

Japan is Canada's largest export market in Asia and third largest export market overall behind the United States and the United Kingdom. Highlights of the trade relationship in 2006 are as follows:

- Two-way trade in goods between Canada and Japan stood at approximately \$22.6 billion, with exports totalling \$10.8 billion (up 2.8% from 2005) and imports reaching \$11.9 billion (up 5.9% from 2005).
- In services, Canada exported \$1.6 billion and imported \$3.2 billion.

The Canada-Japan Economic Framework, launched in November 2005, has been instrumental in addressing certain market access issues of interest to Canada. A key element of the Framework is a joint study on the costs and benefits of further promoting and liberalizing bilateral trade and investment. The joint study is well advanced, and Canada and Japan are working toward its completion.

Cooperation between Canada and Japan under the Economic Framework has produced a number of successes. These include:

- an MOU, signed in May 2005, to identify key areas of cooperation in our investment promotion efforts;
- a cooperation agreement on anti-competitive activities that came into effect on October 6, 2005;
- a social security agreement, signed by both parties in February 2006, that is expected to go into effect in late 2007;
- an agreement in July 2006 (negotiated by the Canadian Food Inspection Agency, Health Canada and Japan's Food Safety Commission) to develop an informal framework document on food safety cooperation; and
- Canada-Japan air services negotiations, held in January 2007, which expanded rights for Canadian carriers under the bilateral air services agreement and produced significant enhancements in capacity provisions and related entitlements.

In 2007, Canada will work to improve market access for Canadian exporters by continuing to press for:

- access for all beef products deemed eligible for export in accordance with the science-based standards of the World Organisation for Animal Health;
- a reduction of duties applied to vegetable oils (particularly canola), processed foods, red meats, fish, forest products (spruce-pine-fir lumber, softwood plywood, laminated veneer lumber, oriented strand board and laminated beams), non-ferrous metals and leather footwear. (Canada will seek the maximum negotiable reduction in these tariffs in the WTO negotiations); and
- the elimination of specific technical and regulatory barriers in Japan. These barriers include regulations and standards that depart from international norms (e.g., wood species equivalency, and practices regarding the use of foreign clinical data when approving pharmaceutical products and medical devices). We will also monitor reforms in financial services and insurance services, including the privatization of Japan Post, to ensure that Canadian firms' access to the market is consistent with Japan's obligations in the WTO.

Chinese Taipei (Taiwan)

Chinese Taipei continues to grow in importance as a regional importer. It is also a large exporter to China and Southeast Asia and a major source of investment. This has provided an impetus for trade and market liberalization, though there continues to be domestic pressure toward protectionism and non-transparent decision making, particularly with respect to certain agricultural and agri-food products.

Chinese Taipei has undertaken significant reforms and liberalization in order to bring its economic and trade regime into line with the WTO framework. A key outcome has been the disappearance of preferential market access previously accorded