

eration, are intended to respond to particular needs to harmonize, facilitate or regulate commercial transactions that arise naturally between countries and companies. In many areas, such as trade in goods, investment and competition policy, Canada and Japan share common views on best practices in the negotiation of high-quality agreements and cooperation, while understanding that each country has certain sensitive sectors.

Consultations were conducted pursuant to this Joint Study with the Canadian and Japanese private sectors, as outlined in Chapter 5. There was a call for strengthening a framework for investment, reducing tariffs in a number of areas, and addressing other types of impediments such as non-tariff barriers or the movement of business persons. At the same time, some concerns were raised on both sides (e.g. the potential impact on Japan's agricultural, forestry and fisheries sectors, as well as on the automotive and shipbuilding sectors in Canada).

The modelling in this chapter explores the possible benefits and costs of an FTA between Canada and Japan through the lens of economic modelling, and its results support the suggestion that a Canada-Japan FTA could yield economic benefits for both countries as a whole. However, economic modelling cannot provide a definitive measurement of the effects of trade policy reform, as it has limitations (e.g. there are various factors that cannot be measured in the market). Still, it serves as a useful indicator. The modelling shows benefits in terms of gains in income and production, with GDP expanding by 0.32% for Canada compared with 0.17% for Japan. Japan's economic benefits would amount to almost US\$6.2 billion, compared with Canada's US\$3.8 billion. Japan's total exports of goods would increase by about US\$2.4 billion and Canada's total exports of goods would increase by about US\$2.7 billion (both figures in 2001 dollars). Japanese exports would increase in most manufacturing sectors, and Canadian exports would increase in grains and meat, in addition to wood products, textiles and apparel, and certain machinery and equipment.