

Trade: TPP & Japan

Background:

The Trans-Pacific Partnership (TPP) is the largest regional trade accord in history negotiated by 12 countries, including Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, Japan, Canada, Mexico, and formerly the United States. During its seven years of negotiation, each country agreed to reduce trade barriers and greatly improve market access for all participants. TPP applied to multiple sectors, including automobiles and agriculture, and would have accounted for more than 40 percent of the world's economy and one-third of global trade if fully ratified.

Unfortunately, TPP fell victim to a great degree of political rhetoric during the 2016 U.S. presidential election. On January 23, President Trump officially withdrew the United States from the agreement. This was unwelcome news for the beef industry, as livestock producers had much to gain from passing TPP.

President Trump has stated he intends to pursue multiple bilateral trade agreements during his time in office. A bilateral trade agreement, at breakneck speed, will still take two years to negotiate and implement. Unfortunately, Japan has not shown much interest in negotiating a new agreement with the U.S. in the wake of TPP's demise.

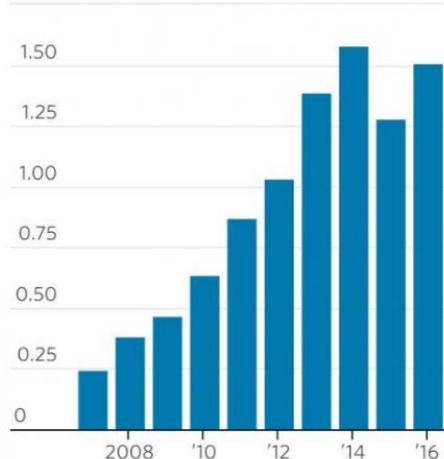
Missed Benefits of TPP:

Japan is the leading market for U.S. beef and beef variety meat exports, with shipments in 2016 valued at \$1.5 billion. TPP would have significantly lowered Japan's 38.5% tariff rate on U.S. chilled and frozen beef exports to just 9% over a 16-year period. *This was the greatest access ever negotiated into the Japanese market.*

Meaty Increase

U.S. beef exports to Japan in value

\$1.75 billion



Source: U.S. Meat Export Federation
THE WALL STREET JOURNAL

Japan's tariffs on processed beef products, including beef jerky and meat extracts, would have been eliminated in six to 16 years. These tariffs are currently as high as 50%. Duties on beef variety meat, including tongues and skirts (now 12.8%) would also have been phased to zero.

TPP would have put U.S. beef at the same tariff rate as Australia, which is our leading competitor in the Japanese beef market. Currently, Australia has a free trade agreement with Japan, which gives them a significant tariff advantage in our leading export market. This agreement has cost U.S. beef producers \$300 million in lost sales.

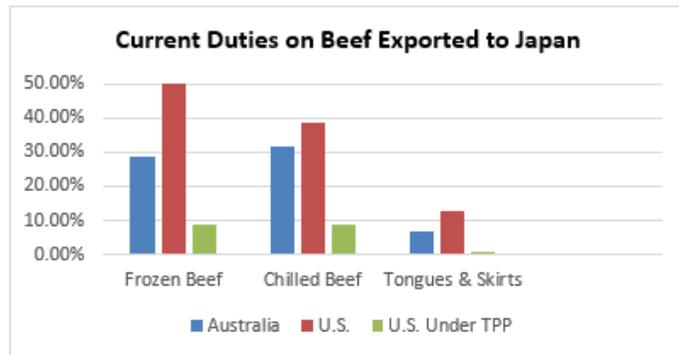
Nebraska's cash receipts would have increased by \$378.5 million per year. Nearly 40% of that increase would have come from the sale of Nebraska beef into key markets in Asia and South America.

Virtually every county in Nebraska would have benefited from TPP. Cuming, Custer, Platte, Dawson and Lincoln counties would have each netted more than \$10 million in additional cash sales of agricultural commodities per year under the agreement.

Japan's Recent Tariff Hike on U.S. Frozen Beef:

On July 28, 2017, Japan announced that quarterly imports of frozen beef had exceeded the maximum volume allowed under Japanese law. A tariff increase is automatic if quarterly imports for specific types of beef products - both from all nations and from those that do not have economic partnership agreements with Japan - rise more than 17% from the previous year. Japan uses these emergency tariffs as a mechanism to safeguard its domestic cattle producers.

On August 1, 2017, Japan began imposing a 50% tariff on U.S. frozen beef imports until the end of its fiscal year on March 31, 2018. Australia, Mexico and Chile are not subject to Japan's quarterly import volume restrictions since those countries have preexisting trade agreements in place. This means that Australia's 27.2% tariff on frozen beef will not be affected. TPP would have eliminated Japan's ability to use emergency tariffs.



Solution:

Japan's recent action underscores the urgent need for President Trump to pursue a bilateral trade agreement. Anything that restricts U.S. sales to Japan, our top export market, directly harms America's ranching families. Japanese consumers are also negatively affected through higher prices and limited access to high-quality U.S. frozen beef.

Nebraska's elected officials have sought multiple ways to continue pressing the Trump Administration on this issue:

- Governor Pete Ricketts stated that the tariff hike would be at the forefront of discussions during his upcoming trade mission to Japan.
- Senator Deb Fischer has spoken several times to Japan's prime minister, Shinzo Abe, regarding the importance of negotiating a trade deal that includes U.S. beef.
- Senator Ben Sasse has warned that U.S. exports will be disadvantaged if other nations continue to negotiate trade agreements in our absence.
- Congressman Adrian Smith recently introduced a resolution in the U.S. House of Representatives urging the President to initiate negotiations on a bilateral trade agreement with Japan.
- Congressman Don Bacon is a cosponsor of the House resolution.

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