

In addition, further escalation of the USA-Japan trade dispute leading to American sanctions undermines the positive view of NAFTA as a trade-creating regional arrangement which complements and strengthens the multilateral trading system.

Regulatory Reform and Economic Liberalization in Japan:

On the positive side, it appears that the setback in USA-Japan trade relations will spur Tokyo to move forward more urgently with their economic reform program including progress on government procurement, deregulation, competition policy, and import and foreign investment promotion.

Regional Economic Institutions:

A further upshot of the souring of USA-Japan relations is that APEC may become an increasingly important forum for the United States and Japan to discuss trade and investment issues, thus bringing Canada and the other Asia Pacific partners into the debate.