

tion in areas including intellectual property rights, security and trade matters, standards and certification, and possibly information technology security. Another stakeholder, who also called for an ambitious trade and investment agreement including trade liberalization, noted that Canada and Japan are, among major world economies, two countries that stand to lose the most from missed opportunities to bolster the international trading system, be it multilaterally or bilaterally.

In terms of specific barriers, stakeholders raised a number of tariff and tariff-related issues, services and investment restrictions, and non-tariff barriers that could potentially be addressed effectively in an FTA (or economic partnership agreement). Such an approach would also mitigate concerns of Canadian business about the potential negative effects of Japan's preferential agreements with other countries. There was recognition of various sensitivities in both Canada and Japan in this regard, but some stakeholders were of the view that only a small portion of total trade is truly sensitive and that these concerns could be overcome - either by a better understanding of the nature of the market or through provisions in a prospective agreement.

In addition to the prospect of an FTA, many stakeholders saw value in increasing promotional efforts between the two countries to facilitate greater awareness about the significant opportunities in each country. Moreover, updating the current air services and tax treaties was seen as a key priority.

### *Tariffs and Related Issues*

Tariffs are one of the traditional trade policy tools used to restrict or limit trade in particular products for a variety of reasons. Generally, Japanese tariffs on industrial goods are low, though some concerns have been expressed in areas such as the forestry sector. High tariffs in Japan do exist in the agricultural sector and can be, in some cases, prohibitive to market participation. In 2004, Japan's overall average applied most-favoured-nation