

# MEAT OF THE MATTER

## Only a Quickly Negotiated Trade Deal Can Save U.S. Pork's Bacon in Japan

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Japan has for many years been an export market of vital importance to U.S. pork. Measured in terms of value, Japan is the number one market in the world for U.S. pork exports, with sales totaling \$1.6 billion in 2018. Since the conclusion of the World Trade Organization (WTO) Uruguay Round in 1993, when Japan partially liberalized its market access regime for pork, U.S. pork sales to Japan have more than quadrupled to just under 394,000 metric tons in 2018.

In September 2018, the United States and Japan agreed to negotiations aimed at further liberalizing trade between the two countries. These negotiations offer a major opportunity to improve U.S. access to Japan's pork market and come at a critical time as U.S. market share for pork in Japan is eroding due to Japan's trade agreements with other countries.

The National Pork Producers Council (NPPC) was a leading supporter of the Trans-Pacific Partnership (TPP) agreement. While the multi-lateral agreement would have created important new sales opportunities for U.S. pork in multiple pork-consuming markets, the crown jewel of the TPP market access agreement was, without question, Japan.

President Trump's first executive order after taking office was to withdraw the United States from the TPP deal, citing the preference for U.S. bilateral, as opposed to multi-country, free trade agreements (FTAs). NPPC reacted almost immediately by calling for a bilateral free trade agreement with Japan. Since that time, NPPC has been in continuous dialogue with both U.S. and Japanese government officials to express strong support for a trade agreement between the two countries.

In 2018, Japan reached trade agreements with the remaining countries in the TPP (now referred to as the Comprehensive and Progressive Agreement of Trans-Pacific Partnership, or "CPTPP") and the European Union (EU). Under the terms of those agreements, Japan is providing a major reduction in duties on pork imports from the CPTPP countries as well as the EU.

The CPTPP was implemented on December 30, 2018, for the six countries that had ratified the agreement to that point – Japan, Canada, Australia, Mexico, New Zealand and Singapore. On January 14, 2019, Vietnam also implemented the agreement. The first tariff cuts immediately followed implementation. Japan will implement another tariff cut under the CPTPP on April 1, 2019, the start of Japan's new fiscal year. Under the terms of the CPTPP, Japan's duties under its "gate price" import regime for pork will immediately be significantly reduced, and then further reduced over a period of ten years.

The EU's trade agreement with Japan was implemented on February 1, 2019, with the first of a series of tariff cuts taking place on that date. The EU – Japan agreement effectively mirrors the CPTPP deal, with Japan's tariffs on European pork immediately reduced and then lowered again at regular intervals, leading to a major new opportunity for EU pork exports to Japan.

Because both the CPTPP countries and the EU now enjoy preferential access to the Japanese pork market, the United States is already losing sales to Japan, and those losses will only accelerate in the absence of a U.S. – Japan trade agreement.

For these reasons, NPPC was pleased when the Trump administration notified Congress of its intent to begin trade negotiations with Japan on October 16, 2018. The U.S. Trade Representative (USTR) released its negotiation objectives for Japan on December 27, 2018. Under Trade Promotion Authority (TPA) law, negotiations can begin 90 days after congressional notification and 30 days after publication of U.S. negotiating objectives. This means that negotiations could have started as early as January 27, 2018. The Trump administration has the authority to begin the negotiations at any time.

While NPPC believes the government shutdown and ongoing negotiations with China may have led to a delay in U.S. plans for negotiations, we are hopeful that the United States and Japan are now close to initiating talks. Time is clearly of the essence for U.S. pork. In 2019, U.S. pork exports to Japan are on the decline.

NPPC also remains concerned about the threat of U.S. Section 232 tariffs on automobiles, arising from a recently completed Commerce Department investigation of national security concerns related to U.S. imports of automobile and auto parts. Japan decided not to retaliate when the U.S. imposed duties on Japanese steel and aluminum under another Section 232 action. As the leading foreign exporter of automobiles to the United States, it is much less likely that Japan will show patience if the U.S. targets these exports. Should Japan retaliate in response to U.S. duties on automobiles, U.S. pork and other agricultural products are likely to be at the top of Japan's retaliation list. For these reasons, NPPC opposes Section 232 tariffs.

NPPC has been working closely with the Trump administration to explain the importance of the Japanese market for U.S. pork and to encourage a U.S. trade agreement with Japan that ensures the United States will operate on a level playing field with other international suppliers in the Japanese market. We will continue these efforts throughout the U.S. – Japan trade negotiations and will push for a fast implementation.

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