

**Wally
Herger**
Congressman

2nd District - California



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Herger Pushes U.S. Trade Representative to Pressure Japan to End Discriminatory Practices on California Rice

(Washington, D.C.) - Congressman Herger (CA-02) yesterday at a full committee oversight hearing on United States-Japan economic and trade relations urged a senior U.S. trade negotiator to investigate a proposed Japanese program that could potentially reduce its imports of California rice. Congressman Herger, a senior member of the Ways and Means Trade Subcommittee, also commented briefly about the importance of trade with Japan to Northern California dairy and livestock. The following provides background information on the possible Japanese program, and the text of Congressman Herger's question.

"The Second District of California is one of the most productive agricultural districts in our nation, and I will continue to fight for open and uninhibited access to international markets, including Japan," Herger said. "I am deeply concerned by Japan's rice program that might soon take effect."

Despite World Trade Organization commitments, Japan continues to blunt increased market access for U.S. rice. Imported rice, of which the U.S. supplies nearly 50 percent, is prohibited from reaching the Japanese retail and food service markets. Consequently, imports of U.S. rice are restricted to industrial uses, such as beer, sake or cracker manufacturing. Still, of this imported rice, it is estimated that less than 5% actually reaches consumers as U.S. identifiable product.

In its newly announced policy, which is expected to be implemented starting in November, the Japanese government will release its stores of imported U.S. rice to industrial users at below market price if the users agree to reduce imports of U.S. rice cake mix.

As Congressman Herger mentioned in his comments to the USTR representative, the main objection of this new policy is that it amounts to what looks like an intentional import substitution policy by targeting approximately \$20 million in trade of rice cake mix.

The following is Congressman Herger's question relating to this proposed program:

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"Mr. Kawamura, it's good to have you from California. Thank you for the great job you're doing representing us in agriculture. All of this panel I'm sure senses the frustration that we have on the Ways and Means Committee, which is responsible for trade. And I represent one of the most productive, fertile agricultural districts in the world in northern California. And certainly, I'm hearing not only from my agriculture, but as you know, Mrs. Cutler, and others, that California has a number of companies that would like to be doing business on a more fair basis with our friends in Japan, which aren't able to.

And I've heard concern from some of the groups that Mrs. Johnson mentioned -- the medical device industry, which leads the world in life science research, and is encountering regulatory obstacles in Japan now; I've heard from the life insurance industry, which has a very large interest in the direction of deregulation of Japan Post; and I've heard from some of my dairy people in my district, and livestock industry.

But what I would like to focus on, my question to you Mrs. Cutler, is the many rice-growing constituents in my Northern California district, which is the second largest rice growing area in the nation.

It is my understanding that the Japanese government recently announced a new discriminatory policy that will provide selected end-users in Japan with access to imported rice stocks held by the Japanese government, and that these rice stocks are mostly of U.S. origin.

And I understand that Japan's Food Department will make imported rice available to industrial users in Japan if these users agree to reduce imports of a product called rice cake. And I have two concerns with this proposed policy:

First, Japan appears to be in possible violation of its WTO obligations by treating imported rice differently than domestic rice.

And secondly, Japan is apparently pursuing an import substitution policy by targeting approximately \$20 million in the trade of rice cake mixes.

Japan will reportedly make this new policy operational in late October or November. And Mrs. Cutler, I would like to find out from you how the USTR and the Administration plan to move forward in addressing this discriminatory policy."

Mrs. Cutler indicated that she was aware of the Japanese proposal, that she has raised the concerns with our embassy in Japan, and that she will fully explore possible WTO violations.

Congressman Herger said he would like Mrs. Cutler to promptly report to him the conclusions found during the investigation.

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