

Japan increases beef tariff, hitting US exporters

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The Japanese government announced late last month it would lift the existing tariff rate for imported beef from a number of countries, chief among them the United States. From August 1, the tariff on US frozen beef exports to Japan was due to increase to 50 percent, up from the previous rate of 38.5 percent.

In part, the tariff hike is a reaction by Tokyo to US President Donald Trump's decision earlier this year to scrap the Trans-Pacific Partnership (TPP), on which Prime Minister Shinzo Abe had counted to boost the Japanese economy. More broadly it reflects rising trade tensions as the ruling elites in each country seek to offload the burden of the worsening global economic crisis onto their rivals.

The official reason for the hike was that frozen beef imports to Japan have increased by greater than 17 percent compared to last year—the point beyond which World Trade Organisation (WTO) rules permit the Japanese government to lift the tariff to “safeguard” domestic industries.

Frozen beef imports, particularly from the US have increased substantially over recent years due to their use in popular fast food dishes, with a rise of 20 percent recorded over the past year to the April–June quarter. Tokyo, however, has rarely invoked the WTO rule in previous years—the last tariff increase was in 2003 against the US.

The tariff increase affects any country without a free trade agreement with Japan, including major beef exporters such as Canada. Media attention, however, has focussed on the US, reflecting the substantial trade between the two countries. Japan is the largest importer of US beef, buying roughly 45,000 tonnes of frozen beef from the US, estimated to be worth \$400 million, or about 20 percent of total American frozen beef exports.

The tariff will impact most heavily on US states like Nebraska, Arkansas and North Dakota. With an estimated

decline in gross domestic product of 0.5 to 1 percent, these regions, already among the poorest in the US, face significant job losses. In Japan, the increased price of frozen beef is expected to hit many fast-food restaurants that heavily use US imports, contributing to increasing unemployment.

The tariff hike is a blow to the Trump administration, which has boasted loudly about improving trade relations in America's favour. Trump claimed that by scrapping the TPP the US could negotiate better trade deals with other countries, including Japan. Other beef exporters like Australia and Mexico, both of which have free trade agreements with Japan, will now have a substantial advantage over the US.

Significantly, Washington received no warning or consultation about Japan's decision, and is deeply displeased. US Secretary of Agriculture Sonny Perdue said the tariff increase would “impede US beef sales and is likely to increase the United States' overall trade deficit with Japan.” He warned the decision “would harm our important bilateral trade relationship with Japan”—suggesting the US could retaliate.

Adding to US concerns is the fact that the tariff hike comes less than a month after Japan reached a free trade agreement with the European Union (EU) that could potentially create the world's largest trading bloc. A crucial part of that deal concerned the lowering of tariffs on agricultural imports into Japan, meaning that the EU will also enjoy a trade advantage over the US.

For its part, the Japanese government clearly sees the tariff rise as a political tool either to revive TPP negotiations, or failing that, to force concessions by the US on trade. Although official media statements downplayed the tariff increase, a government source cited by the *Nikkei Asian Review* bluntly declared “if the US doesn't like [the safeguard] it can return to the TPP.” Japan is preparing for high-level trade talks with

Washington in October.

Nevertheless, there is concern in Japanese business circles that the tariff rise could backfire and result in US retaliation that would impact on the country's stagnant economy. Furthermore, Japan is highly reliant on the US strategically. The US maintains large military bases and forces in Japan, and Trump has supported Prime Minister Abe's agenda of re-militarising Japan. Given the politically volatile nature of the crisis-ridden Trump administration, the tariff rise has the potential to impact on Japanese relations with the US in both economic and military matters.

With an eye to these considerations, Japanese Finance Minister Taro Aso offered a fig leaf on August 2. Speaking to reporters, Aso said the government had been holding internal discussions on delaying the tariff rise by three months. "It is true there is talk of extending the period [delaying the tariff]," he said, adding "there is room for a review."

Aso said the delay would expire after the scheduled October trade talks with the US. Undoubtedly the Japanese government will try to exploit the issue to gain leverage in negotiations.

In the final analysis, the dispute over beef tariffs represents only a small fraction of US-Japanese trade, which is valued at nearly \$200 billion. Whether it is implemented or not, the tariff rise will not significantly reduce the \$60 billion US trade deficit with Japan.

What only a few years ago would have been considered a relatively minor issue is now seen in the US and Japan as a sign of deeper tensions and potential conflict. It highlights the increasingly fragile nature of the global economy and risk of trade war amid the historic breakdown of capitalism.

Nothing about these tariffs will "safeguard" the interests of workers, be they in Japan, US, or elsewhere. Ultimately, these protectionist measures are designed only to defend the profit interests of the national bourgeoisie against its international rivals, and will mean deepening attacks on the social conditions of the working class.



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