

ment Regulations. While the amount saved for our balance of payments by this action was not large in a relative sense, it was an integral part of a whole series of interim measures designed to reduce the adverse impact of DOD expenditures on the U.S. balance of payments.

The extent of protection offered under the Buy American Act to U.S. firms is a matter of concern to our trading partners, just as their own protective practices are a matter of concern to us. In this connection, the OECD recently published a study of member government purchasing practices. Meetings are continuing in which we are urging the reduction of discrimination through administrative discretion and more open procurement procedures among member states. This summer the OECD expects to have a statistical compilation of member government procurement data available for our review.

Even though procurement practices of some foreign governments are more restrictive than our Buy American Act policy, foreign government procurement of U.S. goods far exceeds U.S. Government procurement of foreign goods. Total nondefense U.S. Government purchases of foreign products, after application of the 6- to 12-percent Buy American Act policy, amounted to \$30 million in fiscal year 1966. Procurement in the United States of nonmilitary goods by governments or government-controlled industries of the European OECD countries and Japan is estimated at \$1 billion in 1966.

Part of our current nonmilitary sales to foreign governments includes jet aircraft and other specialized equipment that could not easily be supplied from other sources. On the other hand, millions of dollars of other goods now purchased from the United States could be held by foreign governments for their own domestic procurement under more restrictive practices. Therefore, the results of an escalation of restrictive government procurement practices could be very costly to the United States. In fact, we stand to lose far more in exports than we would save in imports.

While it is difficult to estimate the full budgetary costs of a more restrictive procurement policy, we estimate current budgetary savings of \$10 million on the \$30 million of foreign procurement under the Buy American Act by nondefense agencies.

We are continuing our surveillance of Government expenditures abroad by all U.S. agencies from the point of view of overall budgetary, international trade, and balance of payments considerations. The dual policy of Defense and other agencies applying different buy American practices to similar products is the result of our attempt at an earlier period to reconcile these somewhat conflicting objectives.

We have requested the Department of Defense and GSA to analyze the balance of payments savings and budgetary costs of their current and alternative buy American differentials. We will also examine the other principal agencies concerned. At the same time, the Department of State will follow closely the developments of the OECD Government procurement evaluation and will recommend appropriate steps for the United States to take.

IMPROVEMENTS IN SUPPLY SYSTEMS

As stated previously, I will comment but briefly on improvements in the Government's supply systems.