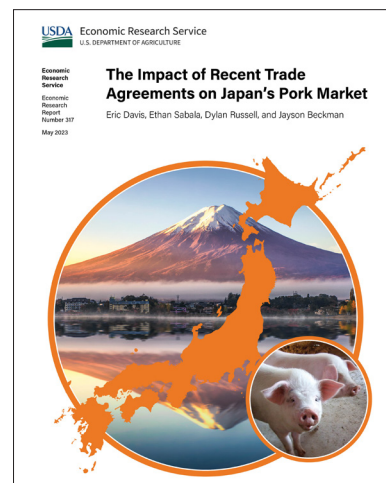


The Impact of Recent Trade Agreements on Japan's Pork Market

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What Is the Issue?

Following its accession to the World Trade Organization (WTO) in 1995, Japan relaxed its trade barriers. Even so, Japan continues to employ three (gate-price, ad-valorem, and safeguard) tariff mechanisms on most pork product imports. The gate price tariff effectively acts as a minimum import price so that if the value of a shipment of pork is below the minimum price, then a tariff (equal to the difference between the minimum price and the value of the shipment) is levied. Pork products also face ad valorem tariffs, which increase the price of a product by a fixed percentage of the value, depending on the product category. For pork product, the tariffs range from 4.3 to 8.5 percent. Additionally, Japan employs safeguard mechanisms, which increase the gate price and ad valorem tariff rates when imports of pork reach a certain threshold. These trade instruments have helped domestic producers maintain a 50-percent share of domestic consumption. However, Japan has recently ratified numerous trade agreements that will virtually remove these restrictions. Given that essentially all of Japan's pork imports originate in these trade agreement partner countries, the trade agreements may greatly impact the Japanese pork market.



What Did the Study Find?

Japan has ratified trade agreements with the United States, European Union (EU), United Kingdom (UK), and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) countries, which comprises Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Pork exports to Japan are estimated to increase as a result of these trade agreements, with the United States having the highest estimated gains.

Results in this report indicate that the changes outlined in Japan's recent trade agreements could greatly improve the competitiveness of trade agreement partner countries in Japan's pork market. This potential boost in foreign competitiveness could result in lower domestic production, higher import volumes, and thus increased availability of lower-cost foreign pork for Japanese consumers. This can be seen in the following model estimates that assume the gate price system imposes a burden equal to a 10-percent ad valorem tariff. The estimated changes in value in 2028, relative to the 2018 baseline, are as follows:

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- By 2028, Japan's pork imports would increase by 3.6 percent for carcasses and half-carcasses, 12.2 percent for unprocessed meat cuts, and 13.9 percent for processed pork products.
- Japan's domestic production would decrease by 4.2, 11.6, and 11.8 percent for carcasses and half-carcasses, unprocessed meat cuts, and processed pork products, respectively.
- Total pork exports to Japan would increase in value (in millions) by \$281.0, \$244.5, \$232.8, and \$0.21 for the United States, EU, CPTPP, and UK, respectively.
- Most of these export gains to Japan would come from the unprocessed pork sector, with gains of \$168.6, \$201.3, \$210.5, and \$0.21 million for the United States, EU, CPTPP, and UK, respectively.
- The remainder of the gains would primarily be from the processed pork sector, with an additional \$112.3, \$43.1, and \$22.3 million in exports from the United States, EU, and CPTPP, respectively. The UK does not currently compete in this sector.
- The carcass and half-carcass sector is extremely small, and export increases in this sector would only have a marginal impact on the total pork exports of each country.
- Societal well-being of the United States, CPTPP, and EU would increase by \$59.3 million, \$32.8 million, and \$17.8 million, respectively.

If the U.S.-Japan Trade Agreement (USJTA) agreement did not exist, the United States would be subject to Japan's WTO gate price tariff system. In this hypothetical scenario, results indicate that the United States would lose a large portion of its market share to Japan's other trade agreement partners, with the 2028 U.S. market share falling from 34 to 23 percent. The total value of U.S. pork exports to Japan also would decline by \$385.9 million from 2018 levels.

How Was the Study Conducted?

This work reviews Japan's import barriers on pork, including the country's gate price tariff system and safeguards. Production, consumption, exchange rate, bilateral trade, and demographic data were taken from sources that include Trade Data Monitor; USDA's Foreign Agricultural Service; the Japanese Ministry of Agriculture, Forestry and Fisheries; and the U.S. Department of Commerce, Bureau of the Census. The likely impact of the various Japanese trade agreements is analyzed by the Global Trade Analysis Project (GTAP) computable general equilibrium model. Using 2018 (the year before Japan's first trade agreement as a baseline year), the authors simulate three separate scenarios: (1) assuming a 10-percent tariff equivalent to the gate price system in the base year, (2) assuming a 10-percent tariff equivalent and assuming that the USJTA had not come into force, and (3) assuming a 15-percent tariff equivalent in the base year. Results for the first two scenarios are provided in the main text, whereas the third scenario is included in the appendix.