

b) Government Policies and Practices

An agreement with the USA providing for national treatment in procurement and funding programmes, whether comprehensive or selective, would significantly limit the ability to use procurement as an instrument of economic and regional development. Such an agreement might address, for instance, tied funding programmes such as subsidiary agreements under umbrella Economic and Regional Development Agreements. Currently, these subsidiary agreements provide for a total funding of some \$2.8 billion which is subject to some form of procurement restrictions in favour of local/provincial/Canadian suppliers.

45.

EXEMPT  
Sec. 15(1)

c) Defence sector

Considerable concerns has been expressed by a number of Canadian firms over difficulties in penetrating the USA defence procurement markets. The focus of Canada's efforts in this area has been to continue to press the USA for the meaningful improvement necessary if we are to address the large and increasing defence trade imbalance with the USA (current level of about \$500 million/year). We have been successful in building the foundation for such improvement and have established structural mechanisms that will facilitate and institutionalize the increased defence economic cooperation and the necessary associated improvements in technology safeguards. Significant progress has been made in three important areas:

- (i) A memorandum of understanding concerning the exchange of sophisticated technical information has been negotiated. This memorandum will facilitate access for qualified contractors of each country on an equally favourable basis to unclassified strategic technical data of both countries. Moreover, the memorandum provides for a common, jointly staffed system for certifying participating contractors in