

rier against Canadian beef than permitted under the internationally agreed standard established by the World Organization for Animal Health (OIE). Other interests have also been expressed in cooperating on regulations so as to facilitate trade, such as in organic products. In addition, some Canadian stakeholders also raised concerns about subsidies in the Japanese agricultural sector as a barrier to trade. For example, Japanese government subsidies in the form of taxes on imports are believed to subsidize wheat production in Japan, leading to a distorting effect on trade.

On the industrial side, many raised issues related to the forestry and building products sector. Over the years, Canada and Japan have developed mechanisms with a view to dealing with many regulatory and standards issues in an efficient manner. However, there are still some outstanding measures that are limiting trade in this sector. Of particular importance is the Building Standards Law (BSL). Some stakeholders indicated that test methods, criteria and related restrictions do not fully recognize internationally accepted practices.

Several members of the Canadian automobile sector expressed concerns about the closed nature of the Japanese market to Canadian-made vehicles, given that, among major OECD auto-producing nations, Japan had an import penetration rate of 4.7%, compared to the OECD average of 48.2%. Vehicles and related parts represent the largest sector of two-way trade between Canada and Japan annually. However, the trade in automotive products is overwhelmingly one-way, with Japan enjoying a \$5.5 billion surplus in automotive products in 2005. Despite duty-free access for automobiles and efforts to increase market share, Canadian stakeholders indicated that Canadian automobiles and parts remain largely shut out of the Japanese market. Given the unbalanced nature of trade in automotive products, Canadian vehicle manufacturers are of the view that any policy option (e.g. FTA) needs to put in place mechanisms that can help ensure that the trade imbalance is eliminated on a permanent basis. Some other members of the Canadian automo-