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# **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](http://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](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 13<sup>th</sup> 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](http://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.