
scope for agreement on a second group of liberalized rules of origin, to be implemented in January 2006 in sectors such as chemicals, pharmaceuticals, plastics and rubber, and motor vehicles.

Forest Certification

In the last few years, U.S. demand for certified wood products has continued to grow, fuelled in part by the recent decision of a few large U.S. wood retailers to give preference to certified wood products. The Canadian forest industry is responding to this recent trend through increased certification of its operations and wood products. As of June 2004, more than 57 million hectares of forest land in Canada had been third-party-certified under one or other of the three sustainable forest management certification schemes available in Canada. Expectations are that 136 million hectares will be certified under sustainable forestry management schemes by 2006.

Canada supports certification as a voluntary, market-based tool to promote sustainable forest management. However, it wants to ensure that certification is not used as a market access barrier. In particular, Canada would be concerned about any measure requiring mandatory labelling for forest products based on non-product-related process and production methods. Also of concern are procurement policies, potentially imposed by large U.S. businesses or local governments, that specify that all products must carry the label of one particular certification scheme to the exclusion of other equivalent approaches. Canada will continue to monitor its access to key markets with a view to ensuring that certification remains a voluntary marketplace activity and that criteria are consistent with Canadian forest values.

Certification best supports sustainable forest management when all equivalent certification schemes are recognized in the market. For this reason, Canada supports those who propose equivalency and mutual recognition of various similar certification schemes. It is also Canada's view that a diversity of certification systems is necessary to reflect the variety of producers' circumstances and to safeguard against the risks associated with monopolies. In this context, Canada will continue to encourage and support the recognition of a diversity of forest certification systems.

Marine Mammal Protection Act

The U.S. Marine Mammal Protection Act (MMPA) prevents the import of almost all marine mammal products, including Canadian seal products, into the United States. In Canada's view, the MMPA prohibition on the import of seals and seal products cannot be justified on conservation grounds, since it applies to species that are not endangered. There are an estimated 5.2 million harp seals and 460,000 hooded seals in Canada. Canada supports the efforts of all coastal communities that depend on sealing and will continue to consult these communities in order to develop the best means of addressing this U.S. import ban. Canada has communicated its concerns about the ban on seal product imports to the U.S. government and will continue to do so.

OTHER ISSUES

Government Procurement

Canada will continue to press the United States to further open its procurement markets to Canadian suppliers. Currently, U.S. government exceptions under NAFTA Chapter 10 and the WTO Agreement on Government Procurement prevent Canadian suppliers from bidding on a broad range of government contracts in sectors of key importance. Especially onerous are the set-aside programs for small and minority-owned businesses and the Buy America provisions. In addition, both long-standing and ad hoc legislative provisions, such as the fiscal year 2004 and 2005 defence authorization bills, as well as conditions attached to funding programs, impede access for Canadian suppliers. The need for progress in both assuring and improving access for Canadian suppliers at the U.S. federal, state and local levels remains a key issue for provincial governments as they consider whether to offer to open Canadian provincial procurement markets.

Small Business Set-Asides

The Government of Canada remains concerned about the extensive and unpredictable use of exceptions for Small Business Set-asides under NAFTA Chapter 10 and the WTO Agreement on Government Procurement. Canadian suppliers face the ever-present possibility that government markets