

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Japan

**Post:** Tokyo

### Japan Revises Pork WTO Safeguard and Marukin

**Report Categories:**

Agricultural Situation

Livestock and Products

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**Report Highlights:**

Coinciding with the entry into force of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) on December 30, 2018, Japan added a second trigger condition to the WTO safeguards for pork imports while also increasing domestic support for hog producers under the *Marukin* program. This report describes these changes and reviews pork tariff concessions under the CPTPP.

## Second Trigger Condition Added to WTO Pork Safeguards

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) entered into force on December 30, 2018. For more detail on the overall content of the agreement, see [Japan's Cabinet Secretariat website](#). The 11 members of CPTPP are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Japan has also ratified the Japan-European Union (EU) Economic Partnership Agreement which entered into force on February 1, 2019. On the same day that CPTPP entered into force, the Government of Japan enacted revisions to the Temporary Tariff Measures Act to revise the two safeguard mechanisms for pork imports by adding a second trigger condition to each. These safeguards are applied to all World Trade Organization (WTO) member countries with which Japan does not have an economic partnership agreement (EPA)

### How the Safeguards Function

The Japanese safeguard system for pork imports consists of two different schemes. The first is the safeguard (SG) which, when triggered, increases the gate price from 524 yen/kg to 653 yen/kg for the remainder of the Japanese fiscal year (or the first quarter of the next Japanese fiscal year if triggered in the fourth quarter) for fresh, chilled, and frozen pork cuts. Prior to the revision, the SG trigger level was set at 119 percent of average imports from non-EPA partners from the previous three years on a cumulative quarterly basis. The second safeguard mechanism is the special safeguard (SSG) which, when triggered, increases the ad valorem tariff from 4.3 percent to 5.7 percent for the remainder of the Japanese fiscal year. Prior to the revision, the trigger level was based on the following calculation:

$$SSG \text{ trigger level} = [standard \text{ trigger calculation (see Table 1)} * \text{previous 3-year average imports}] + \text{change in domestic consumption volume}$$

Table 1. Standard Trigger Calculation

Market access (actual import share of domestic consumption)	Standard trigger calculation
10 percent or less	125 percent
Above 10 percent but at or below 30 percent	110 percent
Above 30 percent	105 percent

The SG last triggered in August 2004 and the SSG in September 1996. There are slight differences in the scope of products covered by these two safeguards. See Table 2 below.

Table 2. Scope of Safeguards

	HS codes
SG	020311, 0020312, 020319, 020321, 020322, 020329, 020630, 020649, 021011, 021012, 021019, 021099, 160241, 160242, 160249
SSG	010392, 020311, 0020312, 020319, 020321, 020322, 020329, 020630, 020649, 021011, 021012, 021019, 021099, 160241, 160242, 160249

Source: Temporary Tariff Measures Act

For more information on how the previous SG and SSG functioned, see the USDA Economic Research Service report [Pork Policies in Japan](#) (2003).

## How the Safeguards Changed

While the safeguard gate price and tariff increases remain unchanged, the new Temporary Tariff Measures Act establishes a double trigger system (similar to the beef safeguard, see [JA8109](#)) for the SG and SSG in which one trigger is based on imports from all countries (including those with which Japan has an EPA) and one trigger based on imports from non-EPA countries. For the SG or SSG, both trigger conditions must be met to enact the safeguard tariff. On December 28, the Japan Ministry of Finance announced the new trigger volumes for JFY2018 as follows in Table 3.

Table 3. WTO Pork Safeguard Trigger Volumes

Unit: Metric Ton

		Safeguard Trigger Volumes in JFY 2018**		
		Prior to December 30, 2018*	After CPTPP Effectuation	
			All countries	Non-EPA countries
Safeguard (SG)	Q1 - Q3 (April-December)	700,073	792,226	528,919
	Q1 - Q4 (April-March)	931,184	1,054,279	703,046
Special safeguard (SSG)		854,637	971,357	620,325

Notes:

\* Previously announced on March 31, 2018.

\*\* Japanese fiscal year (JFY) is from April 1 to March 31 of the following year

Source: Japan Ministry of Finance

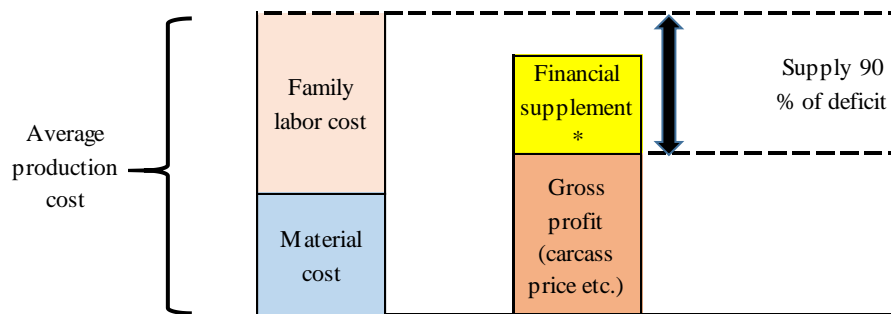
Post anticipates that the Ministry of Finance will make another revision to the non-EPA trigger levels prior to February 1, 2019 to reflect the entry into force of the Japan-EU EPA by removing EU imports from the trigger calculation.

## Changes to *Marukin* Domestic Support Program for Pork Producers

Coinciding with the effectuation of CPTPP on December 30, 2018, the Government of Japan increased support for domestic pork producers by expanding the Hog Growers Business Stabilization Measure (also known as *Marukin*). See [JA8003](#) for more details on the program budget. *Marukin* is a loss coverage program which issues payments to producers when the government determines that the national average cost of production exceeds national average income on a per hog, quarterly basis. Prior to the expansion, the program paid 80 percent of the difference between production costs and income from a fund to which the government and participating producers each contributed 50 percent. Following the expansion, the program now pays 90 percent of the difference between costs and revenue and the government contributes 75 percent of the fund. See Figure 1 below.

To participate in the *Marukin* program, producers must have fewer than 300 employees and a market capitalization less than 300 million yen (approximately \$2.73 million). Payments were last activated under the *Marukin* program in March 2013 at 4,250 yen per head (approximately \$39).

Figure 2: "Marukin" financial measure to stabilize the management of beef cattle and swine livestock growers



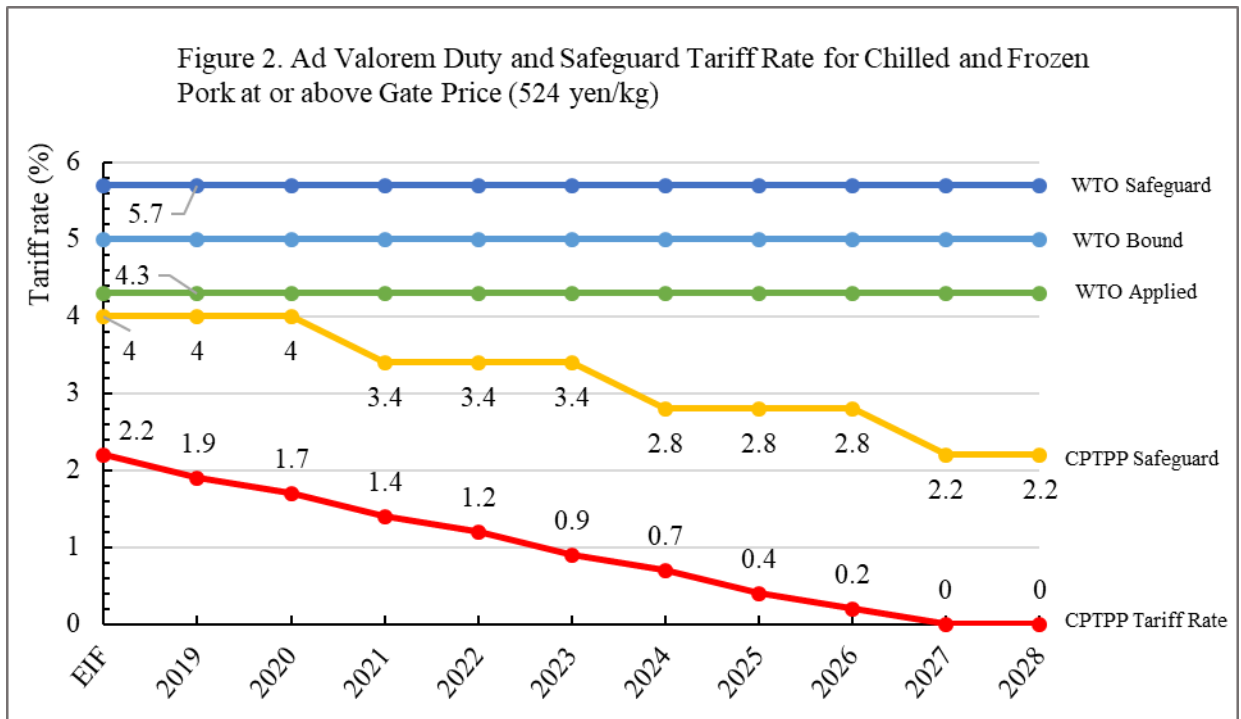
\* Funded by government (3/4) and producers (1/4)

Source: Ministry of Agriculture, Forestry and Fisheries

### Preferential Tariff Treatment under CPTPP and Japan-EU EPA

In both CPTPP and the Japan-EU EPA, Japan agreed to reduce tariffs on pork imports, including those subject to the gate price system. For more information on the gate price mechanism, see [Pork Policies in Japan](#) (2003) and [JA7135](#).

Effective December 30, 2018, the ad valorem duty on all fresh, chilled, and frozen pork imports from CPTPP countries dropped from 4.3 percent to 2 percent and will drop further to 1.9 percent on April 1, 2019 (the first day of the Japanese fiscal year). The duty will continue to fall each year on April 1 before reaching zero in 2028. For imports valued below the gate price of 524 yen/kg, the maximum specific duty dropped from 482 yen/kg to 125 yen/kg and will remain at that level until April 1, 2022 when it will fall to 70 yen/kg. The duty will continue to fall each year thereafter before reaching 50 yen/kg in 2028. Tariffs on imports from the EU will follow a similar phase out with the first round of tariff cuts on February 1, 2019 and the second round on April 1, 2019. Thereafter, the tariff phase out follow the CPTPP phase out described in Figure 2 below.



Whole and half carcasses as well as certain processed products (including ham and bacon) are subject to separate gate price mechanisms with different ad valorem and specific duties which also fall over time. Products not subject to the gate price system such as ground-seasoned pork and sausages will see tariffs gradually fall to zero by April 1, 2023. See Table 3 for more details.

Table 3. Tariff under CPTPP

Products and Duties*		WTO Applied	EIF **	2019**	2020	2021	2022
<b>Fresh, Chilled and Frozen Pork (Carcasses and half-carcasses)</b> HS 020311	Specific duty	361 yen / kg	93.75				52.50
	Ad valorem duty	4.3 %	2.2	1.9	1.7	1.4	1.2
<b>Fresh, Chilled and Frozen Pork Cuts</b> HS 020312	Specific duty	482 yen / kg	125.0				70.0
	Ad valorem duty	4.3 %	2.2	1.9	1.7	1.4	1.2
<b>Processed Pork Products subject to Gate Price (including ham and bacon)</b> HS 021011, 021012, 021019, 021099, 160241.011, 160241.019, 160242.011, 160242.019, 160249.210, 160249.220	Specific duty	614.85 yen / kg	307.87	269.5	231.13	192.75	154.38
	Ad valorem duty	8.5%	4.3	3.7	3.2	2.7	2.2
<b>Processed Pork Products not subject to Gate Price (including ground seasoned pork)</b> HS 160241.090, 160242.090, 160249.290		20.0%	16.6	13.3	10.0	6.6	3.3

<b>Sausages</b> HS 160100	10 %	8.3	6.6	5.0	3.3	1.6
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Products and Duties		2023	2024	2025	2026	2027	2028
<b>Fresh, Chilled and Frozen Pork (Carcasses and half-carcasses)</b> HS 020311	Specific duty	49.50 yen / kg	46.50	43.50	40.50	37.50	
	Ad valorem duty	0.9 %	0.7	0.4	0.2	0.0	
<b>Fresh, Chilled and Frozen Pork Cuts</b> HS 020312	Specific duty	66.0 yen / kg	62.0	58.0	54.0	50.0	
	Ad valorem duty	0.9 %	0.7	0.4	0.2	0.0	
<b>Processed Pork Products subject to Gate Price (including ham and bacon)</b> HS 021011, 021012, 021019, 021099, 160241.011, 160241.019, 160242.011, 160242.019, 160249.210, 160249.220	Specific duty	128.65 yen / kg	102.91	77.19	51.46	25.72	0.0
	Ad valorem duty	1.8 %	1.4	1.1	0.7	0.3	0.0
<b>Processed Pork Products not subject to Gate Price (including ground seasoned pork)</b> HS 160241.090, 160242.090, 160249.290		0.0 %					
<b>Sausages</b> HS 160100		0.0 %					

Note:

\*Japan maintains a gate price system for pork imports. See [USDA Pork Policies in Japan](#) for more details.

\*\* EIF (Year 1) is from December 30, 2018 to March 31, 2019 and Year 2 will start April 1, 2019 due to Japanese fiscal year (from April 1 to March 31).

Source: [Cabinet Secretariat, Government of Japan](#)