

content and 100 percent U.S. manufactured. Rolling stock (trains, busses, ferries, trolley cars, etc.) components must be 60 percent U.S. content with final assembly occurring in the United States. Projects funded by the FHWA require all iron and steel products and their coatings to be 100 percent U.S. manufactured.

Similar conditions prevail for airports projects that receive funds from the Federal Aviation Administration as authorized by the Airport and Airways Facilities Improvement Act. Such projects require that all steel and manufactured products be of 60 percent U.S. content, and that final assembly occur in the United States. Canada will continue to press for improved access to procurement markets in these areas.

### State and Local Government Preferences

A wide variety of procurement preferences exist at the state and local level. In addition, many U.S. federal government Buy American provisions are included in State and local procurement when federal funding is provided. Canada remains concerned that access for Canadian suppliers is constrained and unpredictable as a result of these preferences. The need for progress in assuring access for Canadian suppliers at both the U.S. federal and state and local levels, remains a key issue for Canadian provincial governments in determining whether any offer to open Canadian provincial and local government markets could be made.

### 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; recognition of Canadian laboratories by U.S. authorities for mandatory testing for substance abuse for motor carriers; mandatory labelling standards for textile products; a proposal to require country-of-origin marking in the principal display panel for frozen vegetables; a recent proposal by DOE to regulate Electricity Reliability Standards for North America; and a proposed OSHA standard on ergonomics in the work place) 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 four NAFTA sectoral Subcommittees, namely Automotive, Land Transportation, Telecommunications and Textile Labelling, also provide excellent fora for bilateral cooperation in the area of standards and regulations. The Land Transportation and Textile Labelling Subcommittees have both successfully harmonized standards to facilitate trade such as in the area of driver vehicle compliance for trucks and the care labelling of textile goods. In the Telecommunications and Automotive sectors, where standards measures have been generally complementary, further bilateral cooperation along with increased coordination of activities in international fora are being pursued by the Subcommittees.

Canadian and U.S. agencies are cooperating closely to conclude mutual recognition agreements (MRAs) on product testing and certification and on environmental management systems (EMS), as well as on the harmonization and joint development of regulations, where this can be of assistance to exporters. The Standards Council of Canada (SCC) has successfully concluded a laboratory accreditation agreement for testing of fasteners with the National Institute of Standards and Technology (NIST), which will improve access for Canadian companies when the Fastener Quality Act is implemented. The U.S.