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Trade Policy Monitoring

Japan Moves Closer to Implementing Provisional Safeguard Measures on Fresh Shiitake Mushrooms, Welsh Onions and Tatami Mats

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Report Highlights:

Major Japanese media reported on March 30 that the Ministry of Agriculture, Forestry and Fisheries (MAFF), the Ministry of Finance (MOF) and the Ministry of Economy, Trade and Industry (METI) are moving towards implementing *Provisional Safeguard Measures on fresh shiitake mushrooms, welsh onions and tatami mats*. Mid-April 2001 is the targeted date for Japan's provisional safeguard measures which would take the form of increased tariffs.

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

Major Japanese media reported on March 30 that Ministers of the Ministry of Agriculture, Forestry and Fisheries (MAFF), the Ministry of Finance (MOF) and the Ministry of Economy, Trade and Industry (METI) are moving towards implementing *provisional safeguard measures* on *fresh shiitake mushrooms*, *welsh onions* and *tatami mats*. Reports indicated that ministers, including the Minister of the Foreign Affairs, plan to meet again during the week of April 1 to decide whether Japan will implement *provisional safeguards*. MAFF released the results of its investigations on March 23 (see details below).

If the provisional measures are finalized, in the form of increased tariffs, implementation is likely to occur in mid-April at the earliest, a time frame faster than originally expected. These measures would be the first time Japan has used safeguard measures. The tariff increases will be based on the difference between imported and domestic prices.

These three products were taken from MAFF's emergency fast track "level 2" list. The other products remaining on the "level 2" list are *tomatoes*, *green peppers*, *bulb onions*, *sawn wood* and *glulam products*. On March 15, MAFF also asked both METI and MOF to start investigation of safeguard measures for *eel* and *wakame seaweed*. According to media reports, imports of eel in last four years increased 52.6% (mostly from China and Taiwan) and imports of wakame seaweed went up 41.0% (mostly from China). For details on these measures, see "JA1013: Japan Considering Safeguard Measures on Vegetables, Seafood, and Wood Products".

The sped-up schedule for implementing safeguard measures reportedly reflects pressure from members of ruling Liberal Democratic Party (LDP) in preparation for the upcoming election for the Upper House scheduled in this summer. The LDP, as evidenced by the single-digit public support levels for the Prime Minister, is facing difficulties in the next election due to Japan's lackluster economic situation and political instability.

In addition, Japan is considering proposing the introduction of a new type of safeguard in the new WTO round. This would be a short, automatic safeguard to deal with perishable and seasonal agricultural products. This would allow Japan more flexibility in responding to its agricultural interests. For Japan's overall safeguard proposal, please see "JA1001: Japan's Proposal on WTO Agricultural Negotiations".

Regarding market reactions, the Nihon Keizai Shinbun (Japan Economic News) reported that if tariffs were increased under *provisional safeguards*, import levels for these products are expected to be maintained as exporters cut prices. Current tariff rates on welsh onions, fresh shiitake mushrooms and tatami mats are 3%, 4.3% and 6%, respectively. In the case of welsh onions, the average domestic price in 2000 was 206 yen per kilogram, while imported prices averaged 91 yen, half of the domestic price. Production of welsh onions in China is specifically targeted at Japan so China is expected to continue exporting to Japan by cutting prices to offset higher tariffs. Japanese trading firms introduced their farming techniques in China to produce products suitable for the Japanese market.

According to a Japanese trading company, produce traders have no immediate intention to shift to more expensive domestic vegetables. Imported vegetables have established distribution channels for Japan's food service industry, according to media reports and trade contacts.

MAFF's officials are reported to be pressing China to voluntarily restrain exports of these 3 products to Japan. If China complies and restrains their exports of welsh onions, fresh shiitake mushrooms and tatami mats to Japan, Japan will not implement *provisional safeguard* measures, according to media reports.

According to the Agreement on Safeguards (Article 6), Japan appears to be trying to follow the Uruguay Round agreement in its policy efforts on these three products. The agreement states "in critical circumstances where delay would cause permanent damage which it would be difficult to repair, a Member may take *provisional safeguard measures* pursuant to a preliminary determination that there is clear evidence that increased imports have caused serious injury". The measures, which take the form of tariffs, may not exceed 200 days, and must be all refunded if the investigation determines not injury to the domestic industry.

Results of the Investigation by the Government of Japan

Welsh Onions					
	1996	1997	1998	1999	2000
Imports (MT)	1,504	1,471	6,802	21,197	37,375
- % change from previous year	(-)	(-2.2)	(362.4)	(211.6)	(76.3)
- Increase in volume (MT)	(-)	(-33)	(5,331)	(14,395)	(16,178)
Market share of imported onions (%)	0.4	0.4	1.7	5.0	8.2
Sales value of domestic onions (100 million yen)	1,048	1,160	1,354	1,204	925
- % change from previous year	(-)	(10.7)	(16.7)	(-11.1)	(-23.2)
Average price of domestic onions (yen/kg)	252	278	340	300	222
- % change from previous year	-	(10.3)	(22.3)	(-11.8)	(-26.0)
Sales volume of domestic onions (MT)	415,900	417,300	398,200	401,400	416,600
- % change from previous year	(-)	(0.3)	(-4.6)	(0.8)	(3.8)
Domestic production (MT)	546,800	549,200	508,500	532,400	396,200*
- % change from previous year	(-)	(0.4)	(-7.4)	(4.7)	*Apr - Dec
Gross income per farm (1,000 yen)	2,342	2,668	3,057	2,707	2,012
- % change from previous year	(-)	(13.9)	(14.6)	(-11.4)	(-25.7)
Expenditures per household (1,000 yen)	1,368	1,453	1,505	1,477	1,453
- % change from previous year	(-)	(6.2)	(3.5)	(-1.8)	(-1.7)
Income (1,000 yen)	974	1,214	1,553	1,230	559
- % change from previous year	(-)	(24.7)	(27.8)	(-20.8)	(-54.6)
Total labor hours (1,000 hours)	127,596	126,835	125,229	126,525	99,681*
- % change from previous year	(-)	(-0.6)	(-1.3)	(1.0)	*Apr - Dec
Fresh Shiitake Mushrooms					
	1996	1997	1998	1999	2000

Imports (MT)	24,394	26,028	31,396	31,628	42,057
- % change from previous year	(-)	(6.7)	(20.6)	(0.7)	(33.0)
- Increase in volume (MT)	(-)	(1,634)	(5,368)	(232)	(10,429)
Market share of imported Shiitake (%)	24.5	25.8	29.7	31.0	38.5
Sales value of domestic Shiitake (100 million yen)	811	778	727	669	615
- % change from previous year	(-)	(-4.1)	(-6.6)	(-8.0)	(-8.1)
Average price of domestic Shiitake (yen/kg)	1,079	1,041	980	949	915
- % change from previous year	-	(-3.5)	(-5.9)	(-3.2)	(-3.6)
Sales volume of domestic Shiitake (MT)	75,157	74,782	74,217	70,511	67,224
- % change from previous year	(-)	(-0.5)	(-0.8)	(-5.0)	(-4.7)
Total gross income (100 million yen)	822	787	737	684	628
- % change from previous year	(-)	(-4.3)	(-6.4)	(-7.2)	(-8.1)
Total expenditures (100 million yen)	655	634	609	587	567
- % change from previous year	(-)	(-3.3)	(-3.8)	(-3.7)	(-3.4)
Total income (100 million yen)	167	153	127	97	61
- % change from previous year	(-)	(-8.3)	(-16.9)	(-24.3)	(-36.5)
Total labor hours (1,000 hours)	46,303	44,343	43,997	40,985	39,500
- % change from previous year	(-)	(-4.2)	(-0.8)	(-6.8)	(-3.6)
Tatami Mats					
	1996	1997	1998	1999	2000
Imports (1,000 sheets)	11,369	8,628	10,344	13,569	20,300
- % change from previous year	(-)	(-24.1)	(19.9)	(31.2)	(49.6)
- Increase in volume (1,000 sheets)	(-)	(-2,741)	(1,716)	(3,225)	(6,731)
Market share of imported Tatami (%)	29.7	25.6	32.7	46.0	59.4
Sales value of domestic Tatami (100 million yen)	351	301	207	164	135
- % change from previous year	(-)	(-14.2)	(-31.1)	(-20.7)	(-17.7)
Average price of domestic Tatami (yen/sheet)	1,302	1,200	974	1,033	970
Domestic production (1,000 sheets)	26,937	25,088	21,302	15,923	13,872
Total income (100 million yen)	158	92	48	46	22
- % change from previous year	(-)	(-41.7)	(-48.3)	(-4.4)	(-52.0)
Total labor hours (1,000 hours)	38,448	36,248	31,418	24,148	18,814
- % change from previous year	(-)	(-5.7)	(-13.3)	(-23.1)	(-22.1)
Number of farms	4,416	4,106	3,582	2,817	2,244
- % change from previous year	(-)	(-7.0)	(-12.8)	(-21.4)	(-20.3)