

Fourth, while the emergence of regional trade blocs such as the European Economic Community and the European Free Trade Association are welcome developments, they pose trade questions which have disturbing implications. To the extent that national preferences, restrictions and advantages in tax structure, and protective public procurement policy expand into regional arrangements, the U.S. and other outsiders will incur even greater competitive disadvantages. Moreover, General Electric can reasonably anticipate that the larger enterprises that emerge out of industrial realignment and rationalization within these regions will be strengthened by uniform and widened public procurement inside the sheltered markets, continuing high costs of import entry, and tax incentives to export.

Fifth, it must be recognized that the procurement and tax policies of these European countries are nationalistic instruments to encourage their manufacturers to help execute government policy designed (among other things) to protect their balance of payments and thus their currencies.

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A. THE PUBLIC PROCUREMENT POLICIES AND PRACTICES OF THE EUROPEAN PRODUCER NATIONS OF HEAVY ELECTRICAL EQUIPMENT EXCLUDE U.S. COMPETITION IN EUROPEAN MARKETS

B. TOTALLY PROTECTED HOME MARKETS ENABLE EUROPEAN MANUFACTURERS TO PURSUE A STRATEGY OF "DUAL PRICING": HIGH HOME MARKET PRICES; LOW EXPORT PRICES

A. *European Public Procurement Policies and Practices*

1. *Most electric utilities are government owned or controlled public authorities.*¹—In the United Kingdom, France, Italy, Sweden and Austria electric utilities are almost entirely nationalized. The few regional public authorities, Scotland and Northern Ireland in the U.K., Electricité de Strasbourg and Compagnie Nationale du Rhone in France, adhere to the policies of their respective national authorities, the Central Electricity Generating Board (CEGB) and Electricité de France (EDF). In West Germany there is a mix of regional public utilities and private utilities, but the Federal Government is a dominant participant and influence in procurement policy by reason of its financing of utility expansion.

Thus the public procurement policies of all these countries, which implement underlying national economic planning, directly control purchases of utility equipment by public authorities.

2. *European electric utilities pursue strict buy-national policies.*—Where a European nation has domestic capability in electrical equipment it buys from its domestic industry.² This is a flat rule almost without exception. Sometimes the authority of such policies is contained in law, administrative regulation or executive order; sometimes it is simply a tacit or informal practice deeply rooted in a modern day economic nationalism. The specific procedures by which these policies are carried out are:

(a) Requests for bids are not formally advertised or otherwise given public notice. Instead, private discussions and negotiations are held between the utility and its potential suppliers whereby designs and specifications are spelled out and terms and conditions of sale agreed upon. Thus, there is scant opportunity for other qualified suppliers to respond to a bid or present their particular capabilities for consideration.

¹ Exhibit 1.

² See Organization for Economic Cooperation and Development, Government Purchasing in Europe, North America, and Japan: Regulation and Procedures (Paris, 1966); also Exhibit II.