

Safeguard Measure on Chilled and Frozen Pork

Canada remains concerned about the Japanese snapback safeguard measure on pork in the form of an increase of approximately 25% in the minimum import price. Since it was first triggered in 1995, the snapback safeguard has been a significant issue for the Canadian pork sector. As currently administered, this measure creates considerable market fluctuations for Canadian suppliers and Japanese importers. Canada is seeking a resolution that addresses the concerns of both exporters and importers by eliminating the negative market impacts of the snapback safeguard. This is a priority in the WTO agriculture negotiations.

Safeguards on Beef

During the Uruguay Round of WTO negotiations, Japan's trading partners agreed to a specific safeguard mechanism for beef that would protect domestic producers from sudden import surges. The occurrence of BSE in Japan in September 2001 resulted in unusually low consumption of beef and a decline in both domestic and imported beef sales. Since then, the market has recovered, domestic production is now above pre-BSE levels and live animal prices are above the government recommended price band. In contrast, import volumes, while they have grown, are still below pre BSE levels. Although the growth in beef imports is merely a return toward the former level of imports, not a surge, it may nevertheless trigger the application of the safeguard. The outcomes will be higher prices for importers and a slower recovery of Japan's beef market, neither of which are advantageous for Japanese producers and consumers.

Canada recognizes Japan's right to use safeguard mechanisms negotiated during the Uruguay Round. However, it has pointed out to Japan that, under certain circumstances, the automatic application of safeguards does not serve its intended purpose. As Japan's legislative process allows for discretion in the implementation of the safeguard, extraordinary market circumstances should be considered before automatically implementing this mechanism. Canada will continue to work with key exporting countries to ensure that Japanese officials do not automatically apply this safeguard mechanism.

Tariffs on Canola Oil

Japan's duties on imported cooking oils are applied on a specific rate basis (i.e. a certain number of yen per kilogram). As a result of the Uruguay Round of multilateral trade negotiations, specific duties for these products have decreased in Japan. As *ad valorem* equivalents (AVEs) of specific duties are inversely related to import prices (i.e. when import prices fall, the AVEs rise, and vice versa), specific duties progressively cushion domestic producers against competition from lower priced imports. The AVEs of specific rates on canola generally approach or exceed 20%. These high tariffs give Japan's domestic oil-crushing industry (and producers of other related products, such as margarine), a significant advantage over the Canadian oil-crushing industry when competing for a limited supply of oilseeds. Canada will seek the maximum negotiable reduction in these high tariffs in the WTO agriculture negotiations.

Greenhouse Peppers

The B.C. greenhouse vegetable industry wants to export greenhouse peppers to Japan. However, Japan wants further assurances that tobacco blue mould does not occur in B.C. The Canadian Food Inspection Agency and the industry are working on a proposal to satisfy Japanese concerns or requirements.

Building Products and Housing

The building products industry in Japan is subject to a complex web of laws and regulations that set out necessary product standards and uses that Canadian exporters must address. There is ample opportunity to make it difficult for imports from Canada to compete in the Japanese market by providing preferential treatment to Japanese suppliers. While some progress was made during the recent amending of the Building Standards Law (BSL) and Japan Agricultural Standards (JAS) Law, there remain major issues that severely restrict Canadian market access. Of particular importance are the many aspects of the Building Standards Law relating to fire, which are unique to Japan, arbitrary and prescriptive, and which limit wood construction by rendering wood frame buildings less economical. Japanese regulations are criticized for being difficult to understand, unnecessarily complex and costly, developed without public participation and slow to change. Given new and