

federal transportation infrastructure grants to state and local government make use of U.S. material and equipment. Congress is expected to reauthorize ISTEA in the spring of 1998. Similar conditions prevail for airports, deriving from the Airport and Airways Facilities Improvement Act.

Projects funded by the Federal Transit Administration require all steel and manufactured products to be 100% U.S. content and 100% U.S. manufactured. Rolling stock (i.e. trains, buses, ferries, trolley cars) components must be 60% U.S. content, and with final assembly occurring in the United States. Projects funded by the Federal Highway Administration require all iron and steel products, and their coatings, to be 100% U.S. manufactured. Projects funded by the Federal Aviation Administration (FAA) require all steel and manufactured products to be of 60% U.S. content, with final assembly in the United States.

State and Local Government Preferences

A wide variety of protectionist provisions are also applied to state and local government contracts.

Legislative and Regulatory Changes

The United States is still implementing changes made to its acquisition procedures arising from legislation passed in 1994 and 1995. Canada continues to press the United States to clarify and resolve potential inconsistencies between its NAFTA obligations and the new procedures, which appear to limit Canadian participation. These include subcontracting requirements, and simplified acquisition procedures for all procurement under \$100 000 and for commercial items to a value of US\$5 million.

STANDARDS-RELATED MEASURES

At the federal level, U.S. inclination to use mandatory standards to achieve regulatory objectives (e.g. the Fastener Quality Act; mandatory labelling standards for textile products; a proposal to require country-of-origin marking in the principal display panel for frozen vegetables – see below; and a recent proposal by the Department of Energy to regulate electricity reliability standards for North America) 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 national regulatory burdens on industry be minimized while allowing industry to self-regulate in the context of an increasingly integrated North American market.

The NAFTA Committee for Standards-related Measures has four sectoral subcommittees focussing on automotive, land transportation, telecommunications and textile labelling issues. These also provide effective fora for bilateral co-operation in the area of standards and regulations. The land transportation and textile labelling subcommittees have made considerable progress on trade-facilitating harmonized standards in the areas of driver vehicle compliance for trucks and the care labelling of textile goods. In both telecommunications and automotive sectors, standards measures have been generally complementary, and the subcommittees are pursuing further bilateral co-operation, along with increased co-ordination of activities in international fora.

Canadian and U.S. agencies are co-operating closely to conclude mutual recognition agreements (MRAs) on testing and certification, as well as on the harmonization and joint development of regulations, where this can be of assistance to exporters. For example, the Standards Council of Canada is pursuing arrangements with appropriate U.S. agencies so that assessments for conformity with U.S. regulations on fasteners and the testing of drivers for substance abuse can be performed in Canada.

At the subfederal level, a variety of traditional jurisdictions that predate the arrival of cross-border trade often impede market access for Canadian exporters. Canada is seeking more complete implementation by the United States of its NAFTA and WTO subfederal commitments, with a view to the upgrading or modernization of U.S. subfederal standards measures, complementing the volume and variety of our trade in manufactured goods. Canada is also working to enhance bilateral dialogue at the provincial and state level to increase co-operative activities in the area of standards and regulations development.

Finally, Canada will continue to encourage co-operation with the United States in the development and use of industry-developed voluntary standards for the North American market as a substitute for national regulatory requirements.