

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.IND/6/Add.1  
5 December 1968

Limited Distribution

Committee on Industrial Products

## INVENTORY OF NON-TARIFF BARRIERS

### Addendum

#### Government Participation in Trade

The barriers classified in this part were, according to the annex to L/3083, to be sub-classified as follows:

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A. Government aids	5
B. Government procurement	12
C. State trading	)
D. Government monopoly practices, including exclusive franchises to private and co-operative enterprises	26

It did not appear practicable, however, to distinguish between the last two, which therefore appear together in Section C.

Attention is called to the fact that the United States definition of "non-tariff barrier" (COM.IND/4, page 19) excludes subsidies and rebates among other measures which do not, in its view, act directly on imports. Further United States comment on this point appears below.

A second general problem is the treatment of State trading. The United Kingdom stated (COM.IND/4, page 17) that practices of State-trading countries were not included in its notification although the right was reserved to refer to some aspects of these practices if this should appear relevant. It will also be recalled that at the first meeting of the Committee the representative of Poland called attention to a notification which appeared to refer to his country's trading system as constituting a "non-tariff barrier". He informed the Committee that, although ready to discuss any particular points of difficulty, his country could not accept that its system as such constituted a non-tariff barrier. Notifications of the same kind have also been made concerning Burma, Cuba and the United Arab Republic. One country's notification states that State-operated organizations for foreign trade represent in themselves a limitation on trade. The United States notification contains some explanation (see below) for a similar view. However, in view of the objection raised by Poland, the four notifications which refer to State-trading systems as such have been omitted from the country sections of this revision of the inventory, pending further discussion.

There follow the general comments contained in notifications received which are either applicable to the section "Government participation in trade" as a whole or are not confined to the restrictions of a single country.

<u>Section of special reference</u>	<u>Notifying country and comment</u>
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#### INDIA

- C. The purchase policies followed by State trading or monopoly organizations like producers' associations in some of the developed countries are not conducive to increasing their purchases from developing countries. In many cases there is a general reluctance to import from non-traditional sources even though the goods are available from these countries at competitive prices. Such organizations exist in France for imports of tobacco and manganese ore; in Italy and Austria for tobacco and mineral ores.

#### NORDIC COUNTRIES

- A. Discrimination sometimes exists in regard to the supply of components for ships built with government support. That is, certain countries grant government support towards the building of ships, either solely in respect of materials and components of domestic origin or if the use of foreign components does not exceed a specified percentage of the building costs. Due to these provisions, foreign producers of equipment for ships are usually excluded from competing with national producers of such equipment.
- B. Purchasing policies of public agencies may constitute measures restricting competition. In a large number of countries parties to GATT, the purchasing policies of public agencies are governed by special regulations by which the possibilities of foreign exporters of finding outlets for their goods in the countries concerned are seriously hampered.

This question has been considered by the Organisation for Economic Co-operation and Development which, inter alia, has discussed a proposal on guidelines for the purchasing policies of public undertakings. The comprehensive material available about the deliberations of the OECD could provide useful background material for the work of GATT.

- C. Sales of tobacco for ships' provisions, etc. In countries where the sale of tobacco is subject to a State monopoly, only especially approved firms may sell foreign tobacco in transit, for instance for the provisioning of ships in foreign trade. It would be of importance to seafaring nations like the Nordic countries if tobacco for such purposes could be bought from all marine stores.

Section  
of special  
reference

Notifying country and comment

PORUGAL

A. Policies of subsidized exportation. The policy of direct subsidies to exportation for the defense or assistance of lesser competitive goods indirectly affects the exports of other countries. (See Italy.)

Subsidized shipbuilding. The subsidies granted by certain countries to their shipbuilding industry, generalized in respect of vessels intended for their domestic merchant marines or for export, impairs the expansion of this industry in other countries.

Thus in a number of instances Portuguese shipyards have lost orders from foreign shipowners and shipping companies as a result of the subsidies granted by the governments of foreign countries to competing shipyards abroad.

C. Limitations to trade. The existence of State-operated organizations for foreign trade - a characteristic of socialist countries, and/or of countries with a centrally directed economy - represents in itself a limitation of trade.

In certain countries there are to be found monopoly régimes for the trade in certain goods which have a restrictive effect; or trade exclusivities may be assigned to, or maintained by, exclusive business associations or groups which are easily influenced by the administration of their countries, and therefore inclined to grant preference to local industries even in cases where imported goods are admittedly of better quality and more favourably priced.

UNITED STATES

A. Without prejudice to possible subsequent consideration of subsidies in the GATT, the United States has not included subsidies and rebates in the country inventories. It may wish to propose a general review of subsidy schemes or tax advantages granted producers or it may wish to discuss individual countries' subsidies granted for specific products. A number of countries give subsidies to various industries (better known are those relating to the fishing, fertilizer, and motion picture industries); these consist primarily of cash payments but also include rebates of taxes or of admission fees in the case of motion picture industries. In some countries, rebates are given to users of specified domestic products or subventions are given on transportation costs. The effect on trade of such subsidies and rebates in some cases is substantial.

Section  
of special  
reference

Notifying country and comment

UNITED STATES (cont'd)

B.

Under the central government purchasing policies and practices of most countries, purchasing offices have broad discretion to follow the procurement practices they consider best suited to their needs. Such discretion, coupled with historical tendencies to limit competitive bidding to domestic firms and not to make public disclosure of contracts awarded, frequently results in restrictive and discriminatory purchasing practices. While the precise extent and trade impact of these practices are difficult to determine because of lack of adequate statistical data and information, the cumulative effect constitutes a significant barrier to trade. The (United States) country (notifications) do not include the procurement practices of many countries since specific information on their practices was not readily available.

C.

Market opportunities for products, the importation of which is controlled by State-trading enterprises, are influenced by factors other than tariffs. The existence of government, semi-government or public monopolies affords protection to domestic producers in a number of ways. One is the ability of the State-trading enterprise to control the price at which imported products are sold for resale, the element of protection being the amount by which the mark-up exceeds normal commercial costs and profits. Another is the discretion that may be employed in deciding what amount of imported products shall be purchased. If such purchases are less than would be dictated by normal commercial considerations, market opportunities are being limited by non-commercial considerations. A further barrier arises if purchasing decisions discriminate among imports from potential supplying countries.

A few countries import all commodities through State-trading enterprises. A number of countries do likewise for specified commodities. While difficult to quantify, the practices of these State-trading enterprises often do result in protection or discrimination of the kinds enumerated above. The United States' country inventories include all State-trading operations of which the United States is aware, without attempting to differentiate between those which result in protection or discrimination and those which are operated generally in accordance with commercial considerations.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES<sup>1</sup>

Country maintaining restriction and description	Products affected	Country notifying and comment
A. <u>Government aids</u>		
ARGENTINA	All goods	CANADA: --  UNITED KINGDOM: Australia has not subscribed to the GATT Declaration banning export subsidies.
AUSTRALIA		CANADA: The payroll tax rebate and market development tax allowance constitute export subsidies.  The two references to export incentives should be omitted because they are not in fact barriers to trade (nor in the view of the Australian Government are they export subsidies).
		Elemental sulphur

<sup>1</sup> Material appearing in either column which is underlined is counter-comment by the country maintaining the restriction.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
A. <u>Government aids (cont'd)</u>		
BRAZIL		
Brazil provides special tax exemptions for goods imported in national ships.	All goods	CANADA: ---
FRANCE		
A subsidy is payable on the construction and repair of ships over 50 tons gross and is intended to reflect the difference between costs in France and on the international market. At present, the subsidy is worth roughly 15 per cent of the price of a job but the exact amount is determined individually in each case. In addition, TWA is not levied on imported materials intended for ocean-going ships.	Ship building	UNITED KINGDOM: ---
FEDERAL REPUBLIC OF GERMANY		
97 ½ per cent of ships launched for registration in Germany since 1960 have been built in German yards. The shipping industry receives a number of forms of assistance including credits to finance new construction (with the alternative of 10 per cent price subsidies), interest subsidies on private credits for construction and scrapping premia. These subsidies are not formally linked to construction in German yards but in practice all orders so subsidized are placed in domestic yards.	Ships Wood pulp	UNITED KINGDOM: ---

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
A. <u>Government aids (cont'd)</u>		
GREECE	Vehicle cabs, tanks for liquid transporters etc.	UNITED KINGDOM: ---
	The Greek Government has recently announced the remittance of a proportion of the tax payable on company profits arising from the export of a narrow category of goods.	
INDIA	Imports permitted if medium term credits related to export promotion or if financed by National Small Industries Corporation, a government institution.	UNITED STATES: --- Capital goods etc.

## MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
A. Government aids (cont'd)		
ITALY	Shipping industry	UNITED KINGDOM: ---
	99.9 per cent of ships launched for registration in Italy since 1960 were built in Italy. Government assistance to the shipping industry includes preferential loans, operating subsidies and scrap-and-build premia for old ships. The loans are provided by IMI, a publicly-owned finance corporation whose normal commercial charge for loans is subsidized by the Government. These facilities are only available if the ship is built in Italy. Ministerial permission is required before an Italian shipowner can order a ship from a foreign yard.	Export subsidies
	Tomato preserves	PORTUGAL: Directly affect exports of other countries.
	Iron and steel	UNITED KINGDOM: This rebate has been successfully challenged inside the EEC and in H.M. Government's view constitutes a barrier to trade in that it affects trade with third countries.
	Italian Law 103 introduced, with effect from 10 March 1955, a rebate of various duties and taxes paid during the course of production on a wide range of iron and steel goods. Subsequent amendments were made through Law 284 of 18 March 1958 and Law 639 of 5 July 1964 which extended the drawback to a few additional items but left the effect otherwise unchanged. Law 639 is still in force. The rebate is computed at a flat rate of lire per kg. of the product concerned, varying from 15 to 800 lire.	Refund of the IGF turnover tax upon exportation.
	Almost all products	SWITZERLAND: Basis for calculations is not subject to verification; refund comprises an element of export subsidy.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
A. <u>Government aids (cont'd)</u>		
JAPAN	Ships	<p>UNITED KINGDOM: The subsidies reduce the interest payable by shipowners on ship construction loans, whether obtained from the Japan Development Bank or from the commercial banks, to between 4 per cent and 5 per cent. It is understood that these facilities are not available for ships built outside Japan.</p> <p>CANADA: Japanese manufacturers and exporters may deduct as expenses specified percentages of their earnings from exports. In certain cases these deductions are allowed provided the taxpayer deposits an equal amount in the fund to be used to develop foreign markets. Tax exemptions are also permitted for specified portions of earnings from patent royalties or export of technical knowledge.</p>

TAX EXEMPTIONS

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

	Country maintaining restriction and description	Products affected	Country notifying and comment
A. <u>Government aids</u> (cont'd)			
SOUTH AFRICA	Export incentives take the form of tax reliefs in respect of expenditure on development of export markets.	--	UNITED KINGDOM: South Africa has not subscribed to the GATT declaration banning export subsidies.
SPAIN	An export rebate of approximately 11 per cent is granted to domestic manufacturers.	--	UNITED KINGDOM: --
UNITED KINGDOM	Rebates for domestic users of certain domestic steels.  These rebates should not be classified as <u>Government aids</u> but should be included in <u>Group 6 [Other restraints on imports]</u> .	--	UNITED STATES: So-called loyalty rebate of the British Steel Corporation provides for a rebate to British users who can show that they have not used imported steels of the same type in the preceding six months.
			CANADA: --
			JAPAN: This rebate may also require attention in this Committee.
			CANADA: The provision of large-scale investment grants to encourage the establishment of production facilities has the effect of displacing imports, e.g. the current programme to provide aluminium smelting capacity in the United Kingdom.
			Aluminium
			Investment grants

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
<u>A. Government aids (cont'd)</u>		
UNITED STATES	Ship-building	UNITED KINGDOM: Qualification for those subsidies is restricted to vessels constructed in the United States using, where possible, American equipment.
Western hemisphere trade corporations.	Various	CANADA: The United States provides differential tax rates for United States companies qualifying as western hemisphere trade corporations.
Operation of Post Exchanges.	Various	UNITED KINGDOM: Preferential treatment is given to United States goods sold in American Post Exchange (P.X.) stores in that they are the only goods sold duty and tax free.
URUGUAY	--	CANADA: --
YUGOSLAVIA	Export incentive.	Raw materials and semi-manufactures used in the ship-building, electric, textile, and food industries.
UNITED STATES: End-users in these industries receive foreign exchange for the import of these products in a fixed ratio to exports.		

## MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
<b>B. Government procurement</b>		
AUSTRIA	All products and services	<p>ONORM Article 1/34, regulating government purchasing, provides "If circumstances permit, only Austrian products shall be used and Austrian firms shall be engaged".</p> <p>UNITED STATES: Bidding time often too short for foreign firms to react to public tenders. No uniform rules for procurement procedures and no central purchasing authority. Regulations do not apply to nationalized industries. EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.</p>
BENELUX	All products and services	<p>Foreign bids may be rejected if "for economic reasons it is essential that the contract should go to Belgian industry, subject however to the price differential not exceeding certain limits".</p> <p>(Belgium)</p> <p>Article 19 of Decree of 29.12.56 stipulates that "in principle, products of foreign origin shall not be used if producers in Benelux Customs Union are able to supply the same quality at prices which are substantially the same".</p> <p>(Luxembourg)</p>
	All products and services	<p>UNITED STATES: Price differential believed to be 10 per cent normally.</p> <p>Benelux agreement provides for no procurement discrimination between the three countries.</p>
	All products and services	<p>UNITED STATES: Products of Benelux origin believed given 10 per cent margin of preference. The license to trade, which foreign bidders must have, is issued only to nationals of countries having reciprocal arrangements.</p>

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
B. Government procurement (cont'd)	--	--
BRAZIL	Imports are not allowed on credit terms if such goods can be supplied within certain limits of price, quality and delivery date by Brazilian industry. A claim by a Brazilian manufacturer that he can satisfactorily supply goods must be examined; even if an import certificate is eventually granted, this process can be lengthy. Public bodies are permitted to accept local offers for iron and steel products at prices up to 15 per cent higher than import offers.	UNITED KINGDOM: Financed imports enjoy a governmental benefit. As such, they may be curtailed. So, and in accordance with norms accepted by international financing institutions and in accordance with Brazilian legislation, financed imports are not admitted if the goods concerned can be supplied within legally established limits of price, quality and delivery date by the Brazilian industry.
EUROPE	All products purchased for the public account	UNITED STATES: --
CAMEROON	Products purchased for public account.	UNITED STATES: --
CANADA	Virtually all Federal Government contracts include a clause to the effect that, to the full extent to which they are procurable consistent with proper economy and the expeditious carrying out of the contract, Canadian labour, ports, and material shall be used.	UNITED KINGDOM: In practice this is interpreted as allowing a price preference of up to 10 per cent to Canadian supplies although preferences have been known to exceed this amount. In addition, Provincial governments operate price preferences of varying amounts.

## MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
<b>B. Government procurement (cont'd)</b>		
CANADA (Cont'd)		
When the Federal Government and the Provincial Governments make purchases, it is customary to grant preferences to domestically produced goods.		JAPAN: This is a significant barrier to trade.
CHILE	Numerous products	UNITED STATES: These special quotas are established from time to time for official government purchases, import monopolies or government-favoured activities.
	Special <u>ad hoc</u> quotas for government procurement and certain preferred activities.	The quotas for Government procurement are fixed on the basis of consumption requirements. Imports take place through public tenders in which all <u>interested foreign firms may participate</u> .
DENMARK	All products	UNITED STATES:
	Discrimination favouring domestic procurement is accomplished by administrative action. EFTA members have equal opportunity with domestic firms under Article 14 of the Stockholm Convention.	
FRANCE	All products purchased for public account.	UNITED STATES: Procurement offices may administratively stipulate French suppliers for purchase of current supplies, and materials for public works projects, regulations of a "social" character provide for domestic preferences.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
B. Government procurement (cont'd)		
FRANCE (cont'd)		<p>UNITED KINGDOM: Although it is not possible to point to specific official instructions on the subject, the French public sector operates an effective "Buy French" policy. Some official organizations, e.g. the State railways issue invitations to tender which exclude foreign firms unless they work through a French company which would be responsible for any installation requirements. Foreign procurement is completely ruled out in some sensitive sectors such as nuclear energy, unless the requirement is quite unobtainable in France. In other cases, such as the aircraft industry, foreign products are kept out by refusal to issue the necessary technical approval for them.</p> <p>CANADA: Canadian experience has indicated de facto preference in one form or another for domestic suppliers.</p>

GREECE

Limited non-discrimination in procurement: under Act of Council of Ministers No. 163/1958: (1) purchases in excess of \$50,000 may be limited to Greek suppliers; (2) no international bidding if purchases can be made from countries with which Greece has bilateral clearing arrangements; (3) foreign firms may be required to bid in association with a Greek firm; (4) guarantees of participation and performance applicable to foreign bids may be waived for domestic firms; (5) Law 3215/1955 grants a preference of 8 per cent to Greek goods.

UNITED STATES:

All products

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description

Products affected

Country notifying and comment

B. Government procurement (cont'd)

GREECE (cont'd)

In the procurement by the Greek public agencies, goods of Greek origin must be purchased instead of similar goods of foreign origin, unless the domestic price of the former exceeds by 30 to 35 per cent the import price of the latter.

JAPAN: --

CANADA: Individual cases indicates that preference is extended to foreign suppliers prepared to buy Greek products in compensation.

INDIA

Price preference of up to 40 per cent is accorded indigenous products.

Products purchased for public account

UNITED STATES: Practices are administrative in nature consisting of issuing bid invitations on short deadlines, failing to identify source of financing, restricting quotations or specifications to British and Indian standards, and renegotiating bids.

ITALY

30 per cent of Government purchasing reserved to Southern Italy and Islands for development purposes. Ministry of Defense has recourse to foreign products only if domestic sources are unavailable or not suitable to needs.

JAPAN

Government procurement practices

Many products

UNITED STATES: Permission for procurement without open bidding granted by Cabinet Order 336 of 25 September 1963.

CANADA: Japan does not maintain specific preferences for domestic supplies. However, experience has shown that a de facto preference allows for effective discrimination as between domestic and foreign suppliers, for example, by limiting the firms which may tender or by broad interpretation of national interest.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
<b>B. Government procurement (cont'd)</b>		
<b>KENYA</b>		
Procurement practices.	All products	UNITED STATES: Overseas procurement for Kenya Government handled through Crown Agents in London, giving British suppliers a strong advantage.
<b>MADAGASCAR</b>		
Procurement practices.	Purchases for public account	UNITED STATES: Short notification and administrative discrimination.
<b>MALAWI</b>		
Procurement practices.	All products	UNITED STATES: Overseas procurement for Malawi Government handled through Crown Agents in London, giving British suppliers a strong advantage.
<b>MALAYSIA</b>		
Government departments are directed to procure locally manufactured goods at a differential up to 5 per cent above foreign-produced goods.	Products purchased for the public account	UNITED STATES:
<b>NORWAY</b>		
Preference is given to domestic bidders for products for public works.	All products purchased for public account	UNITED STATES: Preference margin up to 15 per cent provided for in Decree of 11/2/27 in effect as of 1966. Preferential system is extended to other EFTA countries in conformity with Article L4 of the Stockholm Convention.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
<u>B. Government procurement (cont'd)</u>		
NORWAY (cont'd)		CANADA: Since June of this year preference has been extended to EFTA.
PERU	All products	UNITED STATES: ...
	Government procurement practices: regulations prohibit government agencies and institutions receiving government funds from importing goods produced domestically. Supreme Decree 139-A provides preference in the award of government purchase contracts to countries which acquire Peruvian coffee for use in new markets (as defined in the International Coffee Agreement).	
PORTUGAL	All purchases for public account	UNITED STATES: EFTA members have equal opportunity with domestic firms under article 14 of the Stockholm Convention.
	Decree 22037 of 27.12.32 requires government departments "to give preference to Portuguese products when other conditions of the bids are equal".	CANADA: Provides preference to local suppliers and since June of this year to EFTA suppliers. Individual cases indicate that preference also extends to foreign suppliers to buy Portuguese goods in compensation.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
B. Government procurement (cont'd)	SOUTH AFRICA  Under current State Tender Board Regulations, significant preferences are granted to local manufacturers whose prices are abated up to 10 per cent according to the percentage content of home produced material in the goods they are offering.	UNITED KINGDOM: Provision is also made for the allowance of an additional discretionary preference of up 15 per cent (inclusive of the customs duty) and of a further additional preference after consultation with and on the recommendation of the Board of Trade and Industries. The State Tender Board are not required necessarily to accept the lowest tender, and where a local industry is regarded as in difficulty, low tenders from foreign suppliers may be disregarded, particularly for engineering products.  The Tender Board Regulations of the Cape of Good Hope, Natal, Orange Free State and the Transvaal Administrations, the South African Railways and Harbours and the South West Africa Administration provide for preferences similar to those granted by the State Tender Board.

JAPAN: The competent Minister may also increase the above price differentials when he deems it necessary.

CANADA: South Africa provides a sliding scale of preferences for goods with South African content.

## MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description

<u>Products affected</u>	<u>Country notifying and comment</u>
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B. Government procurement (cont'd)

## SPAIN

Article 10 of the law for the Co-ordination and Defense of National Industries of 24.11.39 prohibits use of imported products in projects involving State or other local Government funds, including national or quasi-national firms.

Application for import licence may be made when Spanish products are unavailable or do not meet necessary specifications.

## UNITED KINGDOM

Administrative practices.

All products

All products

UNITED STATES: Short bid deadlines often have effect of excluding foreign competitors.

JAPAN: Although it is not statutorily stipulated, priority is customarily given to the domestic products in government procurement, thus affecting trade,

The United Kingdom do not accept that the comments by Japan give an accurate picture.

UNITED STATES: While no procedures have been published, purchasing departments when intending to place orders abroad try to find out whether the products can be obtained on competitive terms within the Commonwealth. Some administrative measure of preference is given to firms in development districts. Preference is also given to computers of United Kingdom manufacture. EFTA members have equal opportunity with domestic firms under article 14 of the Stockholm Convention.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
B. <u>Government procurement</u> (cont'd)		
UNITED KINGDOM (cont'd)		
British Admiralty requires that lumber for which tenders invited must originate in British Columbia.	Timber (Douglas fir).	UNITED STATES: --
The practice in the United Kingdom GPO and the United Kingdom Central Electricity Generating Board is to accept bids mainly from domestic manufacturers and to deal only rarely with overseas suppliers. Examples of products are those cited.	Telephone apparatus and electrical equipment.	CANADA: --
UNITED STATES		
Preference to domestic sources (general).		SWITZERLAND: "Buy American" Act of 1933, for Government procurement.
		McNamara Directives of 1962 for procurement of equipment for military use: the clause allowing such equipment to be purchased abroad only where its price is at least 50 per cent below the price of the corresponding domestic product has gained ground and since 1966 is the basic criterion applied to public purchases by the Department of Agriculture; the same criterion guides other United States federal agencies when purchasing equipment for use in foreign territory. <sup>c</sup>
		JAPAN: "Buy American" practised at various stages of Government at varying degrees, is a significant barrier to trade.
		ENR: In general the provisions at present in force in the United States concerning purchases by federal or local public authorities are designed to afford a substantial preference, if not a supply monopoly, to domestic producers.

## MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description

Products affected

Country notifying and comment

B. Government procurement (cont'd)

UNITED STATES (cont'd)

Preference to domestic sources

- In federal practice.

CANADA: Federal Government procurement practices in the United States include preferences incorporated in the implementing "Buy American" Executive Order 10582.

UNITED KINGDOM:

JAPAN: The preferences range from 6 per cent or 12 per cent in the civil field to 50 per cent (over 50 per cent - Japan) in the important defence field or where the goods are to be used outside the United States. There are also cases where procurement has been restricted absolutely to American suppliers. Other legislation prohibits the purchase outside the United States of certain items of food, clothing, etc., with appropriated defense funds; the restrictions are placed on foreign purchasing by other public bodies, in the field of low-rent housing and rural electrification, which receive loans or grants from the Federal Government.

EEC: Under the "Buy American" Act of 1933, the Federal Government or federal public works agencies have to give preference to domestic suppliers over foreign suppliers, unless the price quoted is excessively high or it would not be in the public interest to award the tender to the domestic supplier.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
B. Government procurement (Cont'd)		
UNITED STATES (cont'd)		<p>Under Executive Order No. 10582 of 1954, the price is considered excessive when it is more than 6 per cent above the price quoted by a foreign bidder. The margin rises to 12 per cent where there is substantial under-employment in any area or alternatively if the tender is presented by a small American undertaking. (EEC reserves on acceptance of modified language proposed by the United States.)</p> <p>The above-mentioned legislation applies generally to goods for use <u>within</u> the United States. There should be no exceptions from the principle of free competition in procurement of goods for use <u>outside</u> the national territory. Because of the United States balance-of-payments situation, however, a preference in favour of national suppliers was announced even in this respect by the Defense Department in 1961, with respect to procurement under its authority. Since 1962 the preference has been at the level of 50 per cent. Since August 1962 the same margin of preference has been applied by the Defense Department concerning procurement of goods to be used <u>within</u> the United States. The situation of foreign bidders is made still more difficult by other administrative regulations, such as the requirement to submit to Washington for approval any proposal for purchasing foreign goods in excess of a certain value. For several years past, various federal agencies have rejected foreign tenders even where these met the specified requirements and overcame the obstacle of the preferential margin.</p>

MEASURES MAINTAINING BY SPECIFIC COUNTRIES

Country maintaining restriction and description

Products affected

B. Government procurement (cont'd)

UNITED STATES (cont'd)

- In regional practice

EFC: The internal legislation of a number of American States requires the public authorities to purchase exclusively (e.g. California) or as a priority from national suppliers. The following States are believed to apply such legislation or to be planning to introduce it in the near future: Alabama, Alaska, Arkansas, California, Florida, Georgia, Hawaii, Idaho, Indiana, Louisiana, Maine, Massachusetts, Minnesota, Mississippi, Montana, New Jersey, Ohio, Oregon, Pennsylvania, South Dakota, Texas, West Virginia.

In certain cases where foreign products are allowed to compete with national products, some formalities, e.g. inspection of materials, etc., are designed to discourage the use of foreign supplies. The Communities consider that the generalized preferences provided for in "Buy American" legislation in favour of national suppliers, which is still being extended, constitute a significant obstacle to foreign trade that is further aggravated by the considerable discretionary power allowed to the authorities responsible for applying the system. The Communities find that the system contributes to reserving a major part of the market for national production and thereby tends to nullify the tariff concessions granted in recent negotiations to the extent that

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
<b>UNITED STATES (cont'd)</b>		

**B. Government procurement (cont'd)**

**UNITED STATES (cont'd)**

supplies are intended for purchasers in the public sector.

The psychological effect of this legislation is such that many foreign suppliers no longer put in tenders, considering that their chances of success are too limited.

The Communities consider that this legislation which may have been justifiable at the time of its introduction, is no longer consistent with current trends towards world trade liberalization. They are nevertheless aware of the obstacles that may exist in this field for other contracting parties. The EEC member States have therefore taken an active part in the work undertaken in other fora in recent years, designed in particular to draw up guidelines in regard to government procurement. The Communities request that these very important questions should also be considered within GATT, with the participation of all interested countries.

CANADA: Approximately 20 States and a number of other jurisdictions have laws or policies which specifically prohibit or penalize foreign products when they are purchased for use by the State, its agencies and subsidiary jurisdictions. These include the long-standing California "Buy American" law as well as more recent Erie County, New York, resolution.

UNITED KINGDOM: Apart from these federal preferences, a number of States and municipalities have legislation placing restrictions on the purchase, with public funds, of imported products.

## MEASURES MAINTAINED BY SPECIFIC COUNTRIES

	Country maintaining restriction and description	Products affected	Country notifying and comment
C.	<u>State trading, government monopolies, etc.</u>		
AUSTRIA	Although imports of salt and products containing salt are formally liberalized, imports must be approved by the Administration of the Austrian Salt Monopoly (Finance Ministry).	Salt and products containing salt	UNITED STATES: --
	The monopoly has the sole right to import, produce and sell raw and processed tobacco and tobacco products of any kind.	Tobacco products	UNITED STATES: --
	State-trading organizations	Tobacco, mineral ores	INDIA: In many cases there is a general reluctance to import from non-traditional sources even though the goods are available from these countries at competitive prices.
		produced raw spirits	UNITED STATES: --
		Industrial -	
		produced raw spirits	
BRAZIL	State monopoly	Rubber	UNITED STATES: --
			This is not State trading since 18 January 1967 when Law 5257 became effective.
			Industrial users now import natural and synthetic rubbers directly according to a plan established by the Rubber National Council.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. State trading, government monopolies, etc. (cont'd)		
CANADA		
Monopoly operated by Canadian Provinces: they are reluctant to carry United States liquor brands in Government operated monopoly stores.	Alcoholic beverages	UNITED STATES: --
The Canadian Provincial Liquor Boards in British Columbia, Ontario and Quebec charge a higher mark-up on imported whisky and spirits than on Canadian whisky and spirits.	Alcoholic beverages	UNITED KINGDOM: --
Liquor sales in all provinces are controlled by the Liquor Control Boards which are reluctant to admit new products. Imported beers can be distributed only through State Liquor Stores, but the normal range of locally brewed beers have normal commercial distribution also.	Beer	BRAZIL: The monopolies may accept or veto imports from any origin. UNITED KINGDOM: --
CEYLON		
State trading		
Fish, cement, textiles, newsprint, paper and paperboard, petroleum products, and caustic soda	UNITED STATES: --	
CONGO (Brazzaville)		
Office National du Commerce is sole buyer and seller of all merchandise destined for "northern regions" of Congo (Brazzaville).	Certain imports	UNITED STATES: --

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. State trading, government monopolies, etc. (cont'd)		
CONGO (Brazzaville) Office National du Commerce is sole buyer and seller of all merchandise destined for "northern regions" of Congo (Brazzaville).	Certain imports	UNITED STATES: --
FINLAND State trading.	Alcoholic beverages Compound fertilizers, crude petroleum	UNITED STATES: -- UNITED STATES: --

Do factio State trading: State-owned companies in practice appear to control imports and marketing.

Imports of compound fertilizers require a Ministry of Agriculture permit regarding quality.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. State trading, government monopolies, etc. (cont'd)		
FRANCE	Tobacco, manganese ore	INDIA: Not conducive to increased purchases from developing countries... a general reluctance to import from non-traditional sources even though the goods are available from these sources at competitive prices
State monopoly	Cigarettes and other manufactured tobacco	UNITED KINGDOM: This restricts imports and sales on the French market. UNITED STATES: Following move toward CIT, retail prices of United States cigarettes have been increased proportionately more than on comparable domestic brands. This action contravenes undertaking on pricing which United States obtained from France in 1947.
State trading.	Coal	UNITED STATES: --
State trading.	Paper for periodicals (paper in general is liberalized)	UNITED STATES: --
State trading.	Petroleum products	UNITED KINGDOM: The importation, refining, and distribution of petroleum and its products is a State monopoly. Importers and distributors are licensees of the French State. The licensing system is used to give French firms a larger share of the market than they would have if competition were free.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

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Country maintaining restriction and description	Products affected	Country notifying and comment
A. State trading, government monopolies, etc. (cont'd)		
GREECE	State trading.	Cigarette paper, kerosene, alcohol, matches, salt, playing cards, and saccharine
		UNITED STATES: --
		UNITED KINGDOM: --
		Crude and refined petroleum
		Oil industry: the Greek Government exercises overall control by (1) prohibition of the import of main products for the internal market; (ii) strict control over the price of imported crude oil and close supervision of refining operations; (iii) the operation of a State refinery, with the reservation of the right to supply about 20 per cent of the crude requirements. The refinery is at present leased to a Greek company in which the United States Mobil Company has participation. About 20 per cent of total Greek market requirements are supplied by the Government, mainly under barter deals with the Soviet bloc countries.
HAITI	State trading.	Tobacco, matches, soap, detergents, cosmetics, textiles, tyres and tubes, cement, various agricultural chemicals, household appliances, wine, beer, whisky, rum, toilet articles, and non-agricultural machinery
		UNITED STATES: --
		SWITZERLAND: --

**MEASURES MAINTAINED BY SPECIFIC COUNTRIES**

Country maintaining restriction and description	Products affected	Country notifying and comment
C. State trading, government monopolies, etc. (cont'd)		
ICELAND State trading.	Tobacco, fertilizers, wine and liquor, perfumes, and safety matches	UNITED STATES: ---
INDIA State trading.	Artificial silk yarn and thread, caustic soda, soda ash, newsprint, cement, fertilizer, petroleum products, mercury, sulphur, tractors, printing and textile machinery, tyres and other items as might be determined from time to time such as capital goods and industrial raw materials	UNITED STATES: ---
	Goods of types available from Eastern Europe	AUSTRALIA: ---
	Discriminatory State trading.	
INDONESIA State trading.	Some essential items, including cambrics, weaving yarn and thread, textiles and dyes, tinplate, paper, cement, reinforcing rods and other capital goods	UNITED STATES: ---

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. State trading, government monopolies, etc. (cont'd)		
ITALY  State-trading or monopoly organizations like producers' associations.	Tobacco, mineral ores	INDIA: Not conducive to increased purchases from developing countries . . . a general reluctance to import from non-traditional sources even though the goods are available from these sources at competitive prices.  Cigarettes, tobacco

The Italian Tobacco Monopoly was set up by Law 907 of 17 July 1942. It covers manufactured and unmanufactured tobacco (including snuff), tobacco substitutes, mouthpieces for cigarettes, cigarette paper and matches. Conditions imposed by the Monopoly on the sale of foreign brands constitute an impediment to imports.

State monopolies.

UNITED STATES: --

Nicotine products, salt, matches, flint, cigarette " lighters

UNITED KINGDOM: --

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description affected	Products affected	Country notifying and comment
<b>C. State trading, government monopolies, etc. (cont'd)</b>		
JAPAN State trading.	Cigarettes, ethyl alcohol	UNITED STATES: --
Salt	AUSTRALIA: Japan Monopoly Corporation determines quantity and source of imports.	HONG KONG: --
Manufactured tobacco	SWEETENED condensed whole milk, sweetened condensed skim milk, dry skim milk, and dry whole milk	SWITZERLAND: --
Oil imports	UNITED KINGDOM: Control of the oil industry and market is maintained under a five-year energy plan which is reviewed annually. Refineries are obliged to import from the Arabian Oil Company (currently at about 15 per cent of total crude imports) before considering alternative sources.	UNITED STATES: --
KENYA State trading.	Dyed-in-the-piece fabrics, khaki drill, coloured fabrics, second-hand clothing, soap, detergents, and salt 35 mm. cinematographic films, developed	UNITED STATES: --

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. <u>State trading, government monopolies, etc.</u> (cont'd)		
KUWAIT	Private monopoly: monopoly on imports granted to local producers.	Asbestos pipe UNITED STATES: --
MAURITANIA	State trading.	Percaltes, guinea cloth UNITED STATES: --
NORMANDY	State trading.	Alcohol, alcoholic beverages, medicines and pharmaceuticals, fishing gear UNITED STATES: --
PAKISTAN	State trading.	Iron and steel, non-ferrous metals, sulphur and rubber UNITED STATES: --
SPAIN	State trading.	Certain types of coal, petroleum and derivatives, tobacco UNITED KINGDOM: <u>State Trading Monopolies</u> effectively regulate imports of a few items. La. Tabacalera, a Government approved company, controls tobacco distribution and sales in Spain and has had a restrictive effect on imports.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. <u>State trading, government monopolies, etc. (cont'd)</u>		
SPAIN (cont'd)	Petroleum products	<p>UNITED KINGDOM: The Spanish Government exercises close control over all aspects of the Spanish oil industry.</p> <p>(1) A State petroleum monopoly has been in existence since 1928, administered by a mixed enterprise CAMPESA, which controls the whole of the domestic market except in the Canaries.</p> <p>(ii) Refinery capacity is subject to authorization and control over the throughput for the supply of the internal market (capacity must otherwise be used for export).</p> <p>(iii) The right to supply 20 per cent of all crude refined for the internal market is reserved for the Ministry of Commerce which may arrange barter deals. The Spanish Government appears ready to provide a protected market for the overseas production of national companies by guaranteeing a further share of the internal market.</p> <p>(iv) Product imports are not permitted except by special licence and all product sales are controlled at fixed prices by CAMPESA.</p>

SWEDEN

Spirits  
and wines

UNITED STATES: --  
BRAZIL: --

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description	Products affected	Country notifying and comment
C. <u>State trading, government monopolies, etc. (cont'd)</u>		
SWITZERLAND	Ethyl alcohol of a strength of 80 per cent or more, whisky and gin in casks, brandy and liqueurs	UNITED STATES: --
TANZANIA	Textiles, bicycles, motion picture films, cement, matches	UNITED STATES: --
TUNISIA	Playing cards, matches, tobacco and tobacco products Pharmaceutical products, raw materials used in manufacture of certain products Books, periodicals, phonograph records, cultural items Timber, paper, hardwood, fertili- zer, construction materials, iron, glass and earthenware, yarn and spun goods Used clothing	UNITED STATES: Imported solely by tobacco monopoly. UNITED STATES: Imported solely by Pharmacie Centrale. UNITED STATES: Imported solely by Société Tunisienne de Diffusion. UNITED STATES: Imported by import group associations.
		UNITED STATES: Imported by Société d'Articles Populaires, a semi-public agency.

MEASURES MAINTAINED BY SPECIFIC COUNTRIES

Country maintaining restriction and description (cont'd)	Products affected	Country notifying and comment
C. <u>State trading, government monopolies, etc.</u>		
TURKEY	State trading.	UNITED STATES: --
		Tobacco products, cigarette paper, various alcoholic beverages
UNITED KINGDOM	Monopoly of BISC (Ore) Ltd. Flag discrimination.	BRAZIL: The United Kingdom wish to raise the question whether shipping practices are relevant to the work of this Committee (see general note to this addendum). In any event, this nationalized company operates in com- petition with private firms on commer- cial considerations, and it therefore appears inappropriate to refer to "flag discrimination" where no govern- ment-imposed rules are in question.
	Iron ore	