

No Breakthrough in Latest U.S.-Japan Bilateral

The latest series of negotiations between the U.S. and Japan, in the context of the Trans-Pacific Negotiation (TPP), ended without any significant breakthrough being announced. The most optimistic trade observers thought this latest bilateral encounter between the two economic powerhouses would have produced enough impetus to renew the lost momentum in the broader TPP negotiations, which have slowed down since the group last met in Singapore on February 17–25.

Lately, TPP member-countries have tacitly agreed to leave some time and space for the U.S. and Japan to narrow their differences on agriculture and automobile issues before reconvening as a group. The two countries have held several meetings without being able to come closer to an agreement, saying that significant gaps remain and that each side needed to show flexibility. The latest bilateral meeting took place at both the technical (April 7-8) and ministerial (April 8–10) levels, and were scheduled in anticipation of President Obama's visit to Japan on April 23–25 where he and Japan's Prime Minister, Shinzo Abe, are expected to discuss the state of the TPP negotiations.

However, this latest U.S.-Japan negotiating session also came amid the announcement of a successful conclusion of a bilateral free trade agreement between Japan and Australia in which the former have accepted to reduce its tariffs on several agricultural products, and particularly on beef, which is included among five sacred categories (dairy, rice, beef and pork, wheat and barley, sugar and starch) which Japan is seeking to exclude from the TPP tariff elimination.

JAEPA Snapshot

The Japan-Australia Economic Partnership Agreement (JAEPA) will see Japanese tariffs on frozen and fresh beef lowered from 38.5% to 19.5% and 23.5% respectively. The cut in the fresh beef tariff will be made over 15 years.

Japan also granted immediate duty-free access for milk products such as protein concentrates and casein as well as an additional duty-free quota of 20,000 tonnes of cheese. In addition, Australia would also benefit from: opportunities in the ice cream and frozen yoghurt departments under growing quotas; tariff elimination and reduced levies for international standard raw sugar; and increased duty-free access for exporters of barley and preferential access for a large volume of pork and pork products, an Australian government factsheet stipulates.

In return, Japan will be able to increase its exports of electronic products and more importantly automobiles to the Australian market through a phase out of the 5% tariff Australia maintained on Japanese cars.

Australia believes the JAEPA will grant its producers with a significant competitive advantage over other agricultural exporters, especially the U.S. whose export share of beef to Japan is already lower than that of Australia – 30% versus 60% according to some estimates.

Not Enough!

JAEPA meanwhile failed to impress the U.S. who found it not ambitious enough compared to what the U.S. is seeking in the context of the TPP. Those supporting this assumption point out the fact that the JAEPA does not address the issue of rice, one of Japan's most sensitive products.

Although some have voiced concerns over the preferential treatment that JAEPA will provide Australian exporters over the U.S., in the beef sector particularly, the U.S. Trade Representative was quick to reject this claim, stressing that he doesn't believe the deal would impact the TPP negotiations and particularly the parallel talks currently taking place between the U.S. and Japan.

“I have not seen all the details of the agreement, although I have seen some of the reports about the beef provisions. Clearly we are looking for a level of ambition in TPP that is significantly higher than that,” the USTR was quoted as saying.

Certainly, Japan expects to use the JAEPA as a template for its negotiations in the TPP. Rumors have it that the Japanese floated an offer in Tokyo this past week to reduce the tariff applied to U.S beef to just under 10%. Although not confirmed, observers believe that the Americans are looking to achieve an outcome significantly more ambitious than what was granted to Australia. The talks meanwhile broke with each side directing their officials to pursue the negotiations at the technical level, downplaying any expectation for President Obama’s visit the week of April 21st.

TPP Chief Negotiators to Meet in Vietnam

Meanwhile, the full TPP group is planning on holding another negotiating session involving chief negotiators, along with key experts from various negotiating groups the week of May 12–16 in Vietnam.

This so-called mini-round was expected to take place sometime prior to the meeting of the Asia-Pacific Economic Cooperation (APEC) ministerial gathering in China on May 17-18. The APEC-MRT had previously been identified as an opportunity to gather TPP trade ministers somewhere in Asia to advance the negotiations and provide political guidance. However, it remains unclear whether trade ministers will join TPP chief negotiators either prior to, or after, the APEC gathering in China.

Upcoming Events

- OECD Forum 2014, May 5-6, Paris (France)
- WTO General Council, May 8-9, July 24-25, Oct.7-8, Dec. 10–12
- TPP Chief Negotiators and Negotiating Groups Meeting, May 12-16 (Vietnam)
- APEC Ministers Responsible for Trade, May 17-18, Qingdao (China)
- WTO Regular Agriculture Committee, June 6, November 13
- G-20 Trade Ministers Meeting, July 19, Sydney (Australia)
- WTO Public Forum, October 1–3
- G-20 Leaders Summit, November 15-16, Brisbane (Australia)

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