



are available to operators of U.S. vessels: cargo preference laws restrict the carriage of military cargo and limit the carriage of government non-military cargo, aid cargo and certain agricultural commodities to U.S. vessels. These and other restrictions (coupled with defence-related prohibitions of the Byrnes/Tollefson Amendment) limit Canadian participation in U.S. shipping activities.

Canada will continue to use every appropriate opportunity to encourage the liberalization of these restrictive provisions. Although there have been renewed calls for reform, the cabotage and cargo preference restrictions continue to enjoy significant support in the United States, limiting the prospect of any major change in the short term.

Temporary Entry

Section 343 of the U.S. Illegal Immigration Reform and Immigrant Responsibility Act would require any alien seeking U.S. employment as a health care worker to present a certificate from a U.S. credentialing organization verifying the person's professional competency and proficiency in English. A waiver for health care workers seeking temporary entry is currently in effect pending development of implementing regulations. Canada has registered concerns with the U.S. Administration and Congress that the certification requirement, as it applies to those seeking temporary entry, would violate U.S. NAFTA obligations. In response to Canadian concerns about the legislation, U.S. Trade Representative Barshefsky has stated that the United States will "work hard" to ensure that implementing regulations are NAFTA-consistent. Canada will continue to press this issue with the United States in order to achieve a satisfactory resolution.

GOVERNMENT PROCUREMENT

Canada will continue to press the U.S. government to further open its procurement markets to Canadian suppliers. Currently, U.S. government exceptions under NAFTA and WTO procurement agreements prevent Canadian suppliers from bidding on a broad range of government contracts in sectors of key importance. Especially onerous are the set-aside programs for small and minority-owned businesses and *Buy American* provisions.

Small Business Set-asides

The definition of a U.S. "small business" varies by industry, but is typically 500 employees in a manufacturing firm (and up to 1500 employees in certain sectors) or an annual revenue of up to \$17 million for a services firm.

The Government is concerned that, over the past year, the United States has continued to expand the use of the exemptions to its procurement commitments in international trade agreements. The Small Business Reauthorization Act of 1997 (signed into law December 2, 1997) creates a new "set-aside," the "HUBzone" program, which is aimed at helping small businesses located in depressed areas to obtain federal contracts. Canada will examine the consistency of this new set-aside program with U.S. obligations under international agreements.

The 1997 legislation also increases, from 20% to 23%, the government-wide goal for awards to small, small disadvantaged and HUBzone businesses. This new goal is also being encouraged at the subcontractor level. The higher the set-aside goal, the more procurement business will be removed from full and open competition for Canadian firms.

Buy American

Buy American provisions are applied extensively to U.S. procurement that is not covered by the NAFTA or the WTO. The trade agreements only require equal treatment of Canadian offers on direct purchases by the U.S. federal government. There is no restriction on the conditions that the United States may place on funding it supplies to state and local governments.

Intermodal Surface Transportation Efficiency Act

Canada continues to seek improvements to the currently limited access that Canadian firms have into the important U.S. procurement market for transportation infrastructure contracts for federally funded transit, highway and aviation projects. Almost all of the large transportation contracts in the United States are administered by state and local government or private-sector organizations. Most receive federal funds. The Intermodal Surface Transportation Efficiency Act (ISTEA) generally requires that