



Will US-Japan Trade Talks Help US Farmers and Ranchers?

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US-Japan trade: chronology



| | |
|-----------------|--------------------------------------------------------------------------------|
| Feb 04, 2016 | US and Japan sign TPP |
| Jan 23, 2017 | US withdrawal from TPP |
| Apr 17-18, 2018 | Trump-Abe Summit at Mar-A-Lago |
| Sep 26, 2018 | Trump-Abe Joint Statement agrees to enter into bilateral trade negotiations |
| Oct 16, 2018 | USTR notifies Congress of intent to negotiate US-Japan Trade Agreement (USJTA) |
| Dec 21, 2018 | USTR posts summary of specific US negotiating objectives for USJTA talks |
| Dec 30, 2018 | Entry into force of CPTPP |

US-Japan bilateral trade



US trade with Japan, billions of US dollars

| | 2017 | | | 2018 year to date* | | |
|-----------------|------------|------------|---------|--------------------|------------|---------|
| | US imports | US exports | Balance | US imports | US exports | Balance |
| Goods total | 136.5 | 67.6 | -68.9 | 130.5 | 68.4 | -62.1 |
| Agriculture | 0.9 | 12.3 | 11.4 | 0.9 | 12.3 | 11.4 |
| Autos and parts | 55.9 | 2.4 | -53.5 | 51.2 | 2.3 | -48.9 |
| Other goods | 79.7 | 52.9 | -26.8 | 78.4 | 53.8 | -24.6 |
| Services total | 33.1 | 46.4 | 13.4 | 25.6 | 33.9 | 8.4 |

* Data on goods include Jan-Nov 2018; data on services include Jan-Sep 2018.

Note: Agriculture (HS 01-22).

Sources: data on goods trade come from the Census Bureau through dataweb.usitc.gov and FT900; data on services trade come from the Census Bureau, available at https://www.census.gov/foreign-trade/Press-Release/current_press_release/exh20b.pdf (accessed on February 11, 2019)

Limited prospects for US-Japan talks



- Though Trump and Abe agreed to work toward “free, fair, and reciprocal trade deal”, their priorities are far apart:
 - For the US, priority on auto sector “to increase production and jobs in the US.”
 - For Japan, TPP commitments set the ceiling for farm, forestry, and fisheries liberalization.
- Common interest in expanding bilateral energy trade, esp. LNG, and energy infrastructure projects...but not much else.
- Comprehensive trade accord a la TPP unlikely: US wants more Japanese concessions in return for less access to US market.

US objectives in bilateral talks with Japan



US wants to “rebalance” merchandise trade, particularly autos and parts, primarily by reducing US imports. → Little scope for new concessions to Japanese exporters.

- Reduce US imports of autos and parts
- Harmonize auto product/safety standards to remove barriers to US exports
- Limit Japanese access to US public procurement to existing Government Procurement Agreement (GPA) obligations
- New rules on digital trade, state-owned enterprises, and currency practices building on US-Mexico-Canada Agreement precedents
- Increase US exports of pharmaceutical products
- Level the playing field for US exporters of beef, pork, and grains et al.



Japan's TPP agricultural reforms

- Fresh, chilled and frozen beef tariffs to be reduced to 9% within 16 years.
- Fresh, chilled and frozen pork tariffs to be eliminated within 10 years, with a reduction in the maximum pork price under Japan's gate price system.
- Japan agreed to small increases in TRQs for skim milk powder and butter; reduced tariffs on cheeses, whole milk products and various dairy containing food preparations over 6-11 years.
- For rice, Japan agreed to a 50,000 MT TRQ increase for US that would have expanded to 70,000 MT after the 13th year.



Japan's beef tariffs (%)

| Tariff category | Fresh or chilled | Frozen |
|----------------------------------------|------------------|--------|
| MFN | 38.5 | 38.5 |
| CPTPP (entry into force) | 27.5 | 27.5 |
| CPTPP (after 16-year phased reduction) | 9.0 | 9.0 |
| JAEPA (entry into force) | 32.5 | 30.5 |
| JAEPA (as of Feb 2019) | 29.3 | 26.9 |
| JAEPA (after 18 year phased reduction) | 23.5 | 19.5 |

Note: MFN=Most Favored Nation; CPTPP = Comprehensive and Progressive Trans Pacific Partnership; JAEPA = Japan-Australia Economic Partnership Agreement; Frozen (HS 0202); fresh or chilled (HS 0201).

Sources: Japan's tariff schedule under the TPP, available at <https://ustr.gov/sites/default/files/TPP-Final-Text-Japan-Tariff-Elimination-Schedule.pdf> (accessed on February 11, 2019); JAEPA schedule, available at <https://dfat.gov.au/trade/agreements/in-force/jaepa/full-text/Documents/jaepa-annex-1.pdf> (accessed on February 11, 2019).

Japan's beef imports



| Year | Fresh or chilled beef (HS 0201) | | | | | | Frozen beef (HS 0202) | | | | | |
|------------|---------------------------------|------------|---------------|------------|-----------|------------|-----------------------|------------|---------------|------------|-----------|------------|
| | Australia | | United States | | World | | Australia | | United States | | World | |
| | 1000 tons | \$ million | 1000 tons | \$ million | 1000 tons | \$ million | 1000 tons | \$ million | 1000 tons | \$ million | 1000 tons | \$ million |
| 2012 | 129 | 882 | 72 | 542 | 212 | 1,515 | 190 | 712 | 60 | 298 | 302 | 1,245 |
| 2013 | 116 | 751 | 86 | 624 | 212 | 1,455 | 170 | 635 | 100 | 424 | 322 | 1,275 |
| 2014 | 125 | 846 | 84 | 669 | 219 | 1,597 | 155 | 629 | 105 | 483 | 299 | 1,296 |
| 2015 | 128 | 921 | 68 | 511 | 205 | 1,507 | 161 | 661 | 98 | 465 | 289 | 1,277 |
| 2016 | 117 | 875 | 102 | 701 | 229 | 1,656 | 156 | 567 | 90 | 309 | 274 | 993 |
| 2017 | 118 | 876 | 137 | 965 | 266 | 1,929 | 170 | 677 | 103 | 379 | 307 | 1,193 |
| 2018 | 127 | 956 | 136 | 1,030 | 279 | 2,104 | 184 | 756 | 111 | 467 | 329 | 1,370 |
| Growth (%) | 7.63 | 9.13 | (0.73) | 6.74 | 4.89 | 9.07 | 8.24 | 11.67 | 7.77 | 23.22 | 7.17 | 14.84 |

Source: www.trademap.org using Japanese Ministry of Finance statistics and UN Comtrade statistics (accessed on February 11, 2019).

US-Japan deal unlikely to recoup the damage from TPP withdrawal



- The harvest for US farmers from trade talks with Japan likely to disappoint:
 - Agriculture is not the main USG priority; rather focus is on reducing auto imports;
 - Sensitive farm reforms may even be deferred to second stage of talks.
- Meanwhile, CPTPP reforms and Japan's bilateral free trade pacts already are opening the Japanese market to US competitors.
- TPP aimed to level the playing field for US farmers and ranchers exporting to Japan; instead, US exporters will face more discrimination in the coming years.