

# Need for Enterprise

The environment surrounding Japan's agricultural sector will remain severe in 1991. A higher yen is taking hold, reducing competitiveness, while the price disparity between domestic and imported agricultural products is more likely to widen than to narrow as foreign countries employ large-scale production techniques.

Many countries, including the industrialized countries of the West, have long protected their own farmers with price supports for key agricultural products and border adjustment measures, including quantitative restrictions and high duties on imports.

In recent years, however, there has been a rising international chorus calling for liberalizing agricultural trade as a way of correcting trade imbalances. Discussions in the current Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) focus on reducing the protection of agriculture. Foreign pressure is mounting for liberalizing Japan's imports of rice, the staple food of the Japanese people. Despite the Japanese government's steadfast refusal to date to consider drastic changes in its rice policy, the ultimate outcome of rice trade talks is unclear.

But rice is not the only domestic agricultural product priced far higher than its foreign-produced counterpart. In order to meet consumer needs and compete with the foreign agricultural products which will inevitably penetrate the Japanese market sooner or later, Japan's agriculture must move quickly to strengthen its management foundations.

While Japan insists on self-sufficiency



A banner reading "No! American rice" at a rally against lifting import restrictions on rice.

in "basic foodstuffs," the United States is demanding a bold liberalization of the rice market, making compromise difficult. In the European Community, too, member nations failed to agree on a common position on reducing farm subsidies by the targeted date of October 15, 1990.

Japan submitted a proposal for reducing protection of agriculture, focusing on a 30% cut in farm subsidies, to GATT in September 1990. Nevertheless, it refuses to abandon self-sufficiency in rice and to replace the present ban on rice imports with more flexible customs duties. If anything, Japan has stiffened its attitude, as reflected in recent remarks by Agricul-

Photo: Kyodo News Service



A shop offering blends of various types of rice.

Photo: Nihon Keizai Shinbun

ture, Forestry and Fisheries Minister Tomio Yamamoto that in accordance with the customs and practices of trading, the seller (meaning the U.S.) must defer to the buyer.

With the outcome of the GATT negotiations anything but clear, the U.S. is considered likely to seek settlement through bilateral negotiations. One scenario sees the rice issue being settled in a summit meeting between President George Bush and Prime Minister Toshiki Kaifu during Bush's visit to Tokyo in February.

In the end, Japan cannot put off liberalizing its rice market forever. Some pessimists predicted that should the Uruguay Round fail Japan would be forced to make even greater concessions in bilateral negotiations with the U.S.

Japan's agricultural sector, led by rice farmers, will have no alternative but to promote more flexibility in the use of farmlands, expand average farm acreage and reduce costs through enterprising farming management. Yet there can be no easy solution to these problems under the current system, with soaring land prices hampering more varied use of agricultural plots and business corporations banned from owning farmlands. In view of these problems, 1991 will bring no change in the basic situation of Japanese agriculture until it makes the domestic adjustments needed for market liberalization.

(Hiroshi Tabei, economist)

## Proposals for Reducing Agricultural Protection

	Domestic protection	Import barriers	Export subsidies
Japan	30% reduction	Opposed to introducing tariffs on rice	Phased elimination
U.S.	75% reduction	Complete elimination of quotas in favor of tariffs	90% reduction
EC	30% reduction	Conditional introduction of tariffs	To continue

Note: EC proposals based on a draft by the EC Commission