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Japan's Agri-Food Sector and the Trans-Pacific Partnership

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What Is the Issue?

Japan is in negotiations to establish the Trans-Pacific Partnership (TPP) with the United States and 10 other countries. Within the TPP trade zone, Japan's agriculture and food market are second in size only to those of the United States. Japan's agriculture is inward oriented, although its large livestock and poultry sector depends on imports of feedstuffs. Japanese agricultural exports are relatively small. Japan's food industry, in contrast, is increasingly outward oriented, focused on global markets, and already an investor in the economies of the Pacific Rim. With its current high barriers to some agricultural imports, access to Japan's market is an important part of the proposed trade agreement for the U.S. agricultural sector.

What Did the Study Find?

Japan imposes a varied set of border measures (tariffs, safeguards, tariff-rate quotas (TRQs), state trading, markups, variable duties, sanitary and phytosanitary requirements, and other nontariff barriers) and maintain domestic agricultural support measures for major commodities. Producer support and welfare reduction indices suggest that Japan's policies make its agricultural market the most distorted among TPP countries. Japan's imports of agricultural products from the TPP negotiating partners have grown more slowly than its imports in general over the last two decades. In part, this has been because developing countries enjoy lower tariffs on some imports into Japan, and Japan has negotiated bilateral preferential trade agreements with a number of countries that give those countries lower tariffs on some imports into Japan.

The proposed TPP agreement (interpreted as an elimination of tariffs and TRQs on all agricultural products, only for TPP partners) would lead to larger agricultural imports by Japan from TPP partners, with the largest gains accruing to U.S. exporters. This increase in trade to Japan would likely dominate the increase in imports by all TPP countries.

Tariff reduction or elimination on imports from TPP partner countries will lower the prices of imported beef, oranges, rice, milk powder, and butter, leading to opportunities for TPP exporters to increase their share in Japan's market and, in some cases, to an increase in Japanese consumption. U.S. producers are well-suited to meet the needs of Japan's consumers. Both intrinsic strengths of Japanese agricultural production and constraints to supply growth in the rest of the TPP countries are likely to limit the impact of full tariff elimination on Japan's agriculture.

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Strengths of Japan's agriculture include its ability to provide some differentiated products favored by consumers, such as wagyu beef and short-grain rice, very fresh products, and products labeled as produced in Japan. Supply constraints among countries exporting to Japan are likely for products such as medium- and short-grain japonica rice and certain cuts of meat widely favored in Asian markets, and TPP could increase commodity prices of these and other products in exporting countries.

How Was the Study Conducted?

Drawing on various sources of trade, production, tariff, and policy data, the report describes Japan's agriculture and food sectors and compares these sectors across TPP partners. Japan's support and protection for agricultural production is summarized using commodity policy reviews from an existing series of U.S. Department of Agriculture reports from the Economic Research Service (ERS) and the Foreign Agricultural Service (FAS)/ Tokyo, Japanese Government reports and data, World Trade Organization (WTO) reports and data, and other sources. The resulting profile of Japan's agri-food market is then used to examine the implications of the proposed agreement. The analysis uses quantitative results from a general equilibrium model published in the ERS report, *Agriculture in the Trans-Pacific Partnership*, but does not develop additional, new quantitative analysis of a potential agreement. These results are discussed and compared with Japanese Government estimates.