

Aerospace and Defence Industry

Canada has significant defence and aerospace sector capabilities in both peacekeeping and conventional defence, and stakeholders are keen to enhance industrial cooperation with Japan. Canadian industry stakeholders identified two issues that they believe require attention: the need for Canada to address restrictions on the export of Canadian automatic firearms to Japan; and the need for a mechanism to facilitate the issuance of industrial security clearances.

Also, Canadian industry stakeholders highlighted private business practices that they feel limit their participation in the Japanese market, such as buyer-seller networks and the requirement to show prior experience in Japan.

Tax Convention

Various stakeholders urged Canada and Japan to update their current agreement on the avoidance of double taxation (Double Taxation Agreement DTA). The purpose of the DTA is to prevent double taxation and to provide a level of certainty about the tax rules that will apply to particular cross-border transactions. Ensuring relief from double taxation is desirable because of the negative effects double taxation can have on the expansion of trade and the movement of capital and labour between countries. Canada and Japan agreed in 1999 to a protocol amending the 1986 Canada-Japan DTA. However, the Canadian and Japanese business communities have expressed the need to renegotiate the existing DTA to take into account more recent DTAs negotiated between major trading partners, as well as the need to reflect current trade and investment trends. A Japanese group in Canada emphasized the amendment of the Japan-Canada tax treaty so that the Canadian subsidiaries of Japanese firms can be exempted, as are U.S. corporations.