

CANADA AND JAPAN: Strengthening Our Bilateral Partnership

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Ambassador of Canada to Japan



Canada and Japan agree that free trade is a key driver of international economic growth and helps companies, investors, importers and exporters succeed—creating jobs, growth and long-term prosperity in an increasingly connected and competitive global economy. During this period of still-fragile economic recovery, like-minded international partners such as Canada and Japan must harness the power of free trade to sustain the gains we have made.

Canada is currently engaged in the most ambitious pro-trade plan in the nation's history, pursuing trade agreements with over 50 countries, including negotiations with Japan—both bilaterally, through the Canada-Japan Economic Partnership Agreement (CJEP), and plurilaterally, through the Trans-Pacific Partnership (TPP).

Both countries see the TPP and the CJEP as mutually supportive. While the TPP will result in a regional agreement of considerable breadth, bilateral negotiations provide the opportunity to address interests that are unique to the Canada-Japan relationship, and allow us to seek outcomes tailored to specific needs that may not be possible to achieve in a plurilateral negotiation.

Mutual Benefits

Canada and Japan have highly complementary economies, and cooperate closely in many areas, including R & D and education. In 2012,

Japanese imports to Canada reached \$15 billion, while Canadian exports to Japan totalled \$10 billion, making Japan Canada's fourth-largest merchandise export market. Japanese foreign direct investment (FDI) to Canada surpassed \$17 billion at the end of 2012, while Canadian investment in Japan exceeded \$6 billion. Japan is Canada's largest Asian source of FDI.

However, much untapped potential remains. A joint study on the prospective CJEP projected sizable gains to both economies: for Japan, a US\$4.4-billion GDP increase, with exports up 37 percent; for Canada, an estimated GDP increase of US\$3.8 billion, with an increase in exports of up to 67 percent. These gains would undoubtedly stimulate job creation and economic growth in both countries.

The CJEP was launched by prime ministers Stephen Harper and Yoshihiko Noda in March 2012; since then, three productive rounds of talks have been held.

Goods Market Access

Canada is Japan's third-largest source of food imports—at a record \$5.1 billion in 2012—driven by Japanese consumer demand for quality Canadian products like canola, pork, wheat, beef, soybeans, maple syrup and seafood. Canada provides 16 percent of Japan's soybeans imports, 28 percent of wheat imports, 22 percent of pork, 96 percent of canola, 90 percent of mustard seed, and 63 percent of potash (on which Japanese farmers heavily rely

for agricultural fertilizer). This underscores the importance of Canadian goods in meeting Japan's food security needs and shows why consumers and food processors would benefit from better access to high-quality Canadian agricultural products at more competitive prices.

Canada was Japan's 12th-largest agriculture and seafood export destination in 2012, with values reaching nearly \$53.7 million. In June 2011, Canada became the first country to eliminate import restrictions on Japanese food products following the Tohoku earthquake and, in March 2012, to lift restrictions on Japanese beef after Japan achieved Foot and Mouth Disease-free status. With Japan's growing position as an agricultural export platform to the rest of Asia, a CJEPA would unlock significant potential investment and technological expertise from Canadian agricultural, forestry and fisheries companies to invigorate rural communities and foster employment.

A CJEPA would also provide both countries with the opportunity to address other industrial product export interests, thus extending Japanese and Canadian companies an advantage over competitors from other countries, particularly in market segments where profit margins are narrow.

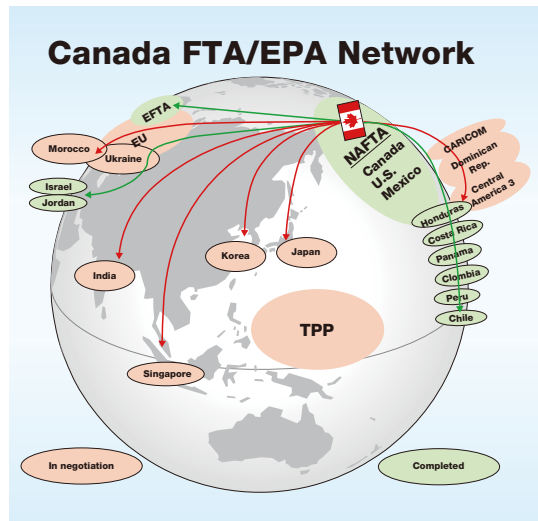
Services, Investment and Resources

Canada and Japan are among the world's largest services exporters, with significant expertise across a range of fields including management, information technology, architecture and engineering.

Enhanced service liberalization through the CJEPA would improve the competitiveness of the services sectors of both countries, which is important for advanced economies where the services sector forms an increasingly high proportion of GDP.

As for investment, a bilateral agreement with high-standard investment provisions would encourage further Canadian investment in Japan and benefit Japanese investment in Canada, including in the auto and aerospace sectors, in which Honda, Toyota and Mitsubishi Heavy Industries already have long-standing, significant investments.

Investment in Canadian energy and natural resources would serve the dual purpose of meeting Japan's objective of security in the sector while increasing capital inflow into Canada and, by extension, Canada's economic prosperity.



Globally renowned as a stable and reliable supplier of energy and minerals, Canada provided 35 percent of Japan's lumber imports in 2012 and facilitated Japan's mineral procurement diversification in areas such as copper concentrate, iron ore, coal, gold, nickel and aluminum. For rare earths, Japan can look to Canada to bolster its supply, and while liquefied natural gas (LNG) is not yet exported from Canada to Japan, more than 10 LNG export projects are under consideration.

Trade Network

Canada's impressive trade agreement footprint includes the North American Free Trade Agreement

(NAFTA, 1994)—with its overwhelmingly positive effect on the Canadian economy—and free trade agreements with Chile (1997), Israel (1997), Costa Rica (2002), the European Free Trade Association (2009), Peru (2009), Colombia (2011), Jordan (2012), Panama (2013) and Honduras (2011).

Why Canada?



Prime Minister Harper hosting a bilateral meeting with Prime Minister Shinzō Abe on the margins of the 2013 Lough Erne G-8 Summit in Northern Ireland (June 17, 2013).

Canada provides a ready marketplace for technologically advanced Japanese goods and services. To facilitate access to the North American market for Japanese companies, Canada has invested \$3.5 billion in infrastructure to become the gateway of choice to Asia. In terms of shipping time, West Coast Canadian ports are at least two days closer than other North American ports to Asian markets.

In addition, Canada offers:

- a business-friendly, low-tax environment, with an overall tax rate on new business investment among the lowest in the G-7;
- the best fiscal position in the G-7 and the best fiscal prospects in the G-20, with a commitment to achieve budgetary balance by 2015-16;
- one of the most educated workforces and most generous R & D incentives among OECD countries; and
- the strongest and most stable financial

sector globally, as ranked by the World Economic Forum.

Going Forward

On the margins of the 2013 G-8 Summit, Prime Minister Harper and Prime Minister Shinzō Abe reaffirmed the importance of expediting the conclusion of the CJEPA, which would support Japan's goal to capture 70 percent of all trade under FTAs by 2018. An early CJEPA conclusion would give both Canada and Japan increased leverage in other negotiations and provide positive momentum to the Government of Japan's renewed FTA strategy. The importance of the CJEPA is also underlined by the current lack of progress with the WTO Doha Round of negotiations.

Canada remains committed to advancing its bilateral partnership with Japan. Japan is a priority under the Global Commerce Strategy, and its importance is evidenced by the three visits that International Trade Minister Ed Fast has made to Japan since his appointment.



Minister of International Trade, Ed Fast, meeting with his counterpart, Minister of Economy, Trade and Industry, Toshimitsu Motegi, during a business trade visit to Japan on April 11, 2013.

With determination and perseverance, Canada is moving into the next stage of negotiations, committed to realizing the economic and strategic gains of our mutually beneficial relationship with Japan.

