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While the EC has not tabled a request list, it has informally expressed its interest in using the Procurement negotiations to eliminate, or severely limit, both of these USA Government procurement barriers.

27. Service contracts per se are not covered by the present Agreement, although services incidental to the supply of products are, if their value is less than 50% that of the products portion of the contract. While the USA is anxious for work leading to the ultimate negotiation of inclusion of service contracts to proceed, progress in this area has been slow to date. Agreement has been reached to undertake "pilot studies" on architectural and consulting engineering, insurance, management consulting and freight forwarding services. Several signatories have also indicated their willingness to table an additional study on data processing services. These five studies taken together should provide a representative picture of existing government procurement practices in the service sector.

26. While the target deadline of June 1986 set for completion of the negotiations to broaden and improve the Agreement will not likely be met, work is expected to continue. However, the negotiations are unlikely to be completed in isolation from a broader multilateral negotiation which will offer the scope for the trade-offs required to strike a comprehensive deal. Accordingly, recent Canadian statements on a new MTN have noted government procurement as one of the items which Canada would seek to have included in the list of priority issues for the new Round.

#### V. EC Experience

29. The Treaty of Rome, establishing the European Economic Community provides, inter alia, for national treatment in government procurement of goods and services. Because of difficulties in enforcing the application of national treatment, an internal Directive was promulgated in 1976 providing terms and procedures under which procurement contracts would be opened to Community wide competition. The GATT Agreement on Government Procurement which was subsequently negotiated reflects many of the provisions of the EC 1976 Directive.