



Talking Points

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Arguments against FTAs

(FTAs in general) Opponents of FTAs argue that an FTA would increase imports, resulting in a decline in the production of import-competing domestic goods, which in turn would reduce employment.

(Reduction in agricultural protection resulting from an FTA) In addition to the point made above, opponents of FTAs in Japan argue that reduction in agricultural production would have negative impacts on wide ranging aspects of the Japanese economy and society because agriculture provides the Japanese economy and society with various benefits characterized as multi-functionality, which includes conservation of environment and landscape, preservation of culture, protection of rural economy, ensuring food security and others.

Assessment of these arguments

These "negative" impacts presented by the opponents may be realized if appropriate government policies are not applied. However, the negative impacts can be avoided or moderated by applying appropriate policies such as phase-in gradual tariff reduction, provision of safety net, etc. It is important to realize that maintaining protection is not the best policy to realize the benefits from agriculture's multi-functionality. Furthermore, it is of utmost importance to realize that trade liberalization benefits consumers in terms of price reduction and increasing variety/diversity of products and that trade liberalization is an engine of economic growth. Trade liberalization ignites the growth mechanism as it would shift productive resources such as labor and capital from non-competitive (protected) sectors to competitive sectors. As such, maintaining protection kills the chance for the economy to achieve economic growth.

Unexpected benefits from FTAs, which are not foreseen by the protectionists?

Removal of protection promotes exports. This is because profits from export sales increases relative to the profits from sales in domestic market as a result of removing protection, making the producers (farmers) realize business opportunity in foreign markets. Once the producers (farmers) are successful in exporting, they can expect an improvement in productivity through acquiring advance knowledge in agriculture and undertaking R&D, which in turn would expand their exports.