

Japan – Market Liberalization Program

BACKGROUND AND ASSESSMENT

Between June 25 and July 30, 1985 the Japanese Government released the elements of an Action Program which had been promised by Prime Minister Nakasone on April 9. The Program is aimed at liberalizing the various restraints which tend to limit import penetration of the Japanese domestic market or otherwise isolate the Japanese economy from global economic forces. The Program concentrates on six areas:

1. *Tariffs*: On the bulk of the 1,800 items identified for tariff reduction, reductions will be 20% of existing rates. Japan has responded positively to 50% of the items on which tariff modifications have been sought by Canada but has not responded on agricultural, forestry and fisheries items.
2. *Import Quotas*: Although there have been promises to lift quotas there has been no announcement to date.
3. *Standards, Certification and Import Procedures*: A distinct movement towards liberalization of these bureaucratic impediments to imports is apparent. Prospects of benefit to Canada arise from increased self-certification by Canadian manufacturers and from the acceptance of Canadian generated test data by Japanese authorities.
4. *Government Procurement*: The Japanese Government will take steps to increase purchase of imports by modifying its own procurement practices.
5. *Financial and Capital Markets*: Liberalization in this sector has been developing progressively. A recent example is the announcement on partial deregulation of interest rate ceilings to assist the yen in finding its true international level.

6. *Services and Import Promotion Measures*:

The Japanese government has indicated that it is interested in including the issue of services in the new MTN round. Services may include such fields as law practice, transportation, insurance and transborder data flow.

They have also promised to study import distribution problems and encourage tourism and inward and outward direct investment.

CANADIAN POSITION

The Canadian Government welcomes the recent market liberalization announcements by the Japanese Government. They are aimed in the right direction. In particular, the continued support for a new GATT round to include trade in services is consistent with Canadian views. Japan has responded positively to specific Canadian requests (e.g. auto parts, telecommunications equipment and some petrochemicals). However, the scale and nature of that response is not truly significant and, with the slow anticipated pace of implementation, no marked or dramatic change in levels or patterns of exports should be anticipated over the next few years as a result of this action program. The failure to specify the nature and timing of measures concerning agricultural, fishery and forest products is a disappointment.

Over time the tariff and standards aspects of the program will probably have some beneficial effect in Canada/Japan trade, though much of this may be prompted by measures designed to effect an improvement in the Japan/U.S.A. position. Prime Minister Nakasone's promotion of direct offshore investment by Japanese enterprises dovetails with Canadian interest in securing Japanese investment in productive capacity in Canada. Benefits in practice, however, will be a function of full implementation of the program, assuming, of course, that the restrictions addressed have been the real cause of limited import penetration in the first place.