

Irish whiskey, scotch whisky, cognac and armagnac. Discussions on this issue, and on assured market access for Canadian quality wines in the EU (see section on wines and spirits above) are continuing.

4.2 Japan

Overview

In 1996, Canada's total merchandise trade with Japan was close to \$21 billion, with exports of \$10.5 billion and imports of \$10.4 billion. The composition of Canada's trade with Japan continues to evolve in response to changing economic conditions in both countries. Despite continued weak economic growth, Japan's demand for cost-competitive imports continues to grow strongly. Japan's total demand for imports in 1996 exceeded US\$349 billion, an increase of 4% over 1995. Japan is also a major source of direct and portfolio investment in Canada.

Through *Canada's Action Plan for Japan*, business and all levels of government are co-operating to exploit new export opportunities in seven high growth sectors: building products, processed foods, fish and seafood products, information technologies, furniture, health care products/medical devices and tourism.

Managing the Trade Relationship

Under the 1976 *Framework for Economic Co-operation*, Canada and Japan continue to promote the development of trade and the expansion of economic co-operation, through mechanisms such as the annual meetings of the Joint Economic Committee (JEC). During the November 1996 visit of Prime Minister Chrétien to Tokyo, a new *Canada-Japan Agenda for Co-operation* was announced that reaffirmed a common commitment to facilitate the expansion of trade and investment through measures designed to improve transparency and market access.

To expand market opportunities for Canadian exporters, Canada has actively supported the Japanese government's efforts to stimulate the Japanese economy through deregulation, strengthened competition policy and further market liberalization. In this dynamic environment, Canada and Japan have recently addressed a series of issues of long-standing concern to Canadian business:

- Japanese procedures for procurement of wheat under grant aid have been revised to allow Canadian participation;

- Japan approved the importation of three varieties of Canadian transgenic canola, and lifted phytosanitary import prohibitions on seven varieties of Canadian tomatoes;
- Japan has agreed unilaterally to cut tariffs applied to Canadian low-malt beer;
- Japan has accepted Canadian standards for dimension, finger-joined and machine stress-rated lumber, and is currently processing a similar application for oriented-strand board;
- Japan has authorized the Canadian Construction Materials Centre to submit evaluations of new products in support of the development of new Japanese standards, and has authorized a Canadian testing laboratory to undertake fire tests for Canadian building products to certify conformance to Japanese standards;
- Japan's Government Housing and Loan Corporation (GHLC) has accepted Canadian plywood for use in GHLC-financed structures;
- Japan has streamlined visa procedures for Canadian carpenters working on 2X4 construction sites in Japan; and
- accounting rates applied to long distance calls from Japan to the United States and Canada have been harmonized, eliminating a preferential rate for calls to the United States.

Canada's Market Access Priorities

Japan's tariff barriers have been steadily reduced through successive rounds of multilateral trade negotiations. In 1995, 71% of Canadian exports entered Japan duty free. The elimination of Japanese tariffs on oilseed products, in the context of a broader zero-for-zero agreement on all oilseeds, as well as the elimination of Japanese tariffs on wood products, fish and red meats, remain Canadian priorities. At the same time, Canada is continuing to seek the elimination of specific technical and regulatory barriers in Japan to facilitate Canadian exports in priority sectors such as agri-food and building products.

Improving Access for Trade in Goods

Agri-Food, Fish and Beverage Products

Japan is the world's largest import market for agri-food, fish and beverage products, and is Canada's second