practices.[31] Neither Canada nor the United States engages in state trading in nonagricultural products.[32]

Government Procurement

Somewhat analogous to state trading is government procurement. However, while in state trading the government acts as a middleman between producer and consumer, in the case of procurement the government purchases goods and services for its own use.

Government procurement, like state trading, is not a nontariff barrier, *per se*. Trade is restricted only when governments favor domestic over foreign sources of supply. Such favoritism is so widespread, however, that the term "government procurement" has acquired the connotation of a trade restriction.

Preferences to domestic producers, in addition to normal tariffs, are a common practice in government procurement. This distinction between purchases for government and private purposes is even reflected in the GATT, which specifically exempts goods imported for government use from the national-treatment rules relating to internal taxes and regulations that apply to imports for private consumption.

The means by which domestic producers are favored over foreign producers are numerous. Preferences may be specifically provided for in legislation and administered according to detailed regulations. Alternatively, preferences may be granted under general legislation and/or administrative procedures in which procuring authorities are given much discretionary power. But the absence of legislation or regulations does not necessarily constitute liberality; it may afford the widest possible latitude for restricting trade.

The United States is the outstanding example of specific preferences to domestic producers in government procurement. The well-known "Buy American" Act of March 3, 1933 requires that goods of domestic origin[33] be purchased by fed-

[31] Salt and ethyl alcohol are also state-traded in Japan. See GATT document L/2593/Add. 12, June 28, 1966.

[32] The Canadian provinces, however, have a monopoly on the sale of alcoholic beverages, and provincial authorities have exclusive authority to import.

[33] Goods are considered to be of domestic origin if the cost of their domestic components exceeds 50 per cent of the cost of all components.