conspicuously small proportion of a government purchases, by any government, is from foreign suppliers who compete with domestic producers. In the United States the Buy American provision—which since 1954 officially gives preferential treatment of six to twelve per cent (in addition to tariffs) to domestic over foreign competitors for the Government's custom—has existed since the 1930's. But in 1962 a number of government agencies, including most importantly the Department of Defense, raised the preference accorded to domestic suppliers as high as 50 per cent.[19] Foreign aid expenditures by the American government are even more restricted. Starting with development loans in 1959, such expenditures were tied increasingly to purchases in the United States, until by 1965 only a limited class of expenditures was not so tied, regardless of the price advantages offered by foreign suppliers.

The government procurement practices of other countries are more difficult to document, since most governments do not require open bidding on government purchases with well-publicized preferences for domestic producers, such as those found in the Buy American provisions. Many countries follow the practice of tying foreign assistance, either by law or skillful selection of projects and recipient countries, to purchases from the donor country. This is as true for those donors with fully employed economies as for those with excess capacity and case, and merely stimulates additional imports—and it is as true for donor countries in balance of payments surplus as for those in deficit. Canada, Japan, and the United Kingdom tie the bulk of their foreign assistance, and France ties some expenditures. France and the Netherlands give virtually all of their foreign assistance to colonial or former colonial areas, where de facto aid-tying takes place through the long-established trading firms. German aid often originates with requests from prospective exporters who have found projects in recipient countries eligible for foreign assistance by German criteria.[20]

Many of these practices, of course, arise not only from balance of payments considerations but also from protectionist sentiment. Domestic producers apply strong political pressures on their governments to buy at home—the more so when the goods are to be "given away." But weakness in the balance of payments often strengthens their arguments and increases public acceptability of such restrictive measures.[21]

Government activities are not solely restrictive of trade. On the contrary, a second range of practices involves all kinds of schemes, except direct subsidies proscribed by GATT, to promote exports of goods and services. Governments sponsor trade fairs, product exhibitions, and other advertisements for the products of their exporters; they insure commercial and so-called non-commercial risks involved in exporting; and they often help to finance exports directly. No major industrial trading nation can be found without a government or government-sponsored agency for insuring and/or extending credit for exports. Some countries, such as France and Italy, give especially favorable treatment to export paper in their banking systems or at their central banks. And export credit is often exempt from general credit limitations to restrict domestic demand. All of these measures really subsidize exports, although it is often impossible to identify the amount of the subsidy to any particular sale.

The United States established the U.S. Travel Service in 1961 to attract foreign tourists to the United States. European governments have been aiding tourism much longer, and each year spend substantial amounts for the purpose of attracting foreign tourists. Moreover, expenditure for tourist promotion has been growing rapidly, doubling every two to four years. In addition to straightforward publicity, most European countries subsidize the hotel industry either through preferential tax treatment or through low-interest or government-guaranteed

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[19] The Department of Defense also introduced, and then raised, a margin of preference to American suppliers for its procurement for use by American forces abroad, which procurement was not subject to the Buy American Act (41 U.S.C. § 10). The change added an average of 26 per cent to the budgetary cost of those items shifted from overseas to domestic procurement. *See* testimony of Charles Hitch, Comptroller of the Defense Department, *Hearings on Balance of Payments Before a Subcomm. of the Senate Comm. on Banking and Currency*, 89th Cong., 1st Sess., at 156 (1965).

[20] On national practices and their economic effects, see Cooper, External Assistance and the Balance of Payments Donor Countries, U.N. Doc. E/Conf. 46/141, Vol. V, at 360–73 (1965).

[21] When the European common market is finally established, member governments will be obliged to give equal access to suppliers throughout the E.E.C.