Japan: The Belle of the Bilateral Ball?

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The European Union and Japan have been working this week to wrap up a bilateral trade agreement with the goal of having most of a deal ahead of next week's G20 summit in Hamburg. The deal, which has been over 10 years in the making, would be one of the largest trade agreements to date, covering one quarter of the world's economy between the two partners. Key aspects of the agreement will provide greater market access to each party's auto and machinery sectors, remove structural barriers to trade, create new rules for investment disputes, and reaffirm the parties' commitment to the Paris climate accord (from which the United States has announced it will withdraw).

One sticking point has been Japan's high tariffs – up to 40 percent – on imported cheese. The EU claims about half of the global cheese market, while Japanese dairy farms struggle to survive. Japan had already agreed to limited tariff reductions on selected cheese products in the course of the TPP negotiations, and has signaled it has no interest in going beyond those concessions. Still, negotiators for each side are working hard to overcome these hurdles and have a final agreement in place by the end of 2017.

In January, as President Trump announced the United States' exit from the Trans-Pacific Partnership negotiations, he also stated his intention to see a bilateral trade agreement with Japan. In May, U.S. Trade Representative Robert Lighthizer met with Japanese Minister for Economy, Trade and Industry, Hiroshige Seko, at the APEC meeting in Hanoi, but downplayed the imminence of bilateral negotiations. Agricultural issues are also critical to the U.S.-Japan trade relationship, particularly for Japanese rice farmers unwilling to open their market to U.S. exports, and for U.S. cattle ranchers struggling with high Japanese tariff rates on imported beef. When USTR Lighthizer and Minister Seko met again just last week to discuss U.S.-Japan trade relations, neither side mentioned a bilateral deal.