

for regulating competition. Talks are also ongoing at the technical level between Canadian and Japanese authorities on the possibility of a social security agreement. Such an agreement would improve the business and investment environment for businesses of one country operating in the other's jurisdiction by encouraging labour mobility.

Regulatory reform has been a Japanese government priority for a number of years. Canada (along with Australia, the United States, the European Union and domestic organizations such as Keidanren) has made regular annual submissions to the Japanese regulatory reform authorities, whose latest incarnation is the Regulatory Reform Council. Canada's submission in 2003 to the Regulatory Reform Council included not only areas of particular concern to Canada, such as telecommunications and building standards, but also more cross-cutting structural issues related to the overall investment environment in Japan. Many of these issues have serious implications for the overall recovery of the Japanese economy and for the ability of Japan to attract foreign, including Canadian, investment. We have seen some progress in deregulation, including on issues included in the Canadian submission, with improvements in the areas of foreign lawyers, customs procedures, competition policy, reviews of medical devices and pharmaceuticals, judicial reform and corporate governance. The Japanese government has also announced and begun implementing a program for the Promotion of Special Zones for Structural Reform, and hundreds of special zones have already received approval. It is hoped that examples of successful deregulation in these limited areas will have a demonstrative effect and be expanded country-wide. These initiatives make it easier for new entrants with novel concepts to enter the Japanese market.

Market Access Results in 2003

■ In 2003, Japan introduced new regulations to control the use of formaldehyde in building products. The regulations impose stringent new requirements for certification and have the potential to limit market access for Canadian exporters. Canada worked with the Japanese government to reduce the impact on Canadian exporters. For example, Japan agreed to exempt hardwood flooring, a major export product to Japan. Japan also agreed to accept foreign test

data for certifying products. However, Canada has not yet succeeded in having a Canadian evaluation body accredited by Japan.

- Canada, in collaboration with embassies from other countries, has worked with the Ministry of Health, Labour and Welfare to facilitate the approval of food additives in regular use internationally and to help bring Japanese legislation into line with international practice. This work is ongoing with respect to a large number of food additives.
- Canada made substantial efforts to engage Japan's cooperation on living modified organisms. Although the bilateral discussions did not lead to a memorandum of understanding, the exchanges served to increase mutual understanding of the respective agricultural commodity handling systems and regulations on agricultural products of biotechnology.
- The Japanese government introduced legislation to promote cooperation and collaboration between Japanese lawyers and foreign lawyers qualified under Japanese law, which will make it easier for Canadian lawyers to practice in Japan and to provide legal assistance on international transactions involving Canadian and other foreign companies.
- In early 2002, the Japanese government announced its intention to ban the use of asbestos in Japan within one year. Following this announcement, the Canadian asbestos industry, the Government of Canada and the Government of Quebec mobilized to press Japan to adopt a controlled-use approach similar to that in use in Canada or, at a minimum, to delay implementation of the ban in order to give industry sufficient time to adapt. In October 2003, instead of banning asbestos outright, Japan enacted legislation to ban the use of certain products containing asbestos. In addition, Japan specified an implementation date of October 2004, giving industry one year to adapt.

Canada's Market Access Priorities for 2004

- Continue representations aimed at removing Japan's bovine spongiform encephalopathy (BSE) measures on imports from Canada.
- Continue to press for a reduction of duties applied to vegetable oils (particularly canola), processed foods, red meats, fish, forest products