is hidden from its e-procurement system. Canada is effectively able to cautiously monitor and promote its procurement methods. Other legislation introduced by the Canadian government to promote this principle includes the Code of Conduct for Procurement and the Federal Accountability Act.

Mexico’s Procurement Principles

With Mexico, it is most apparent that its identified core procurement principles come from international pressure and coercion. This is due to Mexico’s rocky economic past where it lacked the internal infrastructure and resources to reinforce/protect these principles. Mexico’s identified important procurement principles include:

- Transparency,
- Open-tendering,
- Nondiscrimination, and
- Anticorruption.

International agreements appear to greatly influence these procurement principles. For example, Mexico is subject to

many agreements that emphasize principles such as transparency (such as the GPA). Similarly, Mexico's principles of nondiscrimination and anticorruption were derived directly from NAFTA, where each country is required to uphold the responsibility of implementing these two principles. More specifically,

...according to the NAFTA, no country will treat a locally established supplier in less favorable terms than those granted to another locally established supplier on the basis of degree of foreign participation or ownership, nor shall they discriminate against a locally established supplier on the basis that the goods or services offered by such supplier are goods or services originated in a third country.⁵¹

Therefore, many of Mexico's procurement principles were not intrinsically created, but were rather encouraged by international entities. This means that since such values were not originally internalized, their implementation may be less evident in some areas. The creation of the Federal Law of Transparency, as well as the Access to Public Government Information Act, makes the enforcement of these principles possible, but, in reality, difficult to be carried out.

Transparency

One report from the U.S. International Monetary Fund claims that, "in recent years, Mexico has made considerable progress in improving transparency in public finances. Major initiatives include reform of the budget process...overhaul of public procurement" and "strengthening of internal control and external audit."⁵² Many different forms of legislation have recently been created to improve Mexico's transparency. Examples of this are the "National Index of Transparency and Good Governance" by *Transparencia Mexicana*, an organization that conducts surveys and inspections,⁵³ and the CITCC,⁵⁴ a program initiated in 2001 to help Mexico's progression to a fully transparent and honest government. The CITCC is responsible for the "Transparency Index"—an index created to identify links with society, as well as to evaluate the anticorruption efforts made by federal agencies. However, the only problem with such government initiatives is that they lack visible accountability.

On the other hand, the creation of online resources such as Mexico's *Compranet* makes all bidding and procurement activity available to the public. With *Compranet*, anyone is able to freely view the tendering process between buyers and suppliers. Therefore, the main objectives of this e-procurement system, as it relates to transparency, are "to make the process of government purchasing more efficient

and transparent, and to provide public information on the procurement process."⁵⁵ Therefore, these advancements in technology have enabled accountability and implementation for transparency in Mexico.

Anticorruption

All over Mexico, despite periodic anticorruption drives, corruption continues to be one of the nation's worst problems. Within this context, corruption can be defined as: "the use of a public position for gaining private benefits."⁵⁶ Several federal programs initiated to target and mitigate corruption include:

- The Mexican Federal Anticorruption Policy (MFPA),
- The Public Administration Modernization Program (PROMAP), and
- The Federal Competition Commission (CFC).

In addition, Mexican President Felipe Calderon has taken personal measures to fight corruption.

These different measures have their own respective components. The first program, MFPA, created new institutions, such as the Federal Law for Public Procurement, whose goals, in terms of achieving anticorruption, were "characterized by institutional reforms, outlining responsibilities, functions, objectives, and goals for every federal agency."⁵⁷ These initiatives marked a good start for anticorruption measures. Under MFPA, "these policies and actions contributed, in some way or another, to reduce potential risks of corruption in the management of public agencies and services," but were still lacking major reforms.⁵⁸ Therefore, between 1995 and 2000, PROMAP was established to reform MFPA. This new program had two aims: (1) "to transform the MFPA into an effective and efficient organization with strong culture of service in order to satisfy the social needs," and (2) "to combat both corruption and impunity through preventive actions and the steady and effective execution of corrective actions."⁵⁹

In addition to the previous measures, CFC has implemented plans to target corruption in business. A great amount of this corruption can be attributed to monopolies. Designed to promote competition, the CFC "is active in fighting monopolies in the Mexican economy."⁶⁰ *Televisa*, for instance, is one such monopoly. "*Televisa* [is] Mexico's media monopoly and *de facto* ministry of public image and opinion of the government and the system. *Televisa* is one of the backbones of Mexico's corrupt system."⁶¹ Another monopoly responsible for ongoing corruption is Telmex, Mexico's main phone com-

pany. The main reason CFC was implemented was to “help the Mexican people tighten the screws on the monopolies.”⁶²

Before President Calderon’s first day in office, he announced a six-point plan to “tackle the bribes, kickbacks, and robbing of government coffers that continue to plague Mexico.”⁶³ Since then, the Mexican president has implemented measures to ban government officials from receiving official gifts worth more than \$50, and has recently removed all 284 of Mexico’s top federal police officers from their jobs, forcing them to prove they will not be corrupted.⁶⁴ As seen by Mexico’s CPI score of 3.5, it is obvious that these drastic measures for reform are extremely critical in combating corruption, even if their progress is slow in coming.

The lack of a firm infrastructure causes Mexico to lag behind in resources that could be extremely helpful toward reinforcement of its procurement principles. However, the fact that Mexico has signed numerous treaties, created an e-procurement system dedicated to transparency, and recently elected a president that enforces anticorruption and nondiscrimination measures provides hope for Mexico’s procurement future.

Summary and Comparison to Common United States Procurement Principles

Evident in the U.S. *Federal Acquisition Regulation (FAR)*, the United States highly values:

- Accountability,
- Transparency, and
- Competition.

The U.S. federal government has a very complicated and fragmented procurement organizational structure within the domestic framework of its three branches of government: legislative, judiciary, and executive.⁶⁵ Within this constitutional framework, procurement statutes are implemented through various executive agencies and councils, including, but not limited to:

- The Office of Management and Budget,
- The Office of Federal Procurement Policy,
- The Defense Acquisition Regulatory Council,
- The Civilian Agency Acquisition Council,
- The Federal Boards of Contract Appeals, and
- The *FAR* Council.

The U.S. acquisition and procurement process is highly developed and integrated with a fairly limited amount of corruption, accounting for its fairly decent CPI score of 7.2. However, Canada currently surpasses the United States in both effective transparency and level of corruption. This

suggests that improved collaborative efforts initiated between the United States and Canada would benefit transparency and anticorruption efforts in U.S. procurement.

Both the United States and Canada have central governments that are directly accountable for procurement activity. The EU, on the other hand, is responsible for more than one country and procurement accountability is therefore more difficult to monitor. Similarly, Mexico’s government is moving toward better enforcement of its principles, but is still not up to par with that of the United States. Therefore, when it comes to methods of declaring and implementing national procurement values, the greatest amount of congruity is found between the United States and Canada.

Interestingly, among all four regions, transparency is evidently the most highly regarded procurement principle. This means that all four regions have identified at least one international norm that provides common ground for communication and interaction.

IV. Procurement Environments

The regional environment in which procurement is conducted greatly varies between nations. Some systems are complex, whereas others are more standardized and concentrated. When considering integration with another country, it is vital to acquire a sense of the type of public procurement environment it has in order to more easily detect any major deviations or correlations that could impact the status quo. According to the *International Research Study of Public Procurement*, “there is a substantial impact on purchasing and supply arising from factors such as different organizational structures for public-sector services; different regulatory, legislative, and funding arrangements; and different cultures.”⁶⁶

The European Union’s Procurement Environment

The EU has tried to create a centralized environment with the incorporation of common procedures and legislation. However, according to Louise Knight, “while there is some commonality, there are also considerable differences between the European jurisdictions in the nature of their respective procurement functions.”⁶⁷ Therefore, although the EU member states are more or less conducting procurement activity in the same manner, under the same European Contract Law, and guided by the EC, their individual environments still have considerable differences.

As previously stated, the EU countries with the most developed procurement systems include the United Kingdom, Germany, France, Italy, and Sweden. There are certain

similarities among national industries, but each nation's industrial structure greatly differs from one another. First, British industry is known to be private, horizontally integrated,⁶⁸ and highly rationalized. Next, German industry, while also private, differs from British industry in that it is vertically integrated⁶⁹ and still in the early stages of rationalization. Sometimes considered to be one of the most complex in the world, the public procurement system in Germany consists of federal, state, and regional levels, as well as approximately 35,000 public purchasing institutions.⁷⁰ This outrageous number represents an example of extreme decentralization. Since Germany is a federal republic, there are 16 independent German states where just one (Württemberg, for example) can have 10 ministries, 20 upper state authorities, 69 middle authorities, and about 600 lower state authorities.⁷¹ France, on the other hand, tends to be more fragmented and substantially state-controlled with a greater focus on privatization and heavy rationalization. In the procurement arena, France is historically reluctant to deal in cooperative programs unless it is the dominant partner and also prefers to purchase from European partners, as opposed to the United States.⁷² While Italian industry is similar to Germany in that it is vertically integrated and state-controlled, it is now leaning toward privatization. Lastly, Sweden has a concentrated industry that is almost exclusively private.⁷³ Individually, these member states, while abiding by the same rules, have very different tendencies and are in varying stages of rationalization and development within their procurement industries.

Procurement management systems in EU member states are also organized very differently. With the United Kingdom and Ireland serving as a base model, due to their extensive procurement management initiatives, "the United Kingdom and Ireland have hybrid principles and rules-based approaches with the rules-based aspect largely deriving from the European Union requirements."⁷⁴ Therefore, responsibility for procurement reform within these two countries is left up to a central resource. Other countries, such as Denmark and the Netherlands, have also developed strong central resources similar to the United Kingdom. In contrast, Belgium has comparable devolution, but lacks a sufficient central resource to provide any coordination or support for the effective delivery of the function.⁷⁵ Germany and France also deviate from the United Kingdom and Ireland in their procurement management since there is no central resource in Germany or France with overall responsibility for the development of the procurement function.⁷⁶

The EU's Council of Ministers put forth in 2004 a legislative package comprised of several public procurement directives that were intended to open up public procurement, improve the way the internal market functions, and enable the EU to reap the full benefits from an enlarged internal

market.⁷⁷ Their efforts were successful and public procurement within the EU's internal market increased cross-border competition and improved prices paid by public authorities.⁷⁸ In order to facilitate the implementation among the member states of this single, highly-transformed, and multilateral system to improve overall procurement conductivity, the EC issued an action plan focused toward e-procurement.⁷⁹ In 2006, the EC published an interpretative communication that suggested best practices and emphasized the need to encourage open, competitive, and transparent award methods to increase opportunities for businesses and attract a broader range of potential bidders and better value offers.⁸⁰ Lastly, since the enactment of the Local Government Act of 2000, the EU has been moving toward "strategic procurement," which incorporates strategies for the best business procurement possible.⁸¹ Through all these initiatives, the EU has developed smart tactics that emphasize its previously identified principles of competitiveness and transparency.

Canada's Procurement Environment

In Canada, government operates across four levels:

1. The federal government in Ottawa;
2. Ten provincial governments;
3. Thousands of municipal governments of cities, towns, and villages; and
4. Thousands more local governments and agencies.⁸²

Canada's public sector is extremely active within the nation's economy. Spending in the public sector accounts for approximately 40.5 percent of the GDP and is steadily increasing each year. Through the many different policies that incorporate public procurement into national objectives, Canada thrives as an international procurement competitor. The Treasury Board of Canada serves as the supreme power in providing procurement legislation and guidance. The "Procurement Policy Objective" published under the Treasury Board, defines four main goals for the public sector:

1. To honor the preeminence of operational requirements, competition, fairness, and accessibility as major policy cornerstones of the federal procurement process;
2. Establish long-term industrial and regional development;
3. Promote competition; and

4. Encourage the use of procurement in a selective, judicious, and cost-effective manner.

In 2007, together with the Public Works and Government Services, the Treasury Board introduced the Code of Conduct for Procurement. This important measure fosters a stronger relationship between the government and the private sector, while also ensuring that this relationship is built on transparency, accountability, and the highest ethical conduct.⁸³ This ethical legislation is implemented by the Federal Accountability Act, which established measures to strengthen accountability in Canada's government. These and many other initiatives continue to bring Canada's procurement system to its fullest potential.

Mexico's Procurement Environment

Mexico's public procurement system has come a long way in recent years. Since 2000, Mexico has sought a great amount of reformation in their procurement policies and legislation. Procurement activities in Mexico are overseen by the cabinet position of the Ministry of Public Function (SFP), as well as other government agencies such as the Ministry of Finance (SHCP).

In March 2000, two specific laws governing purchasing processes came into effect: (1) the Law of Public Works and Related Services and (2) the Law of Acquisitions, Leases, and Services of the Public Sector. This legal framework controls the three methods for purchasing goods and services in Mexico: (1) by public tender, (2) by direct award, or (3) by invitation.

Mexico's revenue from their government procurement is becoming increasingly more vital to their economy. This is due to the fact that in 2007, government procurement amounted to over \$35 billion, of which 30 percent was for the purchase of goods, 45 percent for services, and 25 percent for construction services.⁸⁴

Mexico's entire public procurement market is separated into two levels: (1) federal (government agencies and parastatal companies) and (2) subfederal (comprised of state governments and municipal authorities). Since the subfederal level is autonomous under Mexico's constitution, it has full power in creating and implementing its own rules. Based on the Law of Acquisitions, Leases, and Services and the Law of Public Works, Mexico's procurement process of open-tendering may be either national (where only Mexican citizens can participate) or international (where foreigners and citizens can both participate).⁸⁵

New reforms in Mexico, such as the New Public Management, are shaped by its political environment, which determines the possibility of implementing such reforms.⁸⁶

Therefore, once Mexico's political stability is reinforced, the durability of its reform policies will be improved and granted more international respect. Mexico's current procurement environment is that of growth and reformation. Even if it is still developing, Mexican procurement offers a promise of increasing competition.

Evaluation of Procurement Environments

Global Integrity, a nonprofit organization dedicated to tracking governance and identifying corruption worldwide, releases reports each year that track many different countries in several different areas—including procurement. Global Integrity issues each country a score between 1 and 100 based on their Global Integrity Index, which is an "entry point for understanding the anticorruption and good governance safeguards in place in a country that should ideally prevent, deter, or punish corruption."⁸⁷ The results of the 2007 report on government procurement ranks the United States first with a score of 93, Mexico second with a very similar score of 91, and Italy ranks at the bottom beneath Canada, Spain, and France.⁸⁸ This shows that Mexico's current measures implemented toward procurement reform are evidently effective. Additionally, the 2007 report also attributed a "Very Strong" title to Mexico's procurement system, and only a "Strong" to Canada. In the area of judicial accountability, Canada, Mexico, and the United States were all identified as "Very Weak." This report and others from similar organizations represent the associated vulnerability of each country in relation to their overall procurement environment.

V. The Explosion of E-Procurement

E-procurement in the European Union

E-procurement has emerged as what could quite possibly be the greatest breakthrough in public procurement to date. Along with the creation of the EU as a unified procurement empire, an e-procurement adoption in the form of the "e-Europe agenda" was born in 2000.⁸⁹ The e-Europe agenda required that a significant part of public procurement be conducted online by each member state by the end of 2005. In addition to the e-Europe agenda, the various public procurement directives that apply to all member states and the desire of jurisdictions to position themselves in the information society relative to other member states have influenced the increased importance of e-procurement in the EU.⁹⁰

Although each member state has their own individual e-procurement Web site, SIMAP—an EC project—provides

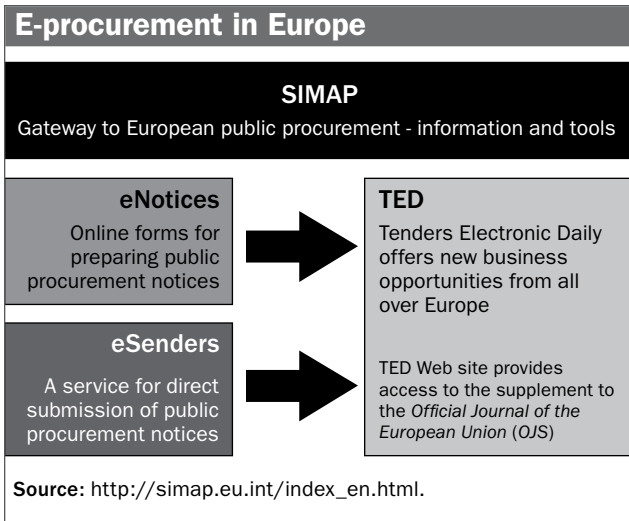


FIGURE 2.

support to suppliers and contracting entities that collectively outline how they should adopt best practice use of electronic commerce in procurement.⁹¹ Individually, the functionality of each e-procurement system varies from state to state, but a future of standardized e-procurement across Europe is not too far off. FIGURE 2 illustrates how e-procurement currently works in Europe.

E-procurement in Canada

Prior to the e-Europe agenda, Canada had already established an electronic tendering service with the previously mentioned MERX system. While MERX offers many services, its fundamental goal is to support government procurement policies and trade agreements, ensuring that all domestic businesses, as well as international trading partners, have fair and equal access to all competitive procurement opportunities.⁹² Additionally, MERX has been extremely effective over the years and thrives on keeping things simple by maintaining a user-friendly identity.

E-procurement in Mexico

You may recall from the previous section that Mexico's e-procurement Web site is called *Compranet*. This e-procurement system was introduced in 1995 in an effort to establish a cost-effective way to control and access government purchases. This government e-procurement system was set up by the Unit of Electronic Government Services within the Mexican Ministry of the Controllorship and Administrative Development (MCAD). MCAD provides participation

and negotiation between a series of key stakeholders within Mexico's government through this e-procurement system. After its conception in the mid-1990s, *Compranet* was developed quickly and by April 2002, 80 percent of all federal government acquisitions were being routed through the *Compranet* system.⁹³ Further, in addition to cutting government prices and costs, Mexico's e-procurement system has also increased transparency to some extent.⁹⁴

E-Procurement Summary

The e-procurement systems in the EU, Canada, and Mexico are very similar in context and purpose and enable these regions to better contend with each other internationally. Although *Compranet* may not yet be equivalent to the United States' FedBizOps, it most definitely has the ability to improve. As a whole, the online environment of international procurement continues to advance the procurement capabilities put forth by many nations.

VI. Issues Hindering Improved International Procurement

There are several common issues currently affecting international procurement. While some of these issues have already been touched upon (such as corruption and lack of transparency), other issues that affect procurement include:

- National preference,
- Untendered contracts,
- Lack of competitiveness,
- Absence of a central procurement office, and
- An overall decrease in efficiency.

Corruption

During an international public procurement conference in 2004, it was stated that "at the dawn of the third millennium, the issue of corruption seems more prevalent than ever before."⁹⁵ Understandably, the more decentralized a system is, the more room there is for corruption to exist. Therefore, it is the easiest transgression to occur under the structure of most nations' procurement systems. Time after time, no country is left untouched by corruption. Corruption appears in instances such as:

- Shaping the rules by influencing the lawmaking process;
- Forming cartels;

- Graft in procurement (i.e., bribe the decision-maker/issuer in order to win;
- Showing favoritism to relatives or relations;
- Counterselection of experts participating in the procurement activity; and
- Playing with time or claim special conditions so one can use exemplary rules of the law.⁹⁶

The consequences resulting from corruption are abundant and severe. At the organizational level, the costs of corruption include damaging companies, wasted tendering expenses, increasing project costs, reducing project opportunities, extortion, blackmail, money laundering, criminal prosecutions, fines, blacklisting, reputation loss, and job losses.⁹⁷ At the individual level, corruption damages individuals' credibility, reduces morale, and induces a sense of hopelessness in industry professionals who ultimately face criminal prosecution, fines, and imprisonment.⁹⁸ Despite this array of penalties, corruption still persists in even the most industrialized countries (such as China, which received a CPI score of only 3.5).

The first step toward mitigating corruption is to acknowledge that it exists. This is a step that all of the targeted regions have publically identified. While Mexico frequently deals with corruption among certain members of its government, procurement agencies in Mexico are, fortunately, the least involved in corruption.⁹⁹ This is evident in the fact that Mexico received one of the highest possible ratings in the procurement category by Transparency International. Therefore, even though the presence of corruption is still very evident in the Mexican government (evidenced by its CPI score of 3.5), the procurement sector has little to do with it.

Corruption in the EU is very hard to pinpoint due to the inconsistencies among member states. Some EU countries are virtually corruption free, whereas others are almost completely immersed in it. In 2007, the EC called upon the professional associations of notaries, lawyers, accountants, auditors, and tax consultants to continue to tighten up their self-regulatory regimes. Perhaps the biggest setback to EU procurement and the obliteration of corruption is Italy, which has consistently been ranked as unsatisfactory. Fortunately, from the new EU public procurement directives that focus on the opening up of the internal market and increasing cross-border competition,

Article 45 contains a new provision for the mandatory exclusion of candidates for participation in a criminal organisation, corruption, fraud, or money laundering.... Contracting authorities must exclude candidates if they are aware of such convictions. It [also] requires member states to assign competent authorities to supply contracting authorities with the relevant information about such convictions.

This initiative will hopefully put a concentrated effort on Italy to tackle corruption within its system.

However, according to Kirstine Drew, an authority on anticorruption, "in the UK, even though, in principle, legal persons can be convicted for corruption, the difficulty of establishing a 'controlling mind' means that in practice it is unlikely that companies will be prosecuted."¹⁰⁰ Specifically, if corruption was to increase within the United Kingdom, abolishment of such corruption would take longer than requested. Similarly, there is a significant time gap within the EU between the conviction and the actual disqualification of companies involved in corruption, as described by the following:

An EU study on public procurement and organised crime... found that there is no consistency on the period of time for exclusion. Some member states only allow exclusion from the current tender (Austria, Denmark, Finland, Ireland, the United Kingdom, the Netherlands, and Sweden); others allowed for indefinite exclusion (France, Greece, and Italy); whilst others for a set period of time (Belgium, Germany, Portugal, Spain, and Luxembourg) but varying, for example, from 3-10 years in the case of Belgium to five years or less in the case of Spain.¹⁰¹

This represents an issue of inefficiency. Although the process of implementing anticorruption measures may require some re-evaluation, the amount of actual corruption is not one of the most pressing factors of the EU's procurement activity.

Canada is one of the few countries in the world that is virtually corruption free. By "virtually," it is implied that when instances of bribery or corruption are identified, sanctions and judicial prosecution are immediately implemented to terminate the illegal activity. When small instances of corruption do happen, it is made a primary issue and becomes resolved almost instantaneously. Since Canada has such high accountability within its government, corrupt practices are relatively nonexistent.

National Preference

National preference occurs when a particular government procurement system is "home-biased," or discriminatory, in its purchases or selection of suppliers. This phenomenon occurs because each government tends to satisfy its requirements by showing clear preference to purchasing from the national industry first.¹⁰² However, when the procurement system within a nation adopts a *de facto* policy of national preference, it affects the relative specialization of the country and reduces trade volume.¹⁰³

Some of Europe's policies that promote national preference are the "national champion policies," which involve awarding major contracts almost exclusively to major national industries in an effort to maintain a strong domestic industrial and technology base, even if this practice means keeping relatively unprofitable national champions in business.¹⁰⁴ These policies are known to lead to inefficiency, overcapacity, and duplication. According to Professor John Linarelli, who is actively involved with the American Society of International Law, the top EU countries that prefer domestic procurement are France, Spain, and the United Kingdom.¹⁰⁵ Mexico and Canada, on the other hand, are not particularly home-biased in their government procurement (which may account for why Mexico is particularly more competitive than the EU).

Untendered Contracts

The tendering process of most procurement systems is believed to be one of the most important. Unfortunately, interpretation of Canadian procurement policies and legislation is more or less flexible. For example, in an auditor general report to the Canadian Parliament, 89 percent of contracts were supposed to be tendered, but only 11 percent actually were. According to author Gord McIntosh, this violates the law where, "under federal rules, contracts must be tendered with four exceptions: the contract is needed in a genuine emergency; the value is small (under \$25,000); only one supplier can do the work or supply the product; or, simply, that tendering is not in the interest of national security."¹⁰⁶ So, in this matter, Canada did not assume responsibility and deviated from their national procurement legislation. There are many other instances of such use of untendered contracts. An author and scholar on the matter of procurement, Michael Bryers, said in an interview that Canada is "also using untendered contracts to purchase equipment, and this significantly inflates the costs. These extra, unnecessary costs constitute money that isn't then available for other purposes—such as development internationally, and schools and healthcare...domestically."

This issue is most likely the biggest in Canadian procurement. If the use of untendered contracts persist, a national lack of competitiveness could ensue, injuring the economy. In Mexico and the EU, the problem of untendered contracts is apparent in some instances, but not enough to substantially affect overall procurement.

Lack of Competitiveness

Many countries within the EU operate without competition due to the fact that the EC acts as a central governing agency

that exerts strong control over the lower-level organizations (the states) and leaves out room for competition within the public system. Therefore, since countries within the EU allocate purchasing responsibilities to regional governments, they can be described as meso purchasers operating in noncompetitive environments.¹⁰⁷ This can have a negative impact since the smaller the purchasing environment, the smaller the opportunities companies have to compete.¹⁰⁸

Additionally, since the majority of Europe is horizontally organized, competition between purchaser organizations is relatively uncommon. Despite the infrequency of competition, some countries (such as Germany and the Netherlands) are developing better competition between purchaser organizations.¹⁰⁹ Currently, the public procurement system under the EU as a whole hinders the functioning of a genuinely competitive common market.¹¹⁰ However, competition is hoped to increase with new EC directives aimed at improving competition. These new actions to improve competition were just proposed in December of 2007, so while the results and progress reports are not yet available, it is evident that the EU identifies noncompetition as a problem and has begun to address it.

Lack of a Central Procurement Office (Mexico Only)

Although Mexico is successfully improving its procurement system, the decentralization of government procurement within the region is becoming progressively more problematic. This can be attributed to Mexico's lack of a central procurement office. The biggest issue here is that with no central procurement office, federal government agencies, state corporations, and federal states are autonomous in the planning and carrying out of public purchases.¹¹¹ Responsibility for implementing government procurement legislation is divided among the SFP, the SHCP, the Ministry of Administrative Development (SECODAM), and the Ministry of Economic Relations (SECOFI). Due to this fragmented structure, communications between agencies are often misinterpreted and disorganization is a frequent problem. In recent years, SFP has taken on the majority of Mexico's procurement legislative functions, but a separation of powers is still apparent and affects Mexico's overall government procurement.

Inefficiency

Altogether, these issues of corruption, national preference, untendered contracts, lack of competitiveness, and absence of a central procurement office all add to a decrease of overall efficiency. With increased international collaboration and

development, all of these issues can be mitigated and prevented from reoccurring. Ultimately, NGOs and international law provide methods for identifying and resolving procurement issues.

VII. National and International Agencies and Organizations

Although there are many different types of agencies and organizations that deal with such varying specializations as procurement, supply, purchasing, acquisition, and contract management, they are all interrelated. Collaboration between these various associations and organizations—by networking, sharing best practices, and collaborating on better models for success—would not only benefit these entities by improving their own practices, but would also greatly benefit international procurement as a whole.

For example, many of these organizations are members of the International Federation of Purchasing and Supply Management (IFPSM). This international association is a union of over 43 national and regional organizations that are dedicated to purchasing and supply, among other specializations. For many professionals involved in these fields, an association that is affiliated with IFPSM is considered more credible than one that is not. IFPSM represents one particular medium in which these organizations can network abroad.

EU Central Agencies and Organizations

One of the greatest achievements of the EU in recent years is the creation of the European Single Market. This market is headed by the EC—more specifically, the sector of the EC headed by the Internal Market and Services Directorate General (DG MARKT). This institution was established in January 1993 and its main role is “to coordinate the Commission’s policy on the European Single Market, which aims to ensure the free movement of people, goods, services, and capital within the Union.”¹¹² The DG MARKT is also responsible for implementing the EU legal framework. So far, this institution has helped create 2.5 million jobs and 877 billion euros of “extra prosperity.”

Another crucial agency involved in public procurement within the EU is the European SOLVIT system—an organization dedicated to resolving problems that arise within the internal market. This international entity has headquarters in each of the EU member states and facilitates international problem-solving and handles procurement complaints from both citizens and businesses. Also, its network is available online, adding to the success and progress of e-procurement.

There are also several different types of organizations that are less directly involved in the actual procurement process, but are essential in promoting public education and awareness of EU procurement legislation. For example, the University of Nottingham’s Public Procurement Research Group is a global leader in research and education on public procurement regulations.¹¹³ Research projects from this organization highly influence policy, as well as provide diverse information on topics such as EU and WTO procurement law, tied aid procurement, defense procurement, and procurement reform in developing countries.¹¹⁴ In addition, this research group works hand-in-hand with national and international governments interested in their area of research. Another similar organization is the EC’s Advisory Committee for the Opening Up of Public Procurement. This organization advises the EU on new legislation for public procurement and helped create the European Single Market. These and other organizations aid public procurement throughout the EU to maintain an open and self-governing identity.

However, perhaps the most famous and highly reputable organization of public procurement in Europe is the Chartered Institute for Purchasing and Supply (CIPS). Based in the United Kingdom, this organization has many international offices and is the most prominent in all of Europe.¹¹⁵ CIPS is a membership-based organization, similar to NCMA, whose sole purpose is to serve the purchasing and supply profession, doing so by providing amenities such as education courses, conferences, awards, and organizational certification. The main difference between CIPS and NCMA is that CIPS is international and has opened up branches in many countries, including Australia, Hong Kong, and Nigeria. On the other hand, NCMA offers a more wide range of memberships, such as Fellow memberships (actual memberships awarded as a hallmark of professional standing and achievement within the profession), as well as memberships based on certifications earned. Additionally, CIPS does not yet publically offer group membership. However, CIPS has been providing governance in the procurement profession for members since 1932 (27 years longer than NCMA). Ultimately, CIPS is regarded by many businesses and individuals as the most respected purchasing and supply organization within the EU.

Mexico’s Central Agencies and Organizations

Within the Mexican government procurement market, there are around 17 relevant entities and enterprises that are listed in the government procurement chapter of NAFTA. The most pertinent of these are SHCP and SECODAM, which directly

carry out the execution of public investment. In addition to monitoring the acquisition process, SECODAM also accepts bid challenges and is able to “take such actions as nullifying the tendering procedure, issuing recommendations to correct the procedure that allowed the irregularity to occur, or dismissing the complaint if invalid.”¹¹⁶ These government entities all have an inclination to share responsibilities and resources due to the decentralization of Mexican procurement.

Mexico’s main professional association is the *Asociacion de Profesionales en Compras, Abastecimiento y Logistica, A, C* (APROCAL).¹¹⁷ This organization provides many of the same benefits to its members as NCMA. Established in 1999, the mission of APROCAL is “to provide educational opportunities to the Mexican market and exchange of ideas to contribute to the training and retraining of professionals in the areas of procurement, supply, and logistics.”¹¹⁸ In addition to holding both domestic and international conferences, this organization provides professional certification, educational materials, and training programs to their members.

Canada’s Central Agencies and Organizations

The central agency overseeing the entire procurement process in Canada is the Treasury Board. This government agency is in charge of approving proposals to undertake capital projects and to enter into contracts above the dollar levels delegated to departments. The next agency under this hierarchical system is the Treasury Board Secretariat, which is delegated to review proposed procurement strategies requiring Cabinet or Treasury Board approval.

There are two others that share the major responsibilities of Canada’s acquisition process: (1) Industry Canada and (2) Public Works and Government Services Canada (PWGSC). The former is responsible for the coordination and management of the Canadian Annual Procurement Strategy—the process by which the government determines its overall strategy for procurement in support of industrial and regional development and the latter is responsible for developing and implementing procurement strategies for consideration by the PSC and the review committees. In addition, PWGSC operates and maintains the Procurement Review Secretariat. All these departments and agencies work together to help sustain the success of the acquisition process in Canada.

The association that deals with issues related to procurement and contract management in Canada is known ubiquitously throughout the country as the Purchasing Management Association of Canada (PMAC). Like other membership organizations, PMAC provides education resources, certification, and accreditation. PMAC currently has more than

400,000 members who work in all sectors of the Canadian economy, including the retail, manufacturing, transportation, distribution, government, natural resources, and service sectors.¹¹⁹ Unlike APROCAL in Mexico, PMAC only deals nationally within Canada’s borders and territories. Similar to NCMA, PMAC has released a number of publications and research studies that provide up-to-the-minute information on procurement to its members. PMAC is known throughout Canada as the principle source for training, education, and professional development for supply-chain management professionals working throughout the region.

These government agencies and professional organizations and associations help to raise the bar internationally when it comes to qualification and education of those working in the field. With the huge number of companies and corporations dealing with public procurement, having an organization to help develop skills and talent is vital in each region. Also, each region’s federal regulation of procurement policy updates its directives very frequently throughout the year and these organizations make their members aware of such changes and additions that might go otherwise unknown. Altogether, this compilation of both agencies and membership organizations is essential to mobilize international communication and collaboration in the procurement community, which will further each region’s competition and awareness.

Comparison of Membership Organizations

The central similarities of these organizations are features offered to members—all organizations offer some type of certification program as well as education courses and reference materials. As found by researchers within the International Research Study of Public Procurement (IRSP), the “diversity of approaches to education and qualifications between the organizations representing the profession was not a particular issue until the late 1980s.”¹²⁰ Before these types of professional measurement came along, the organizations were created to merely develop “an overall increase in sophistication.”¹²¹ Still, within the values of these organizations, “personal integrity is one of the key expectations of the members of a profession, particularly in the case of public procurement,” due to the fact that the requirements for honest transactions between the buyer and supplier are expected by both the government and the polity.¹²² Also, each association has different chapters that represent different regions of the country.

However, the greatest differences between these organizations are whether or not they are nationally or internationally integrated, the number of members, and drastically different

member fees. The following are the correlations that have been drawn between procurement management associations.

Costs Correlations

The comparable membership in each of these organizations varies dramatically by price. The current cost to become a member of NCMA is roughly \$130 for one year for new members.¹²³ This is the cheapest rate of all the purchasing and supply management associations. CIPS has a national membership rate of £125 (\$251) and their international membership—though significantly cheaper—equals £88 (\$176).¹²⁴ APROCAL, on the other hand, has one flat membership rate that features a dual membership with APROCAL and the Institute for Supply Management (ISM).¹²⁵ This flat membership rate is \$220 (or \$160 for those who wish to belong only to ISM). PMAC, unfortunately, does not publish its different types of memberships and corresponding rates publicly; therefore the specific details on the Canadian sector are not publically accessible.

Although CIPS has the most expensive memberships, it offers more benefits. In addition to common benefits (such as handbooks and magazines), these memberships also include discounts of 20 percent on home insurance, 15 percent on car insurance, a free legal helpline, and between 20–40 percent on private medical insurance. An interesting finding is that when CIPS awards a preexisting member a Fellows membership (a designation similar to NCMA's), those members are then expected to pay an additional £30 (\$60) more a year.

It seems that in most areas of the world, an award doesn't normally equal an increase in membership cost. NCMA student memberships are free, whereas CIPS student memberships cost £90 (\$190) a year. The reason these costs differ greatly from nation to nation could be due to national economic reasons, or, simply, the higher cost to sustain the organization.

Correlations of Member Numbers

The number of members within each association also differs introspectively. NCMA has the least amount with around 20,000 members, PMAC has the most with roughly 400,000 members, and CIPS and APROCAL lie in the middle with roughly 44,000 and 50,000 respectively.¹²⁶ The discrepancy between the amounts of members in each association is unclear, but it seems to relate to the overall size of the region. The number of actual members is also difficult to compare since NCMA offers group rates. NCMA would most likely benefit from interaction with PMAC, as opposed to CIPS, due to the possibility of exposure to more members. Also, the

exact number of actual members within APROCAL is unclear (due to its partnership with ISM), but is logically more than NCMA since ISM alone declares its total amount of members to be around 40,000. Also, the quantity of members within these organizations is predicted to drastically increase annually due to the growing popularity of the profession.

Possibilities

There are currently a number of major opportunities for the United States to attract procurement professionals in Mexico. Since APROCAL does not offer educational courses on government procurement, this represents one area in which NCMA could intervene and perhaps introduce e-learning to procurement professionals within the Latin American professional community.

Also, CIPS, PMAC, and APROCAL do not have a Podcast or blog section on their Web site, and NCMA does. These represent other areas for NCMA intervention. Lastly, other benefits—such as free student membership—would be highly beneficial to expose to these other regions since all identified purchasing and supply membership organizations do not provide any sort of free membership for students. Ideally, an international conference with these organizations would be most opportunistic.

VIII. Business Opportunities for U.S. Procurement Professionals

The countries covered in this article pose different but altogether valuable opportunities for U.S. procurement professionals. On one side, the EU is promoting self-regulation in their European Contract Law, offering several different benefits in facilitating and increasing the value of international procurement. Also, both the EU and Mexico have implemented a public-private partnership model of procurement that can be increasingly helpful for U.S. procurement professionals since this model makes projects more affordable, injects private-sector capital, and introduces an off balance sheet for public-sector annual payments versus the full life cycle.¹²⁷ Mexico has come a long way in the past few decades; the nation recently acquired a determined effort not to repeat previous mistakes, and is showing an increased interest in funding U.S. projects. In addition, new practices in government procurement in Mexico make American companies more interested in bidding due to growing transparency, easy access to information on sales, and project opportunities and online proposal submission.¹²⁸ Therefore, Mexico may represent the greatest potential for U.S. collaborative interests.

For more basic reasons, Canada is an ideal candidate for attention from U.S. procurement professionals. “Next to the U.S. government, the Canadian government is the largest purchasing entity in the world in excess of \$16 billion USD a year in goods, services, and construction.”¹²⁹

Aside from these major areas, for U.S. investment there emerges a correlation between low-cost-country-sourcing and high-cost-country-sourcing. This is imperative for U.S. companies to understand since Mexico is one of the top three low-cost-countries (LCCs). Altogether, U.S. companies could experience greater efficiency and capital savings if partnerships with one or more of these countries was to be formed.

Differences between High-Cost-Countries and Low-Cost-Countries

Companies who partake in LCC sourcing have notably reduced risks and higher savings. High-cost-countries (HCCs) are typically the most economically industrialized countries, whereas LCCs are more often the countries that are less economically developed. Business interaction between HCCs and LCCs is beneficial for both parties, but also poses risks. According to a study conducted by the European Center for Research in Purchasing and Supply (ERPS), “statistically speaking, globalization leads to an increase in overall personal income levels in LCCs, affecting income distribution in HCCs, too.”¹³⁰ This correlation between these two types highly influences the “decisions [in which] to be taken inside multinational corporations or by a small or medium-sized enterprise (SME).”¹³¹ On the other hand, there are also significant potential detriments from this type of joint venture. For the HCC, these include, “higher market volatility, insecurities in the labour market, as well as limiting and lasting structural changes.”¹³² Although potentially threatening, these types of consequences can be mitigated by implementing proactive policies. Risks for the LCC include “environmental issues and diverging social developments.”¹³³

There are many examples of this type of degradation to a country’s infrastructure. Some examples include human rights violations in countries such as China and environmental dilapidation by corporate enterprises creating pollution in countries such as Peru. Since one of the targets of interest is the EU, there are careful considerations that need to be kept in mind due to the fact that the EU is comprised of many LCCs. Since these LCCs are in various stages of development, it would reflect on the EU as a whole. Despite these various developmental stages, the EU’s LCCs are still “of particular interest for establishing long-term business relationships based on their standard of vocational training and their industrialized mentality.”¹³⁴ These numerous opportunities for econom-

ic improvement within both HCCs and LCCs demonstrate many new business opportunities.

IX. Analysis

Within this immensely integrated global network of public procurement exists many opportunities for domestic organizations. By utilizing preexisting partnerships between different regions, transaction costs and red tape that sometimes prevent collaboration from taking place can be reduced or eliminated. By synthesizing the totality of the information put forth in this article, some personal recommendations can also be drawn. International procurement has so many different attributes and areas of hidden intelligence that ignorance of its details would be detrimental to all actors involved.

Collaboration has the ability to both identify and strengthen each nation’s key weaknesses and to share resources and intelligence, making the acquisition process more profitable and successful. Key scholars in this area, such as Dr. David Fletcher, have identified that procurement administrators have a responsibility to their country to conform to certain core principles, as well as to look out for the best sources of opportunity. According to Dr. Fletcher, “These administrators are further required to modernize current practices; to control order requisitioning, purchase orders, receipt of goods, invoices, returns, quality assurance acceptance, and payment fulfillment in order to streamline buying, enforce purchasing policy, and reduce operational overheads.”¹³⁵

Consequently, not only do administrators and executives have a responsibility to their associates to put forth best practices, but they are also required to remain up-to-date with the technology and resources available. This makes international collaboration almost completely inevitable.

Other scholars define international procurement collaboration as “the purchasing consortium,” which “is the pursuit of efficiencies, namely purchase price efficiency and purchase process efficiency,” where one company can achieve ultimate savings as well as the highest overall efficiency by working interagency or internationally.¹³⁶ In 1997, Thomas Hendrick, a renowned procurement scholar, defined the purchasing consortium as:

Two or more independent organizations that join together, either formally or informally, or through an independent third party, for the purpose of combining their individual requirements for purchased materials, services, and capital goods to leverage more value-added pricing, service, and technology from their external suppliers than could be obtained if each firm purchased goods and services alone.¹³⁷

Therefore, these organizations collaborate for the common purpose of achieving a mutual gain in cost/price performance and service enhancement across the membership they currently uphold. There are numerous objectives associated with such cooperation that include: lowering prices, improving process/administrative efficiencies, sharing expertise, improving service and quality, enhancing technology opportunities, sharing information, reverse marketing, strengthening public image, networking, improving supplier relationships, and implementing best value and practices. If met successfully, these objectives would bring the rate of effectiveness of purchasing organizations to a higher level.

Many nations fear the threat of standardization when considering partnering with a like-minded organization or agency in a different country. Fortunately, neither actor would have to change their system because the act of “harmonization” does not infer “standardization.” Instead, collaboration would illicit performance measurement from each actor in achieving optimal results by collective means. Systems and protocol in place would remain the same as long as they meet the standards for internationally best identified procurement practices.

Ultimately, international collaboration between two or more organizations would open up a world of possibilities. These opportunities include the maximization of developmental benefits (where encouragement is mutual between the parties to improve quality and overall impact on buyers and sellers), more readily available information, and, lastly, exposure to thousands of new possible members and resources. This dual support system strengthens the overall durability of individual organizations and enhances the best practices within the procurement profession.¹³⁸

Conclusion

With such an integrated topic as international procurement, it is hard to cover in complete detail all aspects of the acquisition process. The information discussed in this article is pertinent to the actively changing procurement processes that each day become more and more affected by globalization and the merging of ideas, resources, and technology. Overall, it is clear that better collaborative efforts between nations, and particularly procurement associations and organizations, would be greatly beneficial.

At the association level, this data suggests that NCMA expanding its membership abroad would undeniably be a successful venture. All three of these regions pose various benefits that would aid in producing effective overseas relationships. With utmost certainty, opening up membership to the EU would produce ample opportunities due to their

similar values with ethics and democratic principles. In addition, Canada proves to be a trusting partner to conduct business with, but the exposure there may not be worth the hassle. As an LCC, Mexico withholds great cost-saving opportunities, but the corruption and fragmented structure represents a lurking problem that may impact expansion factors. Therefore, with many of these findings, for both procurement associations and organizations, it is important to first weigh both the costs and benefits when considering international involvement. The acquisition process within every country will continue to grow and become more complex, therefore the time is now to open doors and establish better relationships that will lead to limitless possibilities. *JCM*

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125. ISM was the first association in the world dealing with the purchasing and supply professions and is one of the two associations that represent the United States in IFPSM (the other is the National Institute for Government Purchasing (NIGP), which is dedicated more toward the purchasing profession).
126. These figures are current as of March 27, 2008, and are taken directly from the associations.
127. See Lally, Michael A., comp. *Corporate Executive Webinar Briefing*, U.S. Commercial Service, accessed February 18, 2008, at www.trademeetings.com/PDF/Infrastructure2007BriefingFeb06Final.pdf.
128. See Kamarianakis, Emmanuel, "Mexican Government Procurement—Mexico," Foreign Affairs and International Trade Canada, The Canadian Trade Commissioner Service. Accessed January 2, 2008, at <http://www.infoexport.gc.ca/ie-en/DisplayDocument.jsp?did=28634>.

129. Latka, Lucy, "Canada's Market Overview," U.S. Commercial Service, Department of Commerce, accessed April 2, 2008, at www.buyusa.gov/canada/en/governmentprocurement.pdf.
130. Vleck, see note 29.
131. Ibid.
132. Ibid.
133. Ibid.
134. Ibid. For more information on LCCs and HCCs, as well as on the ERPS, visit: www.ifpmm.org/files/ERPSRiskMgmt.pdf.
135. Fletcher, David, comp., "A Web-Based Collaborative Procurement System," Trinity College, October 2006, accessed June 26, 2008, at www.cs.tcd.ie/courses/mscmis/Dissertations/Dissertations%202006-07/A%20Web%20Based%20Collaborative%20Procurement%20System%20for%20the%20Services%20Environment.pdf.
136. Aylesworth, see note 82.
137. Ibid.
138. This section was based on the model within: "DAC Good Practices," Development for International Development, OECD, 2003, accessed April 11, 2008, at www.dfid.gov.uk/pubs/files/OECD-DAC-good-practice-paper3.pdf.