

The anti-competitive effects of procurement policy can be thought of as arising in three different but related ways. First, there is the use of a tariff-like preference, over and above the laid-down, duty-paid price of imported goods, accorded to domestic producers over foreign producers.<sup>4</sup> This gives an additional or oligopolistic return to domestic producers; it is anti-competitive, as is a tariff, in that it tends to restrict foreign competition.

Second, there is the practice of giving absolute preferences to domestic producers. This has, obviously, an even greater impact on the structure of competition than a fixed-rate preference; where there are a limited number of domestic producers such a procurement practice provides a strong incentive for collusive tendering by those producers.<sup>5</sup> (Some governments have recognized that the only way to secure lower prices and ensure less collusion between suppliers is to open the market to foreign suppliers, and indeed, this may be one of the unintended results of privatization of certain activities, such as telecommunications.)<sup>6</sup> Just how anti-competitive a policy of restricting supply to domestic producers may be in practice depends on the details of how firms are chosen for selective tendering; it is conceivable that a procurement policy with an absolute preference for domestic goods may be deployed to strengthen smaller firms and improve the structure of competition in the domestic market.

The potential of using procurement policy selectively to support research and development efforts or to develop domestic capability in a given sector is often attested. An interesting example is the decision taken by the Canadian authorities, it is understood, to award consulting engineering contracts for major resource projects (so-called "mega-projects") which involve government participation, only to Canadian-controlled consulting engineering firms, in preference to the Canadian subsidiary of a major foreign-controlled engineering firm. A detailed study of procurement practices from a competition policy point of view would involve the examination of a number of such cases.

Third, and perhaps, logically, only a variation on the second category, is the impact of purchasing for defence purposes. This is an area of procurement that lies outside any possible multilateral arrangement and in which foreign firms are admitted only on a highly-regulated, highly negotiated, usually government-to-government basis. It might seem that competition policy practitioners should ignore this area of procurement but, of course, there will be precisely the same anti-competitive effects from a highly restrictive purchasing policy in this sector as in other sectors. The production of specialized goods for defence is not, of course, entirely separate from other types of production; a policy of directing contracts, frequently on a "cost-plus" basis, to domestic producers, must have an impact on the structure of competition over a fairly wide range of products. Procurement policy, in this sector, can be used to subsidize research and development; it has long been argued by the EEC that U.S. high-technology firms are subsidized to a substantial degree by defence procurement programs, and that these have the effect of subsidizing U.S. exports of related products outside the defence sector.<sup>7</sup>

### Product Standards

In this brief account it is not possible to make a detailed review of how product standards may be deployed to give protection to domestic producers, and