

beef-exporting countries, a serious concern about the implementation of the snapback safeguard. Despite this, the Council on Customs, Tariff, Foreign Exchange and Other Transactions has recommended to the Ministry of Finance (MOF) that the beef safeguard system be maintained in the following fiscal year (i.e., from April 1, 2004 to March 31, 2005). If this recommendation is accepted by the MOF, then the related law will most likely be approved.

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 the 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. This is another priority in the WTO agriculture negotiations.

### **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. Because 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.

### **Tariff Classification on Femur Bone**

At some customs houses, pork femur bones imported into Japan (mainly for ramen noodle broth) under a duty-free tariff classification have not been allowed to

enter because of the percentage of meat and cartilage residue remaining on the bone. It is virtually impossible to export low-priced products such as pork femur bone to Japan given the differential tariff system for pork. Japanese customs houses have issued an internal notice applicable from November 1, 2003, defining the percentage of residue to bone permitted tariff-free as 20% or less. Although products with this percentage will be allowed entry, this percentage is even lower than the percentage that was previously used by custom houses. The Canadian Embassy will be pursuing this issue with Japanese authorities jointly with the U.S. Embassy.

### **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. Although some progress was made during the recent amending of the Building Standards Law (BSL) and Japan Agricultural Standards (JAS) Law, major issues remain that severely restrict Canadian market access.

Of particular importance are the many aspects of the Building Standards Law relating to fire that are unique to Japan, arbitrary and prescriptive, and 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. Strength and stiffness measures for Canadian products differ from those assigned to competing Scandinavian and Japanese products. This has damaged Canada's position in the market. Given new and existing international building technologies and materials, Japan is being urged to revise the BSL as it relates to test methods, criteria and related restrictions, and to adopt international codes, standards and practices.

Canada has a number of formal and informal connections in place with the Japanese government. Both joint work between Canadian and Japanese scientists (e.g., the Canada-Japan Research and Development Workshop) and formal bilateral meetings provide the opportunity to press for change. In 2004, Canada will host the Canada-U.S.-Japan talks on Japanese building codes and standards that take place in the Building Experts Committee and the Japan