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Remarks by Hisao Azuma, Counsellor, Embassy of Japan
at the Agricultural Outlook Conference

Washington, D.C.

December 1, 1982

Mr. Chairman, Ladies and Gentlemen:

It is my great pleasure to participate in this conference, and especially to be given the opportunity to share my views on the topics of agricultural trade.

The Japanese receive great satisfaction in the fact that Japan is by far the best customer for United States agricultural exports, and that over the past decade United States agricultural exports to Japan have increased from \$1 billion to \$7 billion in value -- in other words, the value has increased seven-fold. At present, cropland area in the United States used for exports to Japan exceeds the total cultivated land areas in Japan itself.

I think the United States and Japan share a remarkable history of mutual efforts in the agricultural area - not only in trade, but in all aspects. Looking back to 1960, at the beginning of rapid economic growth in Japan, the Japanese food self-sufficiency ratio at the original calorie base was 75%, compared with 41% in 1980.

From 1960, Japan has been opening her food market gradually but dramatically to fireign countries by adjusting its farm industry to the new era. In the course of such adjustment, the

most serious consideration has been focused on the question of how to assume a stable supply at a stable price - not necessarily at a low price.

If the import price of agricultural commodities rises abruptly, consumers of importing countries would be hit very hard. As most consumers in Japan receive salaries, their incomes are adjusted every year in line with the previous year's consumers' price index. Consumers would be under greater constraints when faced with abrupt price increases of essential goods, especially food, even though they can eventually adjust to the gradual price increases.

The Japanese have had some experience in the past when rapid price increases in food caused some social unstableness. Even during the first oil shock, accompanying a shortage of food production, the Japanese formed lines outside supermarkets to buy sugar, vegetable oil and even flour, viewing the possible circumstances of an unpredictable future price increase.

Moreover, in an overall government economic policy for the sake of accomplishing a stable but growing society, stabilization of consumer prices is the primary important matter. Because abrupt price fluctuations on food make it very difficult for the government to decide on an effective economic policy, due to the technicalities of almost all indexes of economic policy - i.e. real investment, GNP, etc. - are calculated by the devaluation in the price index.

On the other hand, judging from the fluctuations of production caused by weather and limited marketing chance, due to perishable

conditions, the price of agricultural commodities tends to fluctuate easily. Especially in the world trade market, since the percentage of quantity trade in world production is not so large, the price fluctuation tends to be stimulated. Let us take the example of grain whose trade was rather stabilized. In 1973, as you will remember, world grain production was low due to world-wide poor weather conditions. The decrease of production itself was only 5% from the average yearly production figure, but world trade was seriously affected. The quantity of world trade at that time accounted for 10% of total world production and many countries tried to take advantage of supply for their own domestic markets. As a result, the price of most grain rose more than two times that of the original price in less than a year. A good example of rising prices in perishable commodities may be seen in the price of Australian beef in the world market which rose more than 6 times that of the original price in the past five years.

In the course of opening the market, Japan has chosen certain commodities, depending on supply from foreign countries, with mainly two criteria. First, commodities must not be perishable, so that they may be stored. And, secondly, that suppliers are reliable.

Of course, Japan views the United States as its most reliable exporting country for most commodities. Agriculture in the United States utilizes high technology, resulting in a very stable and efficient production despite the chance of poor weather conditions.

Moreover, the United States produces certain commodities not only for domestic use but also for the international market. These are the major reasons Japan has chosen the United States as a main foreign supplier of certain commodities. After the selection of commodities, mainly depending upon supply from foreign countries, the Japanese Government has been urging our farmers to shift their production to livestock, vegetable and fruits, which are perishable, while liberalizing trade barriers, to the extent that only 19 agricultural items remain under the residual import quota system, instead of over a hundred items in 1980. Even the share of beef and citrus production in total agricultural output are less than 4% each. Thus, I think Japanese agricultural trade is now a comparatively open market.

In the meantime, in the United States, dairy products, which fall under the import quota system - even though they are waived under GATT, share 10% of the total agricultural output, and if we add beef products, which are expected to be restricted under the Beef Import Act, the share of products under the import quota system amount to 30%. Of course, it must be pointed out that the Japanese Government supports the price of dairy products and rice products. Then, looking at the share of products under the price support system, the United States amounts to about 50%, Japan to 55%, and the EC to 65%. I have no intention of blaming these countries for such a situation, but, I believe within the agricultural field, there are various specific reasons, including the

historical one, for governments' purposes in supporting or maintaining the industry.

I have been speaking on our agricultural trade, but there is an issue that I feel anxious about coming from outside the agricultural field. It is so-called perception. In the United States, there is a temptation to take certain protectionist measures on trade under the economic recession. Those who yield to that temptation are arguing that unemployment has been caused by the imbalance of trade, which resulted from unfair trade practices, as exhibited by the Japanese import quota system on agricultural commodities. But, I would like to point out that the Embassy of the United States in Japan calculated that the trade increase, through the elimination of all import quotas by Japan, would amount to only \$500 million instead of \$20 billion of the trade imbalance. Nevertheless, such arguments make the perception by the average American citizen such that "when we import Japanese automobiles freely - actually auto trade is restricted by the means so-called 'self-restraint'--, why don't the Japanese import our beef and citrus freely?" Spreading such a perception to the people, will cause them to have the image as if the agricultural issue is the only conflict that we have in the trade field between Japan and the United States.

This perception makes our consultations or negotiations on agricultural trade very difficult. I would like to ask American

citizens to throw out such perceptions and to understand that:

- (1) Japan and the United States share a remarkable history of mutual efforts in the agricultural trade field and that Japan is now the best customer of the United States' farmers.
- (2) Japan has been opening its agricultural market in line with its long-term policy, and residual import quota systems on certain items function as the most important role in Japanese agricultural policy, as it would be very difficult to ask farmers to change or adjust their production patterns, which is a result of Japan's long-term policy.
- (3) In every developed country the government plays a part in supporting agriculture.

Both our countries have been involved in very good agricultural trading relations -- by far the best in the world -- and for the sake of maintaining this relationship, I hope that we will sit at the consultation table in a friendly atmosphere and appreciate mutual benefits.

Thank you very much for your kind attention.