

continue to pursue a policy of access for Canadian telecommunications carriers or direct broadcast satellite providers to the U.S. market.

Shipping

A number of maritime laws (collectively known as the "Jones Act") impose a variety of limits on foreign participation in the U.S. domestic maritime industry. Under these laws, the carriage of cargo or passengers between points in the United States is restricted to U.S.-built and U.S.-documented vessels owned and manned by U.S. citizens. There are similar restrictions applicable to dredging, salvage and other commercial marine activities in U.S. waters. In international shipping, there are limitations on foreign ownership of vessels eligible for documentation in the United States. In addition, a variety of subsidies and other support measures are available to operators of U.S. vessels: cargo preference laws restrict the carriage of military cargoes and limit to U.S. vessels the carriage of government non-military cargoes, aid cargoes and certain agricultural commodities. These and other restrictions (coupled with defence-related prohibitions of the Byrnes/Tollefson Amendment) limit Canadian participation in U.S. shipping activities.

Canada will continue to use every appropriate opportunity to encourage liberalization of these restrictive provisions. Although there have been renewed calls for reform, the cabotage and cargo preference restrictions continue to enjoy significant support, limiting the prospect of any major change in the short-term.

Government Procurement and Domestic Preference Legislation

Canada seeks to limit the U.S. government's use of its currently extensive authority to reserve federal government contracts, at all levels of government, for American business. Especially onerous are the set-aside programmes for small and minority-owned businesses and "Buy American" provisions. The definition of a U.S. "small business" varies by industry, but it may apply to manufacturing firms with up to 1500 employees, or services firms with annual revenues of up to \$17 million. "Buy American" provisions affect entities not covered by the NAFTA, and contracts for construction services under the NAFTA threshold (US\$6.5 million).

Canada also seeks to improve the current extremely limited access of Canadian firms to U.S. federally-funded transportation infrastructure contracts for highways, transit systems and airports. Federal transportation infrastructure grants to state and local government also generally require the use of U.S. material and equipment.

A wide variety of protectionist provisions in state and local government contracts are not covered by either the WTO *Agreement on Government Procurement* (AGP) or the NAFTA.

Over the coming year, Canada will press the United States on these market access concerns as it prepares for negotiations under the AGP early review, as required under that agreement, and during discussions leading to further negotiations under the NAFTA on government procurement, as required by the NAFTA.

Other Canadian concerns with respect to the U.S. procurement market include the enactment of the U.S. Federal Acquisition Streamlining Act in 1994 and the Federal Acquisition Reform Act in 1995, a major purpose of which was to simplify federal acquisition procedures for U.S. suppliers. A number of the provisions of the new legislation and its implementing regulations appear to make trade more restrictive for non-U.S. suppliers and may be inconsistent with U.S. international trade obligations. These include U.S. sub-contracting requirements; limits on the number of offerors; and simplified acquisition procedures for all procurement under US\$100 000 and for commercial items to a value of US\$5 million.

Standards Measures

At the federal level, the United States' increasing use of mandatory standards to achieve regulatory objectives (e.g., the Fastener Quality Act, mandatory labelling standards for textile products and a proposal to require country of origin marking in the principal display panel for frozen vegetables) is of concern to Canada. Canada continues to engage in a constructive dialogue with the United States, principally in the NAFTA Committee for Standards Related Measures, to urge that regulatory burdens on industry be reduced.