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Japan

Trade Policy Monitoring

Japan Considering Safeguard Measures on Vegetable, Seafood, and Wood Products

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Approved by:

Suzanne Hale

U.S. Embassy, Japan

Prepared by:

Casey E. Bean

Report Highlights:

In response to rising imports and pressure from the Japanese industry and the Japanese Diet, the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) is moving toward possible safeguard actions, which could eventually result in restrictions on imports of a variety of vegetable, seafood, and forest products.

Products of interest to U.S. exporters include onion, tomatoes, and sawn lumber. Trade contacts report that it will be 6 months to a year before final action, if any, is taken.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Tokyo [JA1], JA

Summary

In response to rising imports and growing political pressure, the Japanese Government is considering

safeguard measures to limit imports of at least 16 products. Three of these products are of particular interest to U.S. exporters: sawn lumber, onions and tomatoes. Under WTO rules, Japan would have to show that imports have caused or threaten to cause "serious injury" to the domestic industry before safeguards can be implemented. This may be difficult to prove for some of the products where safeguards are being considered.

Current Situation

Late last year, Japan reported to the WTO that it is beginning a formal investigation of the market for dried shiitake mushrooms, welsh onions and tatami mats. The investigation will be done by an intra-Ministry panel comprised of MAFF, the Ministry of Economics Trade and Industry (METI), and the Ministry of Finance (MOF). METI is charged with determining whether Japan's domestic industry has been seriously damaged by rising levels of imports. The results of this investigation are expected by the end of April. It is then expected to take several more months to make a final determination on whether or not safeguard measures, such a temporary increase in tariff rates or the imposition of import quotas, should be implemented. If safeguards are implemented, the Ministry of Finance will be responsible for administering them. Under WTO rules MAFF has one year from the date it reported its investigation to the WTO (December 22, 2000) to decide whether or not to implement safeguards. During this period there will be a comment period, when MAFF will solicit comments from those who might be affected by possible safeguard measures.

In late January of this year, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced that it will also begin a preliminary safeguard investigation for 13 additional products, including garlic, eggplant, wakame seaweed, eel, bonito, green onions, fresh shiitake mushrooms, tomatoes, green peppers, sawn wood, plywood, and laminated lumber. If this preliminary investigation shows that a surge in imports is seriously hurting a Japanese industry, MAFF is expected to notify the WTO that it will begin a formal investigation. The formal investigation will then be done by METI using data from 1996-2000. No schedule has been announced for these preliminary investigations, however, five products will be put on an emergency fast track: fresh shiitake mushrooms, tomatoes, green peppers, onions, lumber products and plywood.

Safeguards: The Process

MAFF appears to be following the letter of the WTO law closely. However, the investigations reflect an increasingly protective stance in advance of the upcoming WTO trade round.

Under the GATT's Agreement on Agriculture, *safeguard measures* are defined as "emergency actions with respect to increased imports of particular products, where such imports have caused or threaten serious injury to the importing Member's domestic industry. Safeguard measures can consist of *quantitative import restrictions* or of *duty increases* to higher than bound rates.

New safeguard measures may be applied only following an investigation that has been previously notified to the WTO. Members are required, before applying a safeguard measure, to provide adequate opportunity for consultations with Members. The factors assessed include the absolute and

relative amount of increased imports, changes in the level of sales, production, productivity, capacity utilization, profits/losses, and employment of the domestic industry.

This is the first time that Japan has notified the WTO that it is considering safeguards under the general safeguard provisions of the GATT. However, Japan did implement safeguards on pork imports under a special provision of its Uruguay Round commitments with respect to pork.

Trade Reaction

Comments from importers on Japan's proposed safeguards follow.

Bulb Onions

Japanese domestic production of bulb onions is roughly 1.2 million metric tons (MT) and imports are 220,000 MT annually--import share is 15% of Japan's annual consumption. U.S. supplies roughly 120,000 MT annually. U.S. imports have been fairly steady for the past few years, but countries like China and New Zealand have increased shipments to Japan.

"If the GOJ triggered safeguard measures on imported bulb onions, the market price of imported onions would simply go up and this would significantly hurt Japanese food service operators and food processors," commented a major onion importer. The 220,000 MT of imported onions is vital to Japan's food service and food processors and these food sectors cannot totally rely on domestic supplies.

Fresh Tomatoes

Japanese production of fresh tomatoes is roughly 768,000 metric tons (MT), while the imports of fresh tomatoes in 2000 are estimated at 12,000 MT (imports from U.S. were about 1,200 MT in 2000.) Fresh tomato imports are only 1.5% of total table consumption, but imports have increased drastically in the last a few years (mainly from South Korea.) The United States supplies only cooking type tomatoes (romas and rounds) to the Japanese market and the U.S. tomato industry has developed a totally new market for cooking tomatoes in Japan.

"Today's import price of U.S. tomatoes is already fairly high in Japan. If the GOJ takes sanction measures against imported fresh tomatoes, it would significantly hurt the business of Japanese importers and tomato handlers," commented a key importer of U.S. tomatoes. "Some importers of U.S. tomatoes could reduce the volume or even stop buying U.S. tomatoes."

Wood Products

As of October 2000, Japan's imports of sawn lumber and manufactured wood products were 8.6 million cubic meters in 2000, up 10% by volume from 1999. Further, processed wood supplies from Europe have dramatically increased in recent years. Domestic wood supplies now account for less than 20% of Japan's demand for solid wood fiber.

Any increase in tariffs or quantitative measures would have a negative impact on imports of U.S. wood products.

HS Code Table of Products Being Considered for Possible Safeguard Measures (Source: MAFF)

0703.90-010	Leeks and other alliaceous vegetables
0709.51-020	<i>Shiitake</i> mushrooms, fresh or chilled
4601.91-210	Products of plaiting materials, bound together in parallel strand or woven, in sheet form, of <i>Igusa</i> (<i>juncus effusus</i>) or of <i>Shichitai</i> (<i>Cyperus tegetiformis</i>)
0702.00-000	Tomatoes, fresh or chilled
0709.60-010 0709.60-090	Sweet peppers (Large bell type), fresh or chilled Fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i> , fresh or chilled, n.e.s.
0703.10-011 0703.10-012 0703.10-013	Onions, fresh or chilled, more than 67 yen/kg in value for customs duty Onions, fresh or chilled, more than 67 yen/kg but not more than 73.70 yen/kg in value for customs duty Onions, fresh or chilled, more than 73.70 yen/kg in value for customs duty
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or finger-jointed, of a thickness exceeding 6mm
4412.13 4412.14 4412.19 4412.22-010 4412.23-010 4412.29-010 4412.92-010 4412.93-010 4412.99-010	Plywood at least one outer ply tropical wood Plywood at least one outer ply nonconiferous, n.e.s. Plywood, ply NOV6mm, both outer plies coniferous Laminated lumber with at least one outer ply of coniferous, with at least one ply of tropical wood specified in Subheading Note 1 to this Chapter Veneered panels and similar laminated wood with at least one outer ply of nonconiferous containing at least one layer of particle board Laminated lumber with at least one outer ply of non-coniferous wood, containing at least one layer of not particle board Laminated lumber with at least one ply of tropical wood specified in Subheading Note 1 to this Chapter Laminated lumber, containing at least one layer of particle board, n.e.s. Laminated lumber, n.e.s.
4418.90-222	Structural laminated lumber

0703.20-000	Garlic, fresh or chilled
0709.30-000	Aubergines (egg-plants), fresh or chilled
0712.30-010	<i>Shiitake</i> mushrooms, whole, cut, sliced, broken or in powder, dried
1212.20-133 1212.20-135	<i>Wakame</i> (<i>Undaria pinnatifida</i>), dried <i>Wakame</i> (<i>Undaria pinnatifida</i>), fresh, preserved in normal temperature, chilled or frozen
0301.92-200 1604.19-010	Eels (<i>Anguilla</i> spp.), excluding Fry for fish culture, live Eel, prepared or preserved, whole or in pieces, but not minced
0302.33-000 0303.43-000	Skipjack or stripe-bellied bonito, (excluding fish fillet, other fish meat, livers and roes), fresh or chilled Skipjack or stripe-bellied bonito (excluding fish fillet, other fish meat, livers and roes), frozen