

While trade policy meetings provide a comprehensive view of the trade and economic relationship, they are complemented by regular issue-specific talks conducted by government departments and agencies in Canada and Japan, in such sectors as telecommunications, culture, building-product standards, environment, tourism, air services, oilseeds and transportation, to note a few. This range of themes is indicative of the breadth of our trade and economic relationship with Japan. A review of the more than 40 bilateral consultative mechanisms between Canada and Japan was completed in June 2001 by the Canadian and Japanese governments. The exercise was designed to identify mechanisms that have completed their roles as well as those that should be strengthened in the context of efforts to revitalize the bilateral relationship.

Regulatory cooperation between Canada and Japan also continues to advance on many fronts, both multilaterally and bilaterally. Canada will continue efforts to extend cooperation in areas like biotechnology, competition policy, customs administration and in particular, will continue discussions between health authorities on the observation of inspections and the possibility of mutual recognition on pharmaceutical good manufacturing practices.

Regulatory reform has been a Japanese government priority for a number of years, with Canada making regular annual submissions to the Japanese regulatory reform authorities (along with the U.S., the EU, Australia and New Zealand and domestic organizations such as Keidanren), whose latest incarnation is the Regulatory Reform Council (formerly the Regulatory Reform Committee). Canada's submission in 2001 to the Regulatory Reform Council was expanded to include not only specific areas of particular concern to Canada, such as telecoms and building standards, but also more cross-cutting structural issues related to the overall investment environment in Japan. Many of these issues have serious implications for the overall recovery on the Japanese economy and for the ability of Japan to attract foreign, including Canadian, investment. The Regulatory Reform Council made public in December its first report of recommendations to the Japanese government after several months of deliberations, and will release another report in the first quarter of 2002. Submissions from foreign governments are an integral part of this process.

Canada welcomes and encourages private-sector initiatives to improve trade relations. In May 2000, at the Canada-Japan Business Committee (CJBC) meeting in Tokyo, the CJBC leadership emphasized the need for greater diversification and announced that "concrete steps toward a Japan-Canada Free Trade Agreement would be an effective tool for promoting bilateral trade and investment." At the most recent CJBC meeting in Calgary, in May 2001, the CJBC proposed that the two governments, in consultation with the Canadian and Japanese private sectors, explore the idea of a "new comprehensive partnership framework for enhancing the two countries' economic relationship."

The Canadian and Japanese business communities have carried out an analysis of trade and investment opportunities. Following up on these studies and efforts, the Canadian and Japanese governments, in consultation with the private sector, have also undertaken research and analysis in consideration of ways to enhance our trade and economic relationship. As part of this effort, DFAIT has conducted, in collaboration with business associations, roundtables in Toronto, Montreal and Vancouver, and a survey of more than 1400 Canadian companies to obtain their views on and experiences in the Japanese market. In addition, DFAIT is carrying out analyses of bilateral trade in goods and services and investment to determine trends, areas of unrealized potential, as well as challenges and opportunities, and to define Canada's interests. This program of research and analysis is geared to enhance our understanding of areas of strength and weakness, areas for potential closer cooperation, and ways to enhance this relationship.

#### **Market Access Results in 2001**

- Japan implemented a revised Japan Agricultural Standards (JAS) Law allowing foreign organizations to obtain Registered Certification Organization (RCO) and Registered Grading Organization (RGO) status provided the foreign country was deemed to have an equivalent system of conformity assessment. In March 2001, Japan recognized Canada's system of conformity assessment for wood products as equivalent to the Japanese system under the JAS Law.
- Canada and Japan worked in cooperation to resolve delays in regulatory approval for transgenic crops. Some recent submissions have been dealt with expeditiously.