

WHEN IS RESOLUTION ON BUY AMERICAN ACT DIFFERENTIALS EXPECTED?

Representative MOORHEAD. On the matter of the differential in the Buy American Act, I know you are working on this, but when can we expect a resolution of this problem?

Mr. HUGHES. I wish I could be more precise, Mr. Moorhead, but I think the best answer is the wording of the Armed Services Procurement Regulation which says that this is an interim measure designed to deal with the unusual problems associated with the expansion of defense activities. It is closely tied in with our general balance-of-payments problem, and our expectation would be that when that problem subsides, the differential will revert to a single standard.

Representative MOORHEAD. You do not see any solution short of a solution of the balance-of-payments problem?

Mr. HUGHES. I think it is difficult to see a solution short of a solution to the balance-of-payments problem. We certainly would not want to see a movement from the 6-12 in the direction of the 50 in the light of the other things we are trying to achieve in the trade area and the encouragement we are trying to give foreign governments to free up their own procurement practices. Part of the consideration here, of course, is that we are, both in terms of Government procurement and in terms of our overall balance of trade, much more the beneficiary than the victim of freeing up trade practices. Whereas our foreign product Government procurement is of the magnitude of \$30 million—

Mr. HOLDEN. To civilian agencies—

Mr. HUGHES (continuing). Foreign governments procure of us something of the magnitude of a billion dollars. Now, even leaving out the jet aircraft and equipment that is specialized and which would be hard to procure elsewhere, we are in the several-hundred-million-dollar bracket. That is, we are the beneficiaries to the tune of several hundred million dollars.

Representative MOORHEAD. We have a favorable balance of trade as far as Government procurement here.

Mr. HUGHES. In terms of our Government procurement abroad versus their procurement here.

Representative MOORHEAD. I see. Thank you, Mr. Chairman.

CIRCULAR A-76

Chairman PROXMIRE. Thank you, Mr. Moorhead.

Reverting to Circular A-76, what concerns us, although it is a matter of attitude and language, I suppose, more than specific requirements, is the fact that in the old criteria was a statement giving basic policy of procuring from private rather than commercial sources—rather than Government sources. It says because the private enterprise is basic to the American economy and the basic policy establishes a presumption in favor of private procurement—in favor of the commercial sources, and goes on to indicate the benefits of this.

This is as I understand it—is in Circular 60-2, the old regulation—it is not in Circular A-76. And its absence, it seems to me, raises a question as to whether this notion, that it is desirable on the grounds of, aside and apart from strict arithmetic economic comparison, that it is beneficial, why is it excluded?