

Under Japan's Emergency Priority Program for Reducing Housing Construction Costs (announced in March 1996), Japan is now preparing revisions to the Building Standards' Law and Notification 56 (the 2x4 Building Code) to adopt performance-based (rather than prescriptive) building standards. Comprehensive deregulation in the housing sector and further liberalization with respect to imported building products have the potential to cut costs and to stimulate investment significantly in this key sector, to the benefit of Canadian suppliers of wooden building products. Canada will continue to consult bilaterally with Japan on the revision of the Building Code in 1998 to facilitate Canadian exports of building materials.

### ***Tariffs on Wooden Building Products***

Japan's system of tariff classification distinguishes between species and dimension lumber, regardless of the end use. Current tariff rates on certain species of lumber used in the housing industry serve to significantly increase overall costs of wooden housing. This is particularly true of tariffs applied to SPF dimension lumber. Hemlock (or Hem-Fir), Douglas Fir, Sitka Spruce, Yellow Cedar and Red Cedar enter tariff-free, while SPF and Larch are subject to duties ranging from 4.8% to 6.5%. SPF exports were worth more than \$600 million in 1997 out of \$2.25 billion in total softwood lumber exports to Japan. Canada is the dominant exporter of softwood lumber to Japan, and the SPF tariff continues to significantly affect the cost of structural lumber, thereby increasing the cost of housing in Japan.

Current tariff rates on softwood plywood, oriented-strand board, laminated lumber and other board products serve to significantly increase overall wooden housing costs and should be eliminated. Canada will continue to lobby on a bilateral basis in 1998 for their elimination.

### ***Fire Restrictions on Three-storey Multi-unit Wooden Housing***

Construction of three-storey multi-unit wooden buildings was prohibited in semi-fire-rated zones (which cover much of Japan's urban residential areas) until the Ministry of Construction (MOC) announced an easing of building restrictions in

August 1997. While no longer prohibited, construction is still subject to approval under Section 38 of the Building Standards Law, which completely prohibits four-storey wooden housing even in non-fire-rated zones. A successful burn test of a three-storey structure was conducted in March 1996. Based on the results of that test, the MOC has indicated that standards for three-storey multi-unit structures (for both residential and commercial use) will be revised in the context of the overall revision of the Japanese Building Standards Law, which will take effect in July 1999. Canada welcomes this revision, and is urging the MOC to consider the complete removal of the Section 38 provision.

### ***Registered Grading Organizations***

No foreign organization is permitted to administer a program of certification and quality control under the Japan Agricultural Standards (JAS) Law. Certification of competent Canadian organizations as Registered Grading Organizations (RGOs) would significantly reduce the cost of JAS compliance for Canadian producers. A systematic review of the JAS system in co-operation with interested foreign parties would make JAS a more efficient certification process. Canada's Council of Forest Industries (COFI), as a JAS-accredited Foreign Testing Organization, has expressed interest in receiving designation as an RGO, however, Japan continues to reject this request.

### ***Revision of Structural Lumber Standard***

The revision and development of JAS for imported wooden building materials has proven to be a slow and costly process. Canada is currently co-operating with Japan's MAFF to revise a number of standards, including JAS 143 (structural lumber), to facilitate imports into Japan of Canadian wooden building products. Japan has agreed to co-operate with Canada to revise its knot interpretation on JAS 143. Canada maintains that knots should be evaluated primarily on the basis of the impact that they have on structural strength, not just the simple size of the knot on the surface. Canada is asking for consideration of "knot displacement," as is the case for 2x4 lumber.