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Japan

Trade Policy Monitoring

Japan-Chile Trade Agreement

2006

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Report Highlights:

In September, Chile and Japan came to a framework agreement for an Economic Partnership Act (EPA) that will result in lower applied tariffs for a number of agricultural products of trade interest to the United States. After passage in the Japanese Diet (parliament), the agreement will be formalized, additional details will be worked out, and the EPA signed, probably sometime next year. Some aspects of the EPA, such as access for pork, mirror Japan's bilateral trade agreement with Mexico, which lowers the duty calculated under the pork differential system.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1]
[JA]

On September 22, Japan and Chile largely agreed upon Economic Partnership Agreement (EPA). Market access for Chilean farm, forestry and fishery commodities has been negotiated. In the livestock sector, tariff rate quotas (TRQs) are set for beef, pork and poultry meat. Dairy products are exempted and subject to renegotiation later on.

Top Ten Chilean Agricultural Exports to Japan

	Product	Value in Dollars	Value in Yen Billion	Tariff	Note:
1	salmon/trout	\$448,200,000	JPY 49.30	3.50%	See note 1
2	pork	\$255,000,000	JPY 28.10	4.3% (with gate price system)	
3	wood chips	\$252,000,000	JPY 27.70	zero	See note 2
4	fish fillet/fish meat	\$243,000,000	JPY 26.70	3.50%	
5	processed wood	\$95,000,000	JPY 10.40	0-3.6% (preferential duties)	
6	fish meals	\$74,000,000	JPY 8.10	zero	
7	sea urchin	\$59,000,000	JPY 6.50	0-7%	
8	wine	\$35,000,000	JPY 3.80	15% or 125 yen/liter,	See note 3
9	beet pulp	\$14,500,000	JPY 1.60	zero	
10	lemons	\$14,500,000	JPY 1.60	zero	
Note the following products are currently minor trade items but will receive favorable treatment:					
For aparagus and avacados, the tariff will be abolished immediately. For apples, it will be abolished over 15 years.					
<i>*Assumes average 2005 exchange rate of 110 yen/dollar</i>					

Note 1: Gradually reduced tariff quota over 12 years to zero.

Note 2: Many forestry products are excluded or will be renegotiated for gradual tariff reduction on certain items (e.g., fiberboard and particle board).

Note 3: Bottled wine to zero over 12 years.

Meat Products

In the livestock sector, the concessions Japan made appear minor and should not have a major impact on U.S. trade with Japan.

The agreement on pork is still somewhat unclear as no details are yet available how the TRQ works to accommodate different tariff lines. The two countries reportedly agreed to gradually expand the TRQ over a 5 year implementation period from 32,000 metric tons in the first year to 60,000 metric tons in the last year. Under the TRQ apparently includes generic pork (HS 0203) and ham and bacon (HS 1602), which fall under the pork differential duty system as well as prepared Products (HS 1602), which are subject to a simple ad valorem tariff.

For tariff items under the pork differential duty system, only the specific duty portion within the TRQ is cut from 4.3% to 2.2% for fresh/chilled and frozen pork and from 8.5% to 4.3%. The gate price level (524 yen per kilo) remains unchanged. For prepared products, the ad valorem duty within TRQ is cut from 20% to 16% (See table 1).

Chile currently ranks top 4 among the pork suppliers to Japan after U.S., Denmark and Canada and ahead of Mexico. In 2005, Japan's imports of Chilean pork totaled 51,700 MT, mostly frozen, and accounted 6% of Japan's pork imports under HS 0203 category (chilled and frozen generic pork).

Japan also made deals on a gradual expansion of TRQs on beef products over a five year period with within quota rates falling between 2 and 8 percent from current levels (See table 2 and 3).

Table 1. Pork TRQ

Pork (Chilled and Frozen Pork, Ham and Bacon, and Prepared Products):				
Category 1 (HS 0203): 19-021, 19-022, 19-023, 22-021, 22-022, 22-023, 29-021, 29-022, 29-023, 49-092, 49-093, and 49-099				
Category 2 (HS 1602): 41-090, 41-019, 42-011, 42-019, 49-210, and 49-220				
Category 3 (HS 1602): 41-090, 42-090, and 49-290				
Period	TRQ	Rate		
		Category 1	Category 2	Category 3
		Specific Duty	Specific Duty	Ad Valorem
Present	Nil	4.30%	8.50%	20%
1st Year	32,000 MT	2.20%	4.30%	16%
2nd Year	38,750 MT	2.20%	4.30%	16%
3rd Year	45,500 MT	2.20%	4.30%	16%
4th Year	52,250 MT	2.20%	4.30%	16%
5th Year	60,000 MT	2.20%	4.30%	16%

Note: Category 1 and 2 are under the Pork Differential Duty System, in which the gate price level remains the same while only the specific duty applied is cut.

Source: Dairy Meat and Livestock, September 25th Issue, 2006

Table 2. Beef TRQ

Beef (Frozen):			
Category (HS 0202): 20-000, 30-010, 30-020, 30-030, and 30-090			
Period	TRQ	Rate	
		Ad Valorem	
Present	Nil	38.5%	
1st Year	1,300 MT	34.6%	
2nd Year	1,950 MT	34.6%	
3rd Year	2,600 MT	30.8%	
4th Year	3,250 MT	30.8%	
5th Year	4,000 MT	30.8%	

Beef Tongue and Offal (Frozen):			
Category 1 (HS 0206): 21-000 (Tongue), 22-000 (Liver) and 29.010 (Internal Organs)			
Category 2 (HS 0206): 29-090 (Other Internal Organs)			
Period	TRQ	Rate	

		Category 1	Category 2
		Ad Valorem	Ad Valorem
Present	Nil	12.8%	21.3%
1st Year	600 MT	11.5%	19.1%
2nd Year	637 MT	11.5%	19.1%
3rd Year	675 MT	7.6%	12.7%
4th Year	712 MT	7.6%	12.7%
5th Year	750 MT	7.6%	12.7%

Source: Dairy Meat and Livestock, September 25th Issue, 2006

Table 3. Broiler TRQ

Broiler (Frozen, Boneless):		
Category (HS 0207): 14-220		
Period	TRQ	Rate
		Ad Valorem
Present	Nil	11.9%
1st Year	3,500 MT	10.70%
2nd Year	4,000 MT	10.70%
3rd Year	4,500 MT	8.50%
4th Year	5,000 MT	8.50%
5th Year	5,500 MT	8.50%

Source: Dairy Meat and Livestock, September 25th Issue, 2006