

work. A deliberate effort should be made to channel such developmental work to Canadian engineering companies to build up their competence as well. Other service industries such as caterers, trading houses and freight-forwarders would also be interested in better access to USA government procurement.

2) Dispute Settlement

60. The need for a consultation, conciliation and dispute settlement mechanism would have to be addressed.

POSSIBLE APPROACHES TO NATIONAL TREATMENT

61. There are several possible approaches that could be pursued to seek a reciprocal exchange of national treatment in government procurement and funding programmes. These approaches can be defined essentially as a function of the desired scope of national treatment. The following approaches are outlined in order of decreasing scope but the list of possibilities is not exhaustive.

a) Comprehensive

62. Under this approach, products and supplies from the other country would be treated no less favourably than domestic products or supplies in respect of all laws, regulations, policies and practices regulating procurement. In effect, this would be a removal on a bilateral basis, of the GATT Article III procurement exemption from the general National Treatment obligations. Moreover, in order to deal with funding practices, the approach would require state and provincial governments to accept a binding commitment to apply national treatment in their own procurement and funding programmes. The effect of a comprehensive approach would therefore be felt down to the local/municipal level as well as in crown corporation procurement. The potential coverage of such an approval would be enormous. However, while the major obligations might be relatively easy to define, there would be a need for the development of procedures to ensure its effectiveness.

b) Comprehensive Civilian

63. This approach is the same as that described in a) above, but excluding weapons systems procurement by Defence Departments. Canadian interests in improved access to the USA Defence market would be pursued separately in the context of the Defence Production and Defence Development Sharing Agreements.

c) Federal and Selected State/Provincial Entities

64. This approach would involve coverage of procurement by federal departments and agencies not now covered by the GATT Agreement, removal of federal tied funding practices and coverage of selected state/provincial entities. This approach