

ment often result in restricting trade to a considerable extent. In the event of substantial reductions in tariffs, such preferences may become more restrictive to compensate domestic producers for loss of protection in the private sector. Because there are virtually no international rules relating to government procurement, this is an area where an international agreement or code might be successfully concluded. Such an agreement appears to be negotiable, because all industrial countries grant preferences to domestic producers in one form or another.

The purpose of an international agreement would be to eliminate these preferences or to make them uniform. Any effective arrangement would have to provide for standard procedures relating to publicity, submission of bids, awarding of contracts, and similar matters.⁹⁵ Unless this were done, the varying preferences inherent in the present procedures of many countries would continue. Any favoritism to domestic producers should be granted through margins of preference clearly stated in percentage terms. Such preferences could then be made uniform among countries and could be reduced over a period of time or in subsequent negotiations.

It might be too ambitious to include all government procurement in one agreement; nonmilitary, military, and foreign aid procurement could be dealt with separately. For example, the United States and Canada have mutually eliminated preferences on certain military supplies. This arrangement logically could be extended to include all NATO countries and Japan. Similarly, efforts now being made in the OECD to co-ordinate member countries' foreign aid programs might include an agreement under which this aid would be progressively untied so that recipient developing countries could purchase on a global basis from the most economical sources.

Preferences in procurement by provinces, municipalities, and other government bodies are more difficult to deal with, particularly because of the federal systems of some industrial countries. However, national governments could make efforts to standardize procedures and to eliminate such preferences.

In an Atlantic Free Trade Area, customs classification and

⁹⁵ Work on the possible harmonization of government procurement procedures is now taking place in the OECD.