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USJTA Safeguard Renegotiation and U.S. Access to Japan's Beef Market

Ethan Sabala and Eric Davis

Selected presentation for the International Agricultural Trade Research Consortium's (IATRC's) 2022 Annual Meeting: Transforming Global Value Chains, December 11-13, 2022, Clearwater Beach, FL.

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Ethan Sabala
&
Eric Davis

The findings and conclusions of this research are the authors' and should not be construed to represent any official USDA or US Government determination or policy.



Motivation

Between 2018 & 2021:

Japan ratified trade agreements (TAs) with all foreign beef suppliers

In March of 2021 following the USJTA safeguard being triggered:

Renegotiation of safeguard mechanism began

Finalized in March 2022

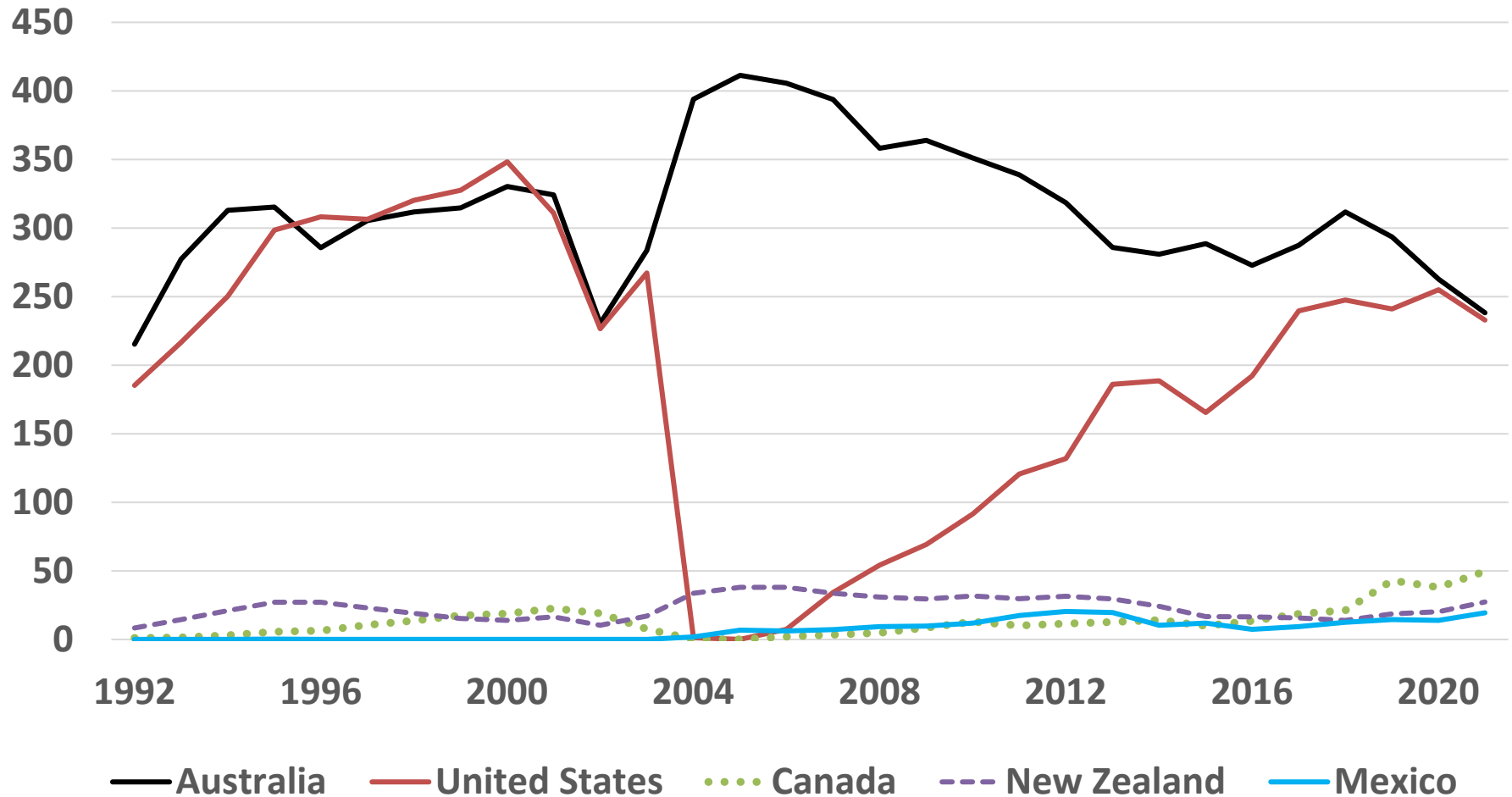
Questions:

1. What will be impact of these TAs on Japan's beef imports?
2. What impact, if any, will the USJTA safeguard renegotiation have?



Japanese Beef Imports

(1000 mt)



Trade Agreement Details

Tariff rate reductions

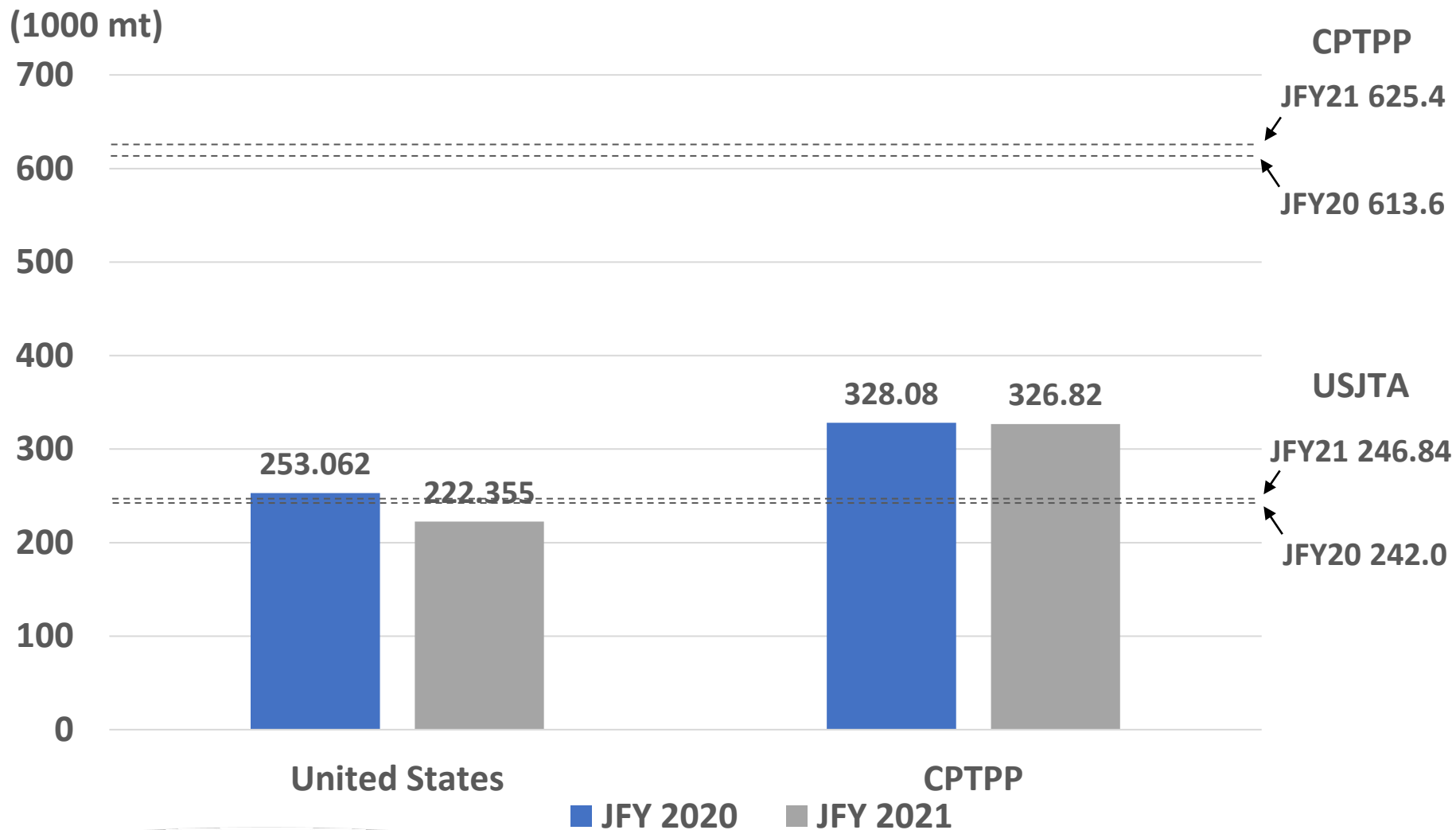
- Annual tariff rate reductions identical across USJTA & CPTPP
- Over-safeguard tariff rates identical across all TAs

Safeguard trigger levels

- Major differences in TAs are in safeguard trigger levels



Japan's Beef Imports and Safeguard Trigger Conditions



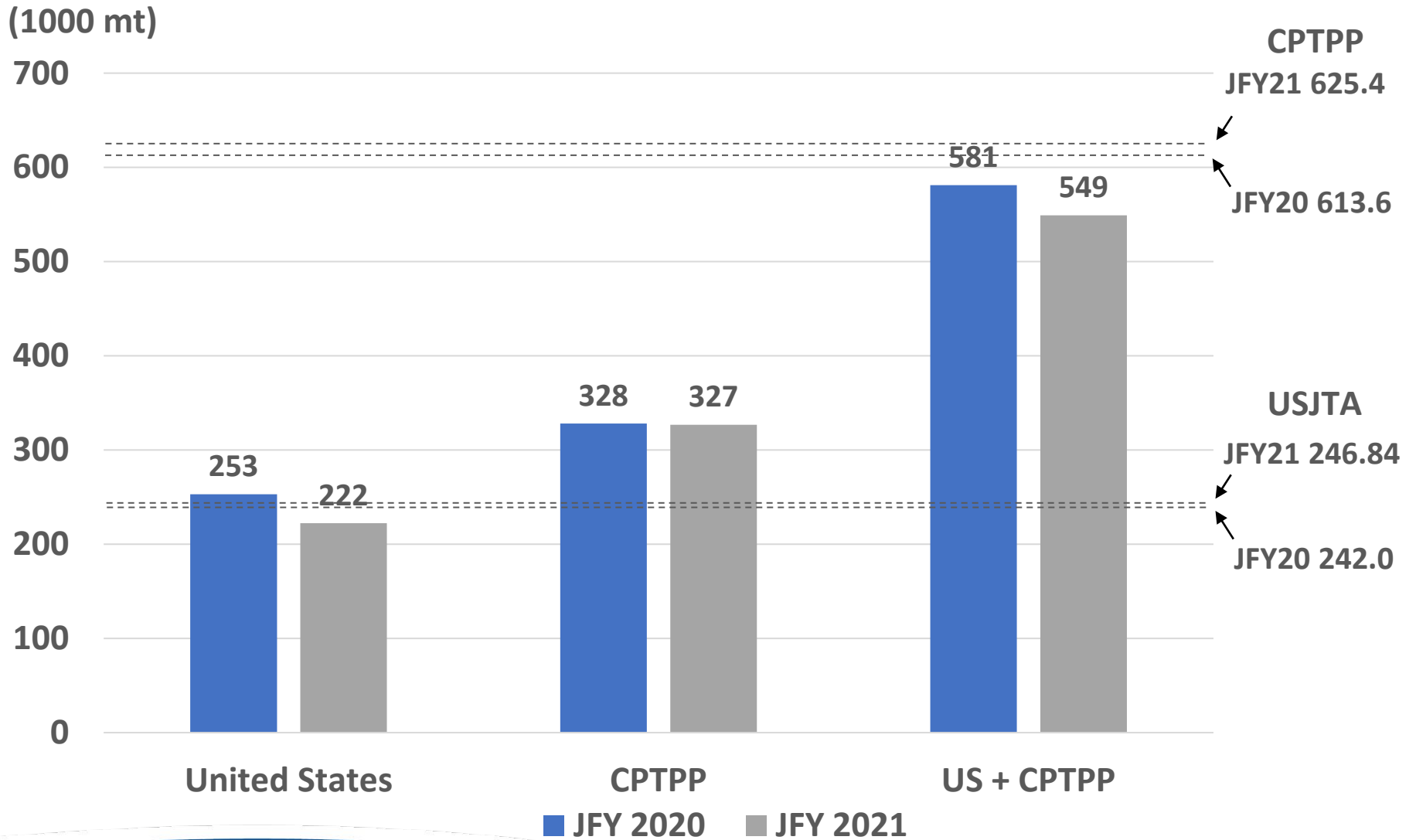
Triple-Trigger System

Conditions that must be met:

1. Imports of U.S. beef must exceed trigger level outlined in USJTA for that fiscal year
2. U.S. beef imports must exceed imports from previous year
3. Japan's combined imports from U.S. & CPTPP signatories must exceed CPTPP trigger level for that fiscal year



Japan's Beef Imports & Safeguard Trigger Conditions



Model

Utilized Global Trade Analysis Project (GTAP)
computable general equilibrium model

Used 2018 baseline (year prior to 1st TA)

Modeled tariff reductions in JFY 2028 & JFY 2033

4 scenarios:

1. No safeguard
2. Original USJTA safeguard
3. Triple-Trigger safeguard
4. Triple-Trigger safeguard w/ no 30-day minimum



Model

Account for projected population changes

- United Nations medium variant projections

Include TA changes for pork

- Incorporating potential substitution between pork & beef

Separate beef & beef offal products

- Tariff rates differ among these products
- Safeguard trigger does not include most offal products



Calculating the Safeguard's Impact

Used estimated trade volumes from no-safeguard scenario to determine if trigger would be met

If met, estimated duration of over-safeguard tariff rates

Assumed imports arrive at constant rate throughout year

Thus, duration calculated as follows:

$$\text{Trigger Day} = (\text{Trigger volume} \div \text{Total Volume}) * 365$$

Incorporated over-safeguard rates for estimated duration



Changes in Japanese Beef Imports from 2018 Baseline (\$ millions)

	Scenario	JFY 2028	JFY 2033
U.S. Exports	No Safeguard	267.4	413.8
	Original Safeguard	260.8	375.7
	Triple-Trigger Safeguard	260.8	380.8
	No Minimum Duration Triple-Trigger Safeguard	264.7	389.3
CPTPP Exports	No Safeguard	349.6	541.0
	Original Safeguard	353.1	562.7
	Triple-Trigger Safeguard	353.1	559.8
	No Minimum Duration Triple-Trigger Safeguard	351.0	555.0



Key Findings

U.S. benefits from USJTA & safeguard renegotiation

In JFY 2028:

30-day over-safeguard tariff minimum
negates benefit of triple-trigger system

In JFY 2033:

U.S. exports increase by additional \$5.1 million
under renegotiated safeguard

U.S. beef exporters remain at disadvantage relative to CPTPP

CPTPP safeguard unlikely to be triggered,
as it was not renegotiated after U.S. withdrawal



Conclusions

U.S. at disadvantage as CPTPP safeguard trigger is not binding

Further safeguard renegotiation could benefit U.S. producers

Specifically, removing 30-day over-safeguard tariff minimum

U.S. beef exporters can compete on quality

Japanese consumers prefer grain-fed beef

Favors U.S. producers



Thank you!



USJTA & CPTPP Details

JFY Year	USJTA			CPTPP		
	TA Duty (%)	Safeguard Trigger (mt)*	Over-Safeguard Duty (%)	TA Duty (%)	Safeguard Trigger (mt)	Over-Safeguard Duty (%)
2020	25.8	242,000	38.5	25.8	613,600	38.5
2021	25.0	246,840	30.0	25.0	625,400	30.0
2022	24.1	251,680	30.0	24.1	637,200	30.0
2023	23.3	256,520	30.0	23.3	649,000	30.0
2024	22.5	261,360	30.0	22.5	660,800	30.0
2025	21.6	266,200	30.0	21.6	672,600	30.0
2026	20.8	271,040	30.0	20.8	684,400	30.0
2027	20.0	275,880	30.0	20.0	696,200	30.0
2028	18.1	278,300	20.0	18.1	702,100	20.0
2029	16.3	280,720	20.0	16.3	708,000	20.0
2030	14.5	283,140	20.0	14.5	713,900	20.0
2031	12.6	285,560	20.0	12.6	719,800	20.0
2032	10.8	287,980	18.0	10.8	725,700	18.0
2033	9.0	292,820	**	9.0	737,500	**



JEUEPA & Japan-UK EPA Details

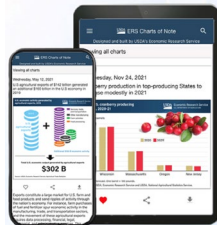
JFY Year	JEUEPA & Japan-UK EPA		
	TA Duty	Safeguard Trigger (mt)*	Over-Safeguard Duty
2020	25.8%†	45,056†	38.5%†
2021	25.0%	45,833	30.0%
2022	24.2%	46,611	30.0%
2023	23.3%	47,389	30.0%
2024	22.5%	48,167	30.0%
2025	21.7%	48,944	30.0%
2026	20.8%	49,722	30.0%
2027	20.0%	50,500	30.0%
2028	18.2%	50,885	20.0%
2029	16.3%	51,270	20.0%
2030	14.5%	51,655	20.0%
2031	12.7%	52,040	20.0%
2032	10.8%	52,425	18.0%
2033	9.0%	53,195	**



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