

Views collected from Japanese Companies in Canada Concerning NAFTA Renegotiations

1. Importance of unfettered economic activities throughout the three NAFTA countries

(1) As private sectors in North America become increasingly interdependent, NAFTA's role is becoming greater. Free trade and enhanced mobility of people in the region promotes business activities of Japanese companies that have invested in North America, including the United States, enabling them to contribute to the economic growth of Canada, the United States and Mexico.

(2) Japanese companies hope that upcoming NAFTA renegotiations will not lead to any restrictions on the ongoing unfettered economic activities throughout the three NAFTA parties.

2. Opposition to stricter rules of origin

Japanese companies in Canada, especially those in the manufacturing sector, have actively localized their business. For instance, most of the automotive parts used in vehicles assembled in Canada are manufactured in North America. However, Japanese companies that have invested in Canada are diverse and include small and medium-sized firms. If the rules of origin are tightened, some of these companies may find it difficult to continue to be part of the North American supply chain due to additional costs. North America's attractiveness as an investment destination will also decrease by tightening the rules of origin. For these reasons, Japanese companies in Canada are opposed to the tightening of the rules of origin.

3. Mobility of people and regulatory harmonization

(1) As the North American economy becomes integrated, there has been a greater need among factories, offices and R&D sites located in North America to share their knowledge and technology with each other. Japanese companies in Canada firmly believe that the free movement of engineers and professionals will continue to contribute to economic growth in North America as a whole. Facilitating the free flow of people is also important in order to promote tourism in the region. Japanese companies in Canada look forward to an outcome of NAFTA renegotiations which will facilitate the free movement of people, in addition to further enhancing the mobility of goods.

(2) Further harmonization of regulations among the three NAFTA countries, in such areas as safety regulations, intellectual property rights and environmental regulations, will contribute to North America's economic growth as a whole. Japanese companies in Canada look forward to further progress in tripartite regulatory harmonization through NAFTA renegotiations.

4. Others (Buy-American policies and new taxation)

(1) The liberalization of government procurement and infrastructure projects will make North America more attractive in terms of investment destination. If companies which invested in Canada are to be excluded from government procurement and infrastructure projects in the United States as a result of its Buy-American policies, Canada would become less attractive as an investment destination.

(2) Imposing taxes on cross-border transactions would erode the competitiveness of the highly-integrated North American industries. A border adjustment tax, particularly, would have a negative impact on the global competitiveness of Canadian industries such as oil and gas sector. For these reasons, Japanese companies in Canada don't support additional taxation on cross-border transactions.