

of business to be set aside. USA set-asides have grown from \$300 million to about \$5 billion. In an effort to meet negotiated goals, some procurement officers have divided or split contracts so that they may be subject to the Small Business Set-Asides Programme. Pressure to do so is intense and, given the boost to small and medium business in the recent Competition in Contracting Act, unlikely to diminish. Furthermore, the rise in acceptable size for a "small" business, from 500 up to 2500 employees (size limits vary by industry) has greatly increased the scope of USA government procurement contracts which can be restricted to "small business".

10. Another exception to the provisions of the GATT Agreement, the "national security interest" exemption, is frequently used by the United States. Under USA National Security/ Confidentiality restrictions, excessive security classifications deny information on projects to potential Canadian bidders. Most significant contracts are discussed early in the R & D planning process. When they reach open bidding, such contracts are effectively limited to those companies involved at the start, i.e. USA firms. Security restrictions and the very long lead time required for visit clearances (and the frequent communications gap between Department of Defence approval agencies and project development agencies) cause time delays and onerous paperwork, discouraging USA contracting personnel from talking to Canadian firms. In some instances, "confidentiality" restrictions are inappropriately used by USA firms to prevent or hamper Canadian competition.

b) State

11. In addition to the federal Buy American preferences, most States have their own Buy American/Buy State procurement policies or statutes. These policies may take the form of a nominal or price preference for USA/State products or a total prohibition on foreign products. Some of these policies are directed at specific products upon which a particular State economy may be dependent (especially steel). Most, however, apply to all products. There are indications that such State restrictive legislation will continue to increase, as several State Legislatures and Governors support local preferences as job-creating measures. A list of State restrictions is contained in Annex A.

II Canadian practices

a) Federal

12. Federal Government procurement of goods and services amount annually to approximately \$7 billion (they reached \$10.5 billion in 1983-84 due to the Canadian Patrol Frigate Programme). Of this, some \$500 million is covered under the