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Japanese Free Trade Agreements to Affect U.S. Fruit Competitiveness

Report Categories:
Agricultural Situation
Fresh Fruit
Citrus
Fresh Deciduous Fruit
Stone Fruit
Strawberries
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Report Highlights:
A free trade agreement (FTA) between Japan and members of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), as well as a soon-to-be effectuated FTA between Japan and the European Union (EU) will lead to increased market competition for fruit and fruit product exports to Japan, particularly for fresh oranges from Australia and fresh grapes from Australia and Chile. In 2017, Japan imported approximately $2.55 billion of fresh fruit products, of which 19.5 percent (approximately ($834 million) was from the United States.

Key words: JA8058, fruit, Japan, EU, EPA, CPTPP, tariff

General Information:

On July 17, 2018, Japan and the European Union (EU) signed the Japan-EU Economic Partnership Agreement (EPA). Japan's Ministry of Foreign Affairs (MOFA) published on its website a summary of the tariff reductions for several EU horticultural products including fruits which provides the similar concessions that Japan made in the Trans-Pacific Partnership (TPP) agreement negotiation (now completed as the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (herein referred to as CPTPP[1])). Although Japan's TPP concessions[2] appear to remain unchanged in the CPTPP agreement, CPTPP would allow it to enter into effect without the United States. The Japan-EU agreement could enter into force as early as 2019, which will increase market competition for the United States.

In 2017, Japan imported a total of $2.55 billion of fruit and fruit products (defined in this report as products under Chapter 08 of the HS code excluding 0801 and 0802). The United States was the third largest supplier with 19.5 percent of imports, valued at $498 million. The CPTPP members (led by New Zealand, Mexico and Chile) were the leading suppliers with 32.7 percent ($834 million), followed by Philippines of 31.7 percent ($810 million). EU members contributed 0.8 percent of fruit imports in 2017. This report will focus on the top five U.S. fruit exports to Japan by value (based on data from Global Trade Atlas).

Note: This report excludes lemons as Japan does not apply a tariff. U.S. lemon exports were $73 million in 2017.

I. Oranges

A) Japan's Orange Market

Japan produces approximately 1,000,000 metric tons (MT) of mandarin oranges. Japanese consumers consider mandarin and Valencia/Navel oranges as distinct products (see the 2017 Japan Citrus Annual JA7150). Since Japan's production of Valencia and Navel oranges is negligible, Japan relies on imports. In 2017, Japan imported 90,593 MT of fresh oranges, valued at $123 million.

The United States was the leading supplier of oranges to Japan in 2017 with 58.5 percent of imports valued at $72.2 million. Competitors are the CPTPP members (primarily Australia) with a market share of 37.7 percent in 2017. EU members did not export oranges to Japan in 2017.

Table 1 – Japan's Orange Imports

[1] The CPTPP countries are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
[2] Any concessions made to the United States under the TPP have been removed from data included in this report.

Fresh Oranges (HS 0805.10) in 2017			
	Value	Share	Volume (MT)
World	**$123,270,867**		**90,593**
United States	**$72,151,185**	58.5%	**49,678**
CPTPP	**$48,246,285**	39.1%	**38,116**
Australia	$46,518,354		36,736
Mexico	$1,483,373		1,255
New Zealand	$244,557		124
Others	**$ 2,873,397**	2.3%	**2,799**
South Africa	$2,873,397		

Source: Global Trade Atlas

B) Duty Treatment for Oranges

Under the World Trade Organization (WTO) most-favored nation (MFN) treatment, Japan applies seasonal tariffs. For the period between June 1 and November 30, oranges receive a 16 percent of ad-valorem tariff, whereas tariffs become 32 percent between December 1 and May 31.

Under the Japan-EU EPA and the TPP agreement, Japan will eliminate tariffs subject to three seasons. For the period between April 1 and May 31, the current tariff of 32 percent will decrease annually and become zero from the sixth year. For the period between June 1 and November 30, the current tariff of 16 percent will decrease annually and become zero from the sixth year. For the period between December 1 and March 31, Japan will decrease the current tariff of 32 percent to 12 percent in the first year. Japan will maintain this 12 percent duty for the next three years, and will decrease the tariff annually from the fifth year, eliminating it in the eighth year.

For the period between December 01 and March 31, Japan can activate a safeguard measure if the volume of fresh and dried orange imports exceeds 2,000 MT. Japan has a safeguard option until the end of Year 7. Applied tariffs under the safeguard vary depending on the year since implementation. From Year 1 to 4, the safeguard is 28 percent and becomes 20 percent from Year 5 to 7.

Australia already enjoys a preferential tariff treatment through Japan-Australia Economic Partnership Agreement with Japan of 10.2 percent for fresh and dried oranges imported between June 1 and October 31.

Table 2 – Japan's Duty for Oranges (fresh or dried)

HS Code	Product	WTO MFN Duty	Japan-EU EPA & TPP
080510000	Oranges, Fresh or Dried	1. Imports between June 01 and November 30 16 % 2. Imports between December 01 and May 31 32 %	1. Imports between April 1 and May 31 Decrease Annually → Year 6: 0% 2. Imports between June 1 and November 30 Decrease Annually → Year 6: 0% 3. Imports between December 1 and March 31 Year 1: 12% (reduced 20% immediately) Annual decreases from Year 5 Eliminated in Year 8: 0% Safeguard measures exist*

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)
* The safeguard measure activates if the annual import volumes of fresh and dried oranges exceed 2,000 MT. Japan may apply the safeguard measure until the end of Year 7. Applied tariffs under the safeguard vary depending on the year from implementation. From Years 1 to 4, the safeguard is 28%. From Years 5 to 7, it is 20%.

II. Grape (excluding wine grapes)

A) Grape Market in Japan

1. Fresh Grape

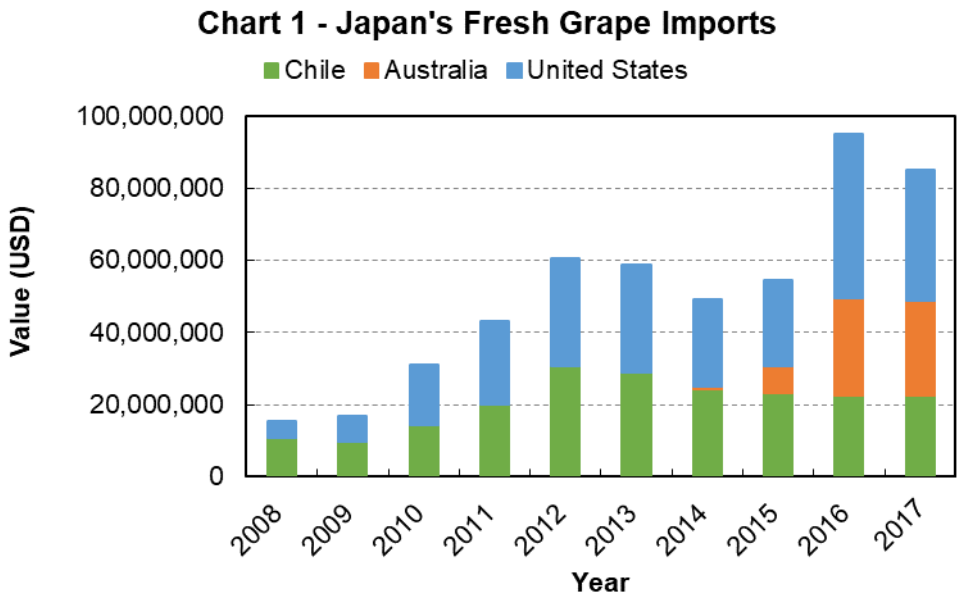
Japan produced 176,100 MT of fresh grapes in 2017, of which approximately 90 percent was consumed fresh. As a result, Japan produces approximately 80 percent of national fresh grape consumption, and imports the remaining 20 percent. In 2017, Japan imported 31,319 MT of fresh grapes worth $89.3 million.

Table 3 – Japan's Fresh Grape Imports (HS 0806.10) in 2017

	Value	Share	Volume (MT)
World	**$89,304,445**		**31,319**
United States	**$36,102,025**	40.4%	**11,047**
CPTPP	**$53,202,420**	59.6%	**20,272**
Australia	$26,479,085		8,508
Chile	$22,437,136		10,470

Source: Global Trade Atlas

CPTPP members were the leading grape suppliers to Japan in 2017, largely due to supplies from Australia and Chile. In particular, Australia increased its import share rapidly after the Japan-Australia Economic Partnership Agreement entered into force in 2015 from 1.4 percent in 2014 to 29.7 percent in 2017. As a result, the CPTPP members supplied 59.6 percent worth $53.2 million in 2017. The United States followed the CPTPP (though was the single largest supplier) with 40.4 percent of Japan's fresh grape imports and $36.1 million in 2017. According to trade statistics, the EU did not export grape to Japan in 2017.



Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) and Global Trade Atlas

2. Dried Grapes (including raisins)

Japan produced almost no raisins, importing approximately $91.1 million in 2017.

The United States dominated the raisin market with a share of 88.1 percent, valued at $80.2 million in 2017. CPTPP members (mainly Chile and Australia) and Turkey followed with 5.1 percent (at a value of $4.6 million) and 4.6 percent (at a value of $4.2 million) in 2017, respectively. The EU member supplied less than one percent of Japan's dried grape market in 2017.

Table 4 – Japan's Dried Grape Imports (HS 0806.20) in 2017

	Value	Share	Volume (MT)
World	**$91,118,965**		**38,103**
United States	**$80,247,077**	88.1%	**33,807**
CPTPP	**$4,608,644**	5.1%	**1,775**
Chile	$2,497,030		1,096
Australia	$2,111,615		679
EU-28	**$58,172**	0.1%	**6**
Spain	$56,020		6
Others	**$6,205,072**	6.7%	**2,515**
Turkey	$4,213,266		2,041

Source: Global Trade Atlas

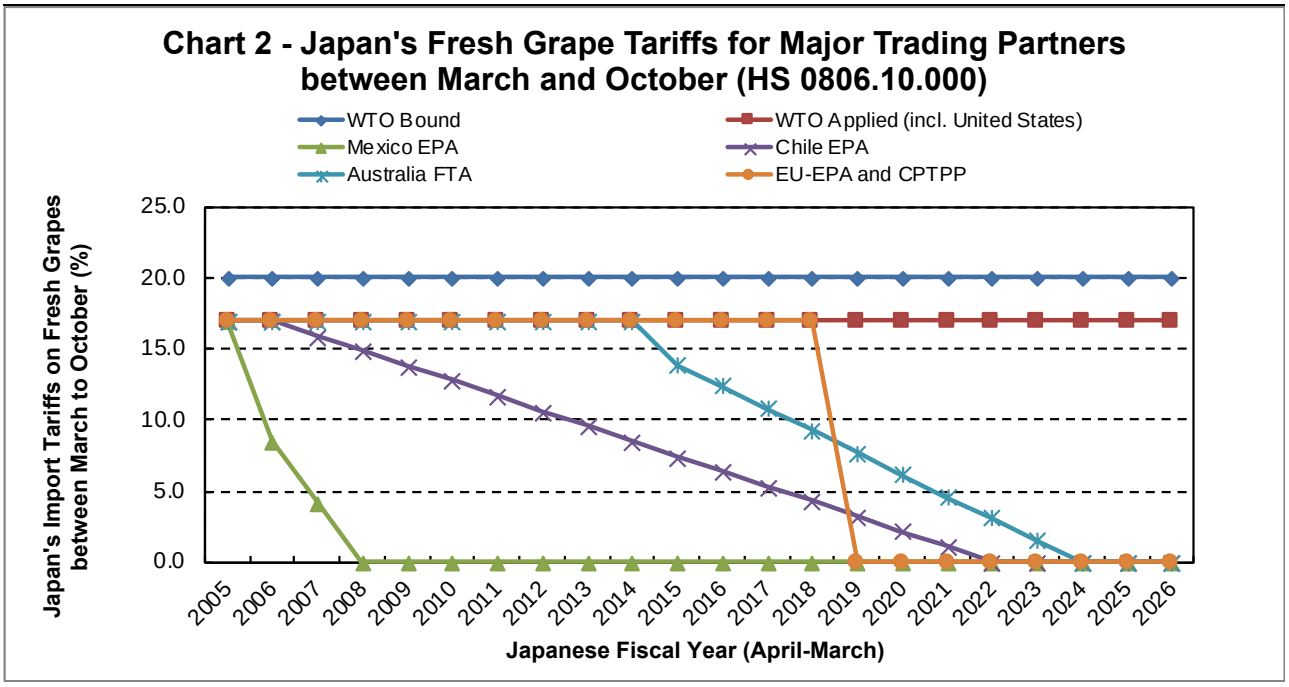
B) Duty Treatment for Grapes

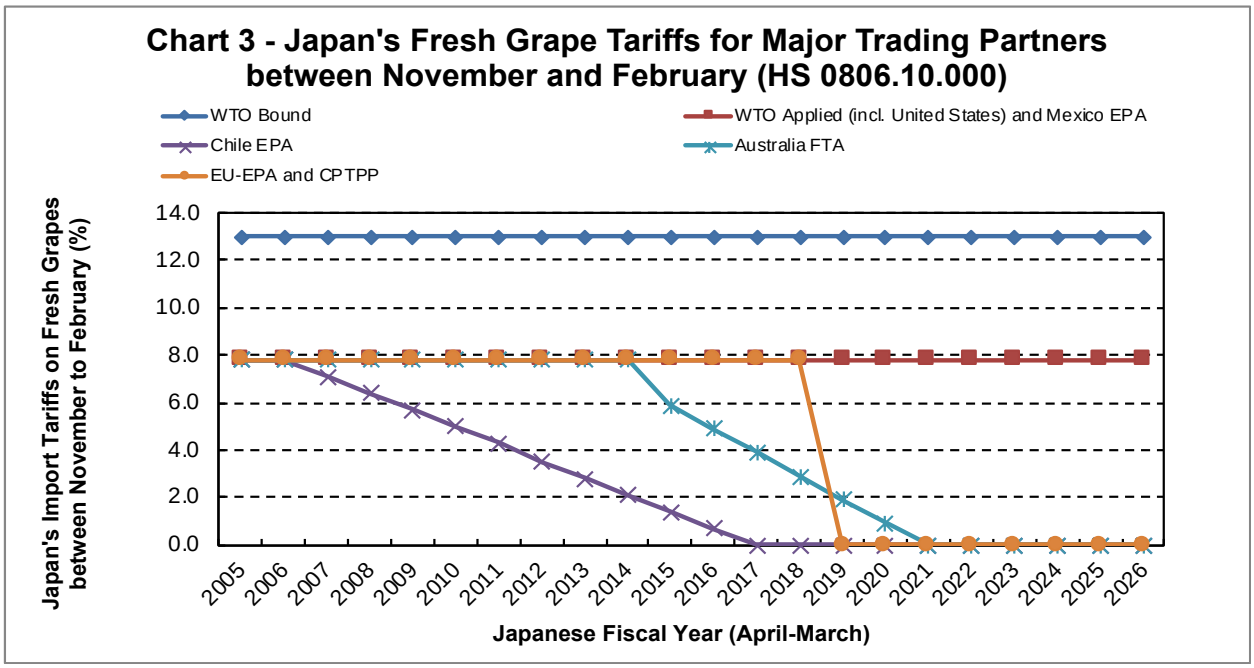
Under the WTO MFN treatment, Japan applies seasonal tariff to fresh grapes. During the months of March to October, Japan applies a 17 percent ad-valorem tariff to fresh grapes and 7.8 percent tariff during November to February. For dried grapes, Japan applies a 1.2 percent ad-valorem tariff throughout the year under the WTO MFN treatment.

Under the Japan-EU EPA and the TPP agreement, the tariff on fresh and dried grapes will be eliminated immediately upon effectuation.

Japan is reducing tariffs for Chile and Australia annually, eliminating them in 2022 and 2025, respectively. In Japanese fiscal year 2017 (April 2017-March 2018), Chile and Australia enjoy preferential tariff treatment of 5.3 percent and 10.8 for fresh grapes imported between March 1 and October 31, respectively. For the period between November 1 and the end of February, Australia receives a 3.9 percent ad-valorem tariff, while Chile is already tariff free. Japan will eliminate the tariff for this period for imports from Australia from 2022.

For dried grapes, Japan has eliminated tariffs for dried grapes for both Chile and Australia.





(Note: Tariff concession to Mexico applies to trade between April and July. This chart assumes implementation of the EU EPA and the CPTPP in April 2019.)

Table 5 – Japan's Duty Treatment for Fresh and Dried Grapes

HS Code	Product	WTO MFN Duty	Japan-EU EPA & TPP
080610000	Grapes, Fresh	1. Imports between March 1 and October 31 17 % 2. Imports between November 1 and the end of February 7.8 %	Immediate elimination
080620000	Grapes, Dried (including Raisins)	10 %	Immediate elimination

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

III. Grapefruit

A) Japan's Grapefruit Market

Although Japan produced a negligible volume of grapefruit, production of Pomelo or grapefruit-like citrus such as Buntan was 25,000 MT in 2017 (See the 2017 Japan Citrus Annual JA7150.). Domestic production accounted for 24 percent of grapefruit consumption, while Japan imported the remaining 76 percent at a value of $91.6 million in 2017.

The United States was the leading grapefruit supplier to Japan in 2017 by value at $42.2 million, accounting for 46.1 percent of Japan's imports. Although South Africa was the second (based on value), it supplied the largest volume with 38,669 MT (whereas the U.S. volume was 29,111 MT). CPTPP members (mainly Mexico and Australia) have increased their share to 6 percent, valued at $5.5 million in 2017. There is no trade record of grapefruit imports from the EU in 2017.

Table 6 – Japan's Fresh or Dried Grapefruit Imports (HS 0805.40) in 2017

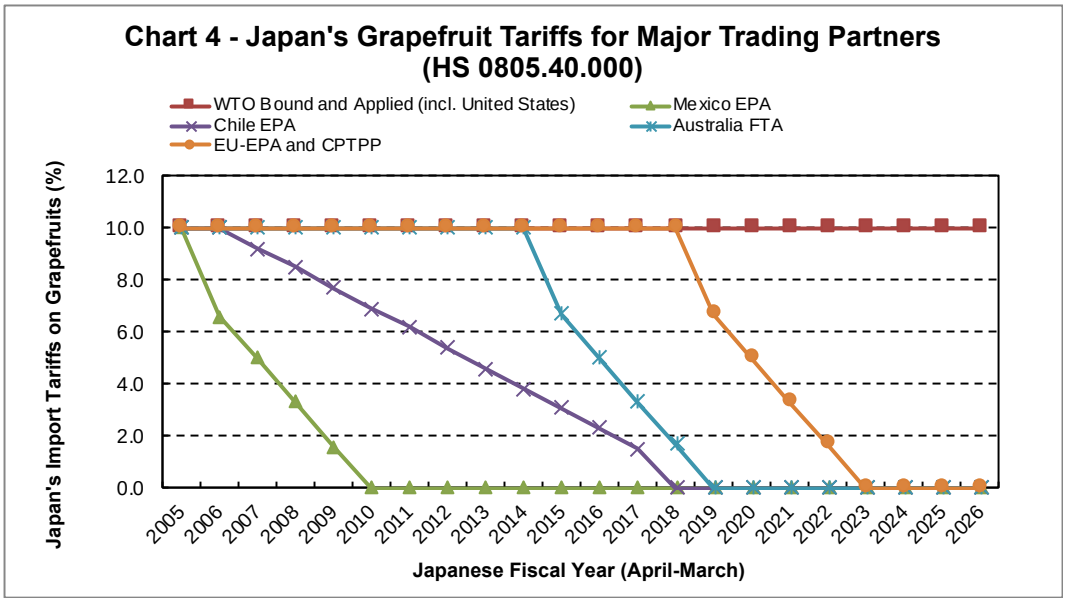
	Value	Share	Volume (MT)
World	**$91,619,354**		**78,069**
United States	**$42,209,195**	37.3%	**29,111**
CPTPP	**$5,507,248**	5.5%	**4,274**
Mexico	$4,450,258		3,512
Australia	$1,044,254		755
Others	**$43,902,911**	57.2%	**44,684**
South Africa	$37,183,380		38,669
Israel	$6,546,769		5,864

Source: Global Trade Atlas

B) Duty Treatment for Grapefruit

Japan applies a 10 percent ad-valorem tariff on fresh and dried grapefruit. Under the Japan-EU EPA and the TPP agreements, the tariff on grapefruit will decrease annually and become zero from the sixth year.

Japan has existing trade agreements with Chile and Australia that provide preferential grapefruit tariffs of 1.5 and 3.3 percent, respectively. These tariffs will become zero from April 2019 for Chile and April 2020 for Australia.



(Note: This chart assumes implementation of the EU EPA and the CPTPP in April 2019.)

Table 7 – Japan's Duty for Grapefruit

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080540000	Grapefruit, Fresh or Dried	10 %	Decreases Annually ↓ Year 6: 0%	Decreases Annually ↓ Year 6: 0%

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

IV. Cherries

A) Japan's Cherry Market

Japan produced 19,100 MT of cherries in 2017, accounting for 78.4 percent of national consumption. The remaining 21.6 percent (5,248 MT) was imported, at a value of $47 million.

The United States was the leading supplier of cherries in 2017 at a value of $45.9 million, and accounting for 97.7 percent of Japan's imports. The remainder of 2.3 percent was supplied by CPTPP members (Chile, Australia and New Zealand) in 2017. The EU members do not have any export record of cherry to Japan since 1994 when statistics began. For further details on Japan's stone fruit market (including cherries), see GAIN report JA7107.

Table 8 – Japan's Fresh Cherry (Other than Sour) Imports (HS 0809.29) in 2017

	Value	Share	Volume (MT)
World	**$47,013,817**		**5,248**
United States	**$45,924,788**	97.7%	**5,157**
CPTPP	**$1,089,029**	2.3%	**92**
Chile	$473,265		41
Australia	$395,775		34
New Zealand	$219,988		16

Source: Global Trade Atlas

B) Duty Treatment for Cherries

Table 9 – Japan's Duty for Fresh Cherries

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080921000	Sour Cherries (Prunus Cerasus), Fresh	8.5 %	Immediate elimination	Immediate elimination
080929000	Cherries, Other Than Sour, Fresh	8.5 %	Immediate elimination	Immediate elimination

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

V. Strawberries (Fresh and Frozen)

A) Japan's Strawberry Market

(Note: The latest data available for strawberries is 2016)

Japan produced approximately 159,000 MT of strawberries in 2016, accounting for 85 percent of national consumption, and imported 27,763 MT valued at $83.9 million (fresh and frozen strawberries) in 2016.

The United States was the leading supplier of strawberries in 2016 at a value of $36.6 million that accounted for 41.4 percent of imports. China supplied the second largest volume with 34.5 percent of imports, followed by CPTPP members (mainly Chile and Peru) with 10.2 percent. EU members (mainly the Netherlands and Poland) had 3.9 percent of imports in 2016.

B) Duty Treatment for Strawberries

Table 10 – Japan's Duty for Fresh and Frozen Strawberries

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
081010000	Strawberries, Fresh	6 %	Immediate elimination	Immediate elimination
081110100	Strawberries, Sugar-Added, Frozen	9.6 %	Immediate elimination	Immediate elimination
081110200	Strawberries, Not Sugar-Added, Frozen	12 %	Immediate elimination	Immediate elimination

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)

VI. Other Fruits (HS Chapter 08)

The following table outlines the WTO MFN tariff and concessional rates under the Japan-EU EPA and CPTPP agreements for other fruit items in which the United States had exports between 2015 and 2017.

Table 11 – Japan's Duty for Other Fruits (in order of HS code)

HS Code	Product	WTO MFN Duty	Japan-EU EPA	TPP
080390 200	Other Bananas, Dried	3 %	Immediate elimination	Immediate elimination
080410 000	Dates, Fresh or Dried	Free	-	-
080420 010	Figs, Fresh	6 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%
080420 090	Figs, Dried	6 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%
080430 010	Pineapples, Fresh	17 %	Decrease Annually ↓	Decrease Annually ↓

			Year 11: 0%	Year 11: 0%
080440 010	Avocados, Fresh	3 %	Immediate elimination	Immediate elimination
080450 011	Mangoes, Fresh	3 %	Immediate elimination	Immediate elimination
HS Code	**Product**	**WTO MFN Duty**	**Japan-EU EPA**	**TPP**
080521 000	Mandarins (including Tangerines and Satsumas), Fresh or Dried	17 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%[3]
080529 000	Wilkings and similar Citrus Hybrids, Fresh or Dried	17 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%[3]
080550 010	Lemons, Fresh or Dried	Free	-	-
080550 090	Limes, Fresh or Dried	Free	-	-
080590 090	Other Citrus Fruit, Fresh or Dried	17 %	Decrease Annually ↓ Year 11: 0%	Decrease Annually ↓ Year 11: 0%
080711 000	Watermelons, Fresh	6 %	Immediate elimination	Immediate elimination
080719 000	Melons, Fresh	6 %	Immediate elimination	Immediate elimination
080720 000	Papaws (Papayas), Fresh	2 %	Immediate elimination	Immediate elimination
080810 000	Apples, Fresh	17 %	Year 1: immediate 25% reduction From Year 2: Annual Decrease → Year 11: 0%	Year 1: immediate 25% reduction From Year 2: Annual Decrease → Year 11: 0%
080930 000	Peaches, including Nectarines, Fresh	6 %	Immediate elimination	Immediate elimination
081020 000	Raspberries, Blackberries, Mulberries and Loganberries, Fresh	6 %	Immediate elimination	Immediate elimination

[3] HS 0805.20.000 was divided into HS 0805.21.000, 0805.22.000 and 0805.29.000. It is assumed that Japan's TPP concessions for HS 0805.21.000, 0805.22.000 and 0805.29.000 remained the same as what was agreed for HS 0805.20.000.

081030 000	Black, White or Red Currants and Gooseberries, Fresh	6 %	Immediate elimination	Immediate elimination
081040 000	Cranberries, Bilberries and Other Fruits of the Genus *Vaccinium*, Fresh	6 %	Immediate elimination	Immediate elimination
081050 000	Kiwi Fruit, Fresh	6.4 %	Immediate elimination	Immediate elimination
081070 000	Persimmons, Fresh	6 %	Immediate elimination	Immediate elimination

HS Code	**Product**	**WTO MFN Duty**	**Japan-EU EPA**	**TPP**
081090 210	Rambutan, Passion-Fruit, Litchi and Carambola (Star-Fruit), Fresh	5 %	Immediate elimination	Immediate elimination
081090 290	Other Fruit, Fresh	6 %	Immediate elimination	Immediate elimination
081120 100	Raspberries, Blackberries, Mulberries, Loganberries, Black, White or Red Currants and Gooseberries, Containing Added Sugar, Frozen	9.6 %	Immediate elimination	Immediate elimination
081120 200	Raspberries, Blackberries, Mulberries, Loganberries, Black, White or Red Currants and Gooseberries, Not Added Sugar, Frozen	6 %	Immediate elimination	Immediate elimination
081190 140	Sour Cherries, Containing Added Sugar, Frozen	13.8 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%
081190 190	Other Fruits and Nuts, Containing Added Sugar, Frozen	12. %	Immediate elimination	Immediate elimination
081190 210	Pineapples, No Added Sugar, Frozen	23.8 %	Decrease Annually ↓ Year 11: 0%	Decrease Annually ↓ Year 11: 0%
081190 230	Berries, No Added Sugar, Frozen	6 %	Immediate elimination	Immediate elimination
081190 240	Peaches and Pears, Containing Added Sugar, Frozen	7 %	Immediate elimination	Immediate elimination
081190 290	Other Fruit and Nuts, Not Added Sugar, Frozen	12 %	Immediate elimination	Immediate elimination

081310 000	Apricots, Dried	9 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%
081320 000	Prunes, Dried	2.4 %	Immediate elimination	Immediate elimination
081330 000	Apples, Dried	9 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%
081340 010	Berries, Dried	9 %	Immediate elimination	Immediate elimination
081340 022	Persimmons, Dried	9 %	Decrease Annually ↓ Year 6: 0%	Decrease Annually ↓ Year 6: 0%
081340 029	Other Fruit, Dried	9 %	Immediate elimination	Immediate elimination
HS Code	**Product**	**WTO MFN Duty**	**Japan-EU EPA**	**TPP**
081350 090	Mixtures of Nuts or Dried Fruits of this chapter	12 %	Immediate elimination	Immediate elimination
081400 000	Peel of Citrus Fruit or Melons (including Watermelons), Fresh, Frozen, Dried or in Preservative Solutions	1.5 %	Immediate elimination	Immediate elimination

Source: Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF)