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DECLASSIFIED = DÉCLASSÉ  
CONFIDENTIAL  
EXTERNAL AFFAIRS = AFFAIRES EXTERIEURES

GOVERNMENT PROCUREMENT

BACKGROUND PAPER

ISSUE

1. How to pursue with the United States "national treatment in government procurement and funding programs", in accordance with the Quebec Summit declaration and the Government decision to enter into negotiations for a new trade agreement with the United States.

OBJECTIVE

2. To review the background and some of the approaches which Canada could follow in negotiations with the United States on national treatment in government procurement and funding programs.

BACKGROUND

3. Both Canada and the United States are signatories to the GATT Agreement on Government Procurement which entered into force in 1981. The Agreement is designed to open a portion of signatories procurement of goods to international competition on a non-discriminatory basis. However, the scope of coverage of the Agreement is much narrower than that sought by both Canada and the United States, with purchases of equipment in sectors such as transportation, power generation and transmission, and telecommunications generally excluded.

I USA Practices

a) Federal

4. Total USA federal government purchases of goods and services amount to about \$250 billion. Over \$200 billion consist of military procurement. The amount of USA procurement covered by the GATT Agreement and hence not subject to Buy American preference is over \$30 billion (70 - 80% being purchased by the Department of Defence). Canadian firms have supplied about 1% (\$227 million) of the amount covered by the GATT Agreement. The Canadian penetration of USA non-military government procurement market is less than 0.2%.