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Tariffs for Frozen Beef Rise as Special Safeguard is Applied

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Report Highlights:

On August 1, 2017, the Japanese Ministry of Finance (MOF) raised the duty for U.S. frozen beef from 38.5 percent to 50 percent under Japan's special safeguard (SSG) for frozen beef. The measure remains in effect until March 31, 2018, the end of Japanese fiscal year (JFY) 2017. As explained by the Government of Japan, the SSG measure is in keeping with its commitments under WTO rules and domestic provisions prescribed under Japan's Temporary Customs Tariff Measures Act. The SSG measure will only apply to countries that do not have an Economic Partnership Agreement (EPA) with Japan. Australia, the largest supplier of frozen beef to Japan, will not be affected by the SSG measure, leaving Australia's tariff at 27.2 percent. The SSG measure was last applied to U.S fresh/chilled beef in 2003, and several adjustments have been made to the triggering mechanism since that time.

General Information:

Double Triggers Tripped

First quarter (April – June) JFY 2017 frozen beef imports from all trading partners exceeded the first quarter trigger level (117 percent of actual frozen beef imports in JFY16). Year-on-year first quarter imports from all trading partners increased 17 percent to 89,253 MT, which exceeded the first quarter trigger level of 89,140 MT by 113 MT. See Table 1.

First quarter (April – June) JFY 2017, year-on-year frozen beef imports from Non-Economic Partnership Agreement (EPA) countries rose 25 percent to 37,823 MT, exceeding the first quarter trigger level of 35,468 MT by 2,355 MT. Non-EPA countries include the United States, Canada and New Zealand. See Table 1.

An increase in fresh/chilled beef imports from Non-EPA countries, up 31 percent (or 36,927 MT), exceeded the trigger level of 33,019 MT by 3,908 MT. However, no chilled beef SSG was triggered for the first quarter as the 12 percent increase (or 68,862 MT) of fresh/chilled beef from all trading partners (both EPA and Non-EPA countries) fell short of the trigger level of 74,339 MT. See Table 2.

Table 1: Special Safeguard Monitoring for Imported Frozen Beef – 2015-2016

Safeguard Trigger Condition 1: Based on Imports from All Trade Partners Year to Date

Unit: Metric Ton (Customs Clearances Basis)

Frozen Beef	Trigger Level		Actual	Actual		Trigger Level	Actual	
	JFY 2015	JFY 2016	2015	2016	% Chg. (2016/2015)	JFY 2017	2017	% Chg. (2017/2016)
1st Qtr. (Apr. - Jun.)	87,702	100,130	85,581	76,187	-11%	89,140	89,253	17%
2nd Qtr. (Apr. - Sept.)	201,317	189,644	162,088	155,187	-4%	181,569		
3rd Qtr. (Apr. - Dec.)	279,407	267,962	229,027	223,490	-2%	261,484		
4th Qtr. (Apr. - Mar.)	349,947	327,195	279,653	285,887	2%	334,489		

Safeguard Trigger Condition 2: Based on Imports from Non-EPA Countries Year to Date

Frozen Beef	Trigger Level		Actual	Actual		Trigger Level	Actual	
	JFY 2015	JFY 2016	2015	2016	% Chg. (2016/2015)	JFY 2017	2017	% Chg. (2017/2016)
1st Qtr. (Apr. - Jun.)	37,776	30,314	27,309	30,314	11%	35,468	37,823	25%
2nd Qtr. (Apr. - Sept.)	90,752	65,017	60,861	65,017	7%	70,670		
3rd Qtr. (Apr. - Dec.)	126,644	90,787	87,597	90,787	4%	106,221		
4th Qtr. (Apr. - Mar.)	161,592	90,787	110,684	120,133	9%	104,556		

Source: Ministry of Finance

Table 2: Special Safeguard Monitoring for Imported Chilled Beef

Safeguard Trigger Condition 1: Based on Imports from All Trade Partners Year to Date

Unit: Metric Ton (Customs Clearances Basis)

Chilled Beef	Trigger Level		Actual	Actual		Trigger Level	Actual	
	JFY 2015	JFY 2016	2015	2016	% Chg. (2016/2015)	JFY 2017	2017	% Chg. (2017/2016)
1st Qtr. (Apr. - Jun.)	74,339	74,339	53,594	61,724	15%	74,339	68,826	12%
2nd Qtr. (Apr. - Sept.)	152,456	152,456	105,275	121,552	15%	152,456		
3rd Qtr. (Apr. - Dec.)	230,642	230,642	161,411	183,286	14%	230,642		
4th Qtr. (Apr. - Mar.)	292,355	292,355	208,865	239,761	15%	292,355		

Safeguard Trigger Condition 2: Based on Imports from Non-EPA Countries Year to Date

Unit: Metric Ton (Customs Clearances Basis)

Chilled Beef	Trigger Level		Actual	Actual		Trigger Level	Actual	
	JFY 2015	JFY 2016	2015	2016	% Chg. (2016/2015)	JFY 2017	2017	% Chg. (2017/2016)
1st Qtr. (Apr. - Jun.)	28,554	28,221	17,737	28,221	59%	33,019	36,927	31%
2nd Qtr. (Apr. - Sept.)	58,844	57,880	38,532	57,880	50%	67,720		
3rd Qtr. (Apr. - Dec.)	84,558	90,353	60,105	90,353	50%	105,714		
4th Qtr. (Apr. - Mar.)	101,109	90,353	79,818	122,109	53%	142,868		

Source: Ministry of Finance

Table 3: The first Quarter 2017 (April – June) Frozen Beef Imports by Country

Unit: Metric Ton

Partner Country	Japanese Fiscal Year (April - March)					Year To Date		
	2014	2015	% Chg.	2016	% Chg.	04/16 - 06/16	04/17 - 06/17	% Chg.
World	299,099	279,653	-7%	285,888	2%	76,188	89,253	17%
Australia (EPA)	148,771	162,851	9%	161,465	-1%	44,836	49,855	11%
Mexico (EPA)	10,037	7,134	-29%	4,880	-32%	1,458	1,756	20%
Chile (EPA)	102	29	-72%	10	-66%	3	0	-100%
United States (Non-EPA)	107,855	91,687	-15%	94,299	3%	23,752	28,404	20%
New Zealand (Non-EPA)	17,906	9,611	-46%	12,018	25%	2,874	3,475	21%
Canada (Non-EPA)	13,658	7,031	-49%	12,098	72%	2,967	5,096	72%
Others (Non EPA)	770	1,310	70%	1,118	-15%	298	667	124%
Partner Country	Japanese Fiscal Year (April - March)					Year To Date		
	2014	2015	% Chg.	2016	% Chg.	04/16 - 06/16	04/17 - 06/17	% Chg.
World	299,099	279,653	-7%	285,888	2%	76,188	89,253	17%
EPA Total	158,910	170,014	7%	166,355	-2%	46,297	51,611	11%
Non-EPA Total	140,189	109,639	-22%	119,533	9%	29,891	37,642	26%

Source of Data: Global Trade Atlas (Japan Ministry of Finance)

Note: The Non-EPA Total in this table is lower than the data reported in Table 1. The discrepancy is attributable to imports of out-of-quota frozen beef from Mexico and Chile (they entered without the country of origin certificate needed to qualify for in-quota consideration) that are counted as non-EPA imports. Japan's EPA with Mexico and Chile are TRQ based. For JFY 2017, the TRQ for Mexican beef is 15,000 MT (chilled and frozen combined) and for Chilean beef the TRQ is 15,000 MT, both subjected to an in-quota duty of 30.8 percent. Australia is subject to an annual safeguard per its EPA with Japan. Japan imported 200,000 MT of Australian beef I FY2017. The import duty on Australian frozen beef is 27.2 percent and, if Australia were to exceed the annual safeguard, the duty would revert to 38.5 percent.

Table 4: The first Quarter 2017 (April – June) Chilled Beef Imports by Country

Unit: Metric Ton

Partner Country	Japanese Fiscal Year (April - March)					Year To Date		
	2014	2015	% Chg.	2016	% Chg.	04/16 - 06/16	04/17 - 06/17	% Chg.
World	216,966	207,228	-4%	239,761	16%	61,724	68,825	12%
Australia (EPA)	127,510	125,662	-1%	115,534	-8%	33,092	31,474	-5%
Mexico (EPA)	3,099	2,551	-18%	2,286	-10%	503	539	7%
Chile (EPA)	1	1	0%	0	n.a.	0	0	n.a.
United States (Non-EPA)	78,795	72,449	-8%	113,639	57%	26,125	34,655	33%
New Zealand (Non-EPA)	5,377	4,918	-9%	5,568	13%	1,403	1,396	0%
Canada (Non-EPA)	2,137	1,591	-26%	2,640	66%	571	739	29%
Others (Non-EPA)	47	56	19%	94	68%	30	22	-27%
Partner Country	Japanese Fiscal Year (April - March)					Year To Date		
	2014	2015	% Chg.	2016	% Chg.	04/16 - 06/16	04/17 - 06/17	% Chg.
World	216,966	207,228	-4%	239,761	16%	61,724	68,825	12%
EPA Total	130,610	128,214	-2%	117,821	-8%	33,595	32,013	-5%
Non-EPA Total	86,356	79,014	-9%	121,940	54%	28,129	36,812	31%

Source of Data: Global Trade Atlas (Japan Ministry of Finance)

History

The original mechanism and trigger condition for the SSG was developed in 1995 under the Uruguay Round trade negotiations. Japan introduced the mechanism as import duties on beef were reduced from 50 percent to 38.5 percent over a six-year implementation period.

The SSG mechanism and trigger condition, in its original format is based on a quarterly trigger level of 117 percent of the previous year's import volumes for each of the corresponding quarters (combined year-to-date). Once triggered, the import duty (presently at 38.5 percent) reverts to the WTO bound rate (50 percent) where it will remain until end of the fiscal year (in this instance until March 31, 2018).

Originally, the only trigger for the SSG was that the cumulative import volume for a given quarter during the fiscal year had to exceed the trigger level (set separately for chilled and frozen beef). In the past 23 years, there have been three previous occasions when the SSG was implemented by Japan:

JFY 1995 – The SSG for frozen beef was triggered in the first quarter (April – June 1995) increasing the tariff for the remainder of the fiscal year from 48.1 percent to 50.0 percent.

JFY 1996 - The SSG for frozen beef was triggered in the first quarter (April – June 1996) increasing the tariff for the remainder of the fiscal year from 46.2 percent to 50.0 percent.

JFY 2003 - The SSG for fresh/chilled beef was triggered in the first quarter (April – June 2003) increasing the tariff for the remainder of the fiscal year from 38.5 percent to 50.0 percent.

The 2003 safeguard was implemented before the closure of the Japanese beef market after bovine spongiform encephalopathy was identified in the United States (December 2003).

The current SSG mechanism is described in Article 7-5 of the Temporary Tariff Measures Act, and can be found at the following URL:

http://www.kanzei.or.jp/kanzei_law/S35HO036.en.html (in English)

Japan's Adjustments to the SSG Triggering Methodology

Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) has twice modified the triggering condition of the SSG:

1. After Japan lifted the import ban on U.S. beef (in the summer of 2006) an amendment was made to the beef SSG calculation to accommodate increased imports stemming from the return of U.S. beef to the Japanese market, and in order to expedite the recovery of overall Japanese beef consumption. Specifically MAFF indicated additional duties would not be levied unless beef imports in JFY 2007 exceeded an average of JFY 2002-2003 levels (reflecting a period when

North American beef imports were quite large) or 117 percent of the previous year imports, whichever was higher (for additional information, see [JA6069](#)).

2. In JFY 2015, Australia finalized an EPA with Japan which required Japan to revise the trigger for SSG measures on beef. Specifically, Japan established a “double trigger” system (meaning two conditions would have to be met to trigger the SSG). The first trigger is based on a review of trade from all trading partners and the second trigger is based solely on trade from non-EPA countries who will be subjected to the increased tariff if both triggers are met (the EPA countries are covered by separate systems outlined in their individual EPAs).

Adjusting the SSG

The Temporary Customs Tariff Measures Law (TCTML), which defines procedures for the SSG mechanism, has been amended in the past as follows:

Step 1: MAFF presents a proposal to modify the SSG trigger conditions to the Tariff and Foreign Exchange Council (TFEC), a government consultative body consisting of representatives of trade, industry, consumer groups and academics, whose task is to review the list of various farm commodities, including beef and pork, covered under the TCTML, for extension of WTO concessionary rates into the next fiscal year.

Step 2: With the TFEC’s recommendation, MAFF forwards the proposal to MOF for review and eventual endorsement.

Step 3: With MOF endorsement, MAFF submits the proposal to the Parliament for deliberation and approval by the end of the current fiscal year and before the beginning of the next fiscal year.