
For the United States, 11 out of 13 government departments are covered, the only exceptions being the departments of Energy and Transportation. A total of 40 governmental agencies and commissions, as well as the National Aeronautics and Space Administration (NASA) and the General Services Administration are included. The lower threshold adds about US \$2.4 billion for competition between Canada and the United States to the US \$18 billion of U.S. federal government purchasing already open under the GATT Code. A complete list of the federal departments and agencies covered by the Procurement Chapter can be found in Appendix C.

Neither the U.S. small business nor the minority business set aside program is affected by the Free Trade Agreement. In signing the GATT Code, the United States indicated that, notwithstanding the list of entities covered, the GATT Code would not apply to set asides on behalf of small and minority businesses in the U.S. Because the same list of entities was adopted for the Free Trade Government Procurement Chapter, this provision continues to apply.

Services are not part of the Government Procurement Chapter unless they are incidental to the purchase of goods, e.g., if the value of these incidental services does not exceed that of the products themselves. Thus, services contracts per se are not included. The possible expansion of the GATT Code to cover services is under consideration in the context of the current Uruguay Round of trade negotiations under the aegis of GATT.

Eligible Goods

The intention of the Procurement Chapter is that benefits from the opened markets should accrue to Canadian and U.S. goods. As a result, coverage applies to goods meeting a set of criteria respecting origin. The definition of eligible goods in Article 1309 of the Government Procurement Chapter is distinct from the rules of origin applying to trade in goods contained in Chapter Three of the Free Trade Agreement. For government procurement, eligible goods are: (a) unmanufactured materials mined or produced in the territory of either Canada or the United States, and (b) products manufactured in either Canada or the U.S., if the cost of the materials used in their manufacture, which originate outside the territories of Canada and the United States, is less than 50 per cent of the costs of all the materials used.

Threshold

The Procurement Chapter breaks new ground by establishing a lower threshold of CDN \$31,000 (US \$25,000), instead of the current GATT threshold of CDN \$213,000 (US \$156,000). Above the new threshold, for those purchases covered by the Procurement Chapter, Buy American and Buy Canadian practices will not apply.