THE STRUCTURE AND DIRECTION OF FOOD TRADE IN JAPAN

by Yoshinori Okada

1. Introduction

As symbolized in the recent trade dispute between the U.S. and Japan over 12 agricultural products, the opening of the Japanese food market is not only domestic but also international issue these days. Behind the dispute is the global oversupply of agricultural product and unstable world market for foods.

Internally, Japan has just achieved development of agricultural sector, which had been a political objective since post-war period. In the process, oversupply of certain products and mismatch between what is produced and what is wanted by consumers, whose taste changed dramatically, have occurred. Trade conflict between Japan and other countries, two oil crises, environmental pollution and its effect on the safety of foods have also added to the complication of the issue.

The policy over food is a common problem for most industrialized countries. Of course, Japan is unique in being one of the biggest importer of foods and having her market relatively open. She should be seen favorably from food exporting countries. However, the decision over the direction of food policy in Japan is largely made according to political need and pays little attention to the international environment and economic reality. The debate centers around the argument of special interest groups or industry, emotional propaganda, exaggerated statistics and self-serving conclusions.

This paper tries to understand the structure and direction of food trade in Japan not by repeating those arguments but by reevaluating current position of Japanese agricultural industry and market and by organizing the arguments from neutral point of view. Thus, the paper does not limit the topic to agricultural products and will discuss about food in general. Another aim is to analyze the international implication and trend of food trade in order to understand where we stand. A few traditional arguments on the issue will also be analyzed.

2. Production and Consumption in Japan

The food issue became hotter than ever, when the structure of worldwide food trade has gone through fundamental changes. First of them is volatile international environment. The economy of free world, which kept on growing for most of the period after the Second World War, bumped into energy shortage and environmental problem in 70's. The incident forced people to change their free spending philosophy. In 1972, unstable weather made the USSR, an exporter until then, to buy grain from the US, causing food prices to go skyward. The severe weather caused international food shortage. The oil crisis and subsequent rise of oil price of the following year made people realize that the threat of cutting the supply of resources can be an effective weapon and how vulnerable the countries without resources are.

In 1974, food was utilized as a weapon for the first time. It was the U.S.'s grain embargo against the USSR. Both Nixon and Ford administrations banned the export of grain in 1974 and 1975. The aim of the ban was to extract favorable response for shipping agreement about to be signed at the time and to achieve the direct trade of American grain and Soviet oil(1). The political implication of embargo was paramount. In 1980, President Carter banned the export once again in protest to the Soviet invasion of Afghanistan. To reinforce the effectiveness of the ban, he asked Canada, Australia, Argentine and other countries to follow suit. This made a typical example of applying food as a weapon.

Another destabilizing factor for international market of agricultural products is the production structure of major producing countries. Most producers of wheat, rice, milk and dairy products have excess inventory. The U.S. is the price leader in wheat while Europe and Australia dominate the market of dairy products and stockweeding.

The East-block countries faces hard reality. The production in the USSR is lackluster became of fertilizer shortage, soil erosion and chaotic production method. Other East European countries also lacks administration for efficient investment and production. Production capacity of developing countries are equally poor. In those countries, the most productive lands are used to produce products that earn hard-currencies, while prices of fertilizer and machines went up because of oil crisis(2). In the 80's, severe starvation hit these countries.

Politics plays a role, too. In the U.S., the grain producers, armed with the world's highest productivity, press the government for free trade with other countries.

EC countries experienced overcapacity from 70's and is increasingly competing

with the U.S. in the world market. Actually, the prices of major agricultural products in EC countries used to be 3 to 4 times those in the world market[3]. However, some countries opted for government subsidy to make prices in their country in par with market price. This policy hurt the U.S., which was the largest exporter, more than any other country. In comparison, the dispute between the U.S. and Japan is minor. Japan is importing and the U.S. is exporting. Self-support ratio of food is low in Japan and it was politically advantageous to supply food to Japan for the U.S.[4]. The structural change took place in Japan, too. Chart-1 shows the past self-support ratio of agricultural products in Japan. The import swelled in tandem with economic growth which increased the consumption of food and transformed the product mix of the demand. Between 1960 and 1986, the ratio plunged to 70% and the same ratio for grain went down as well. This marked a sharp contrast to the U.K. or West Germany, in which the ratio increased as the result of common agricultural policy to increase production[5].

Chart-1. Self-support Ratio of Agricultural Products (%)

	1960	1970	1980	1984	1985	1986 (apx.)
Rice	102	106	87	109	107	108
Wheat	39	9	10	12	14	14
Beans	44	13	7	9	8	8
Soybeans	28	4	4	5	5	5
Vegetables	100	99	97	95	95	95
Fruit	100	84	81	74	77	73
Eggs	101	97	98	99	98	97
Diary	89	89	86	86	89	86
Meat	91	89	81	80	81	78
Beef	96	90	72	72	72	69
Pork	96	98	87	84	86	82
Sugar	18	23	29	32	33	33
Grain	82	46	33	31	31	31
Composite index	90	78	72	71	71	70

Source: Norin Tokei Kyokai, *Graphic White Paper of Agriculture*, 1987, p.137.

In Japan, the main policy was to maintain the domestic production of rice, the staple food, and to import those products of which productivity (of growing in Japan) was below international average. Meanwhile, the production capacity of products which could be produced with certain efficiency (such as small to mid-sized cattle, fruits, vegetables) and products of which demand was obviously increasing, was increased to cope with changing taste of Japanese people. This policy has brought down the self-support ratio of agricultural products, especially grain.

The self-support ratio of total calories consumed is at alarming level of slightly above 50% and lags far behind West Germany's 80% or the US's 70%[6]. (Self-support ratio is percentage of domestic products within total provided into one country. Composite index is defined on the basis of price to integrate different products into a single index. There are other measures as an index on the basis of calories or to use the grain as the representative of all agricultural products since the product is a main staple for both men and cattles[7]. No matter which measure is taken, however, those in Japan have all been declining.

The second factor which affects the structure of food trade in Japan is changing life style and taste of Japanese people. Traditionally, Japanese ate foods which are low in calorie and fat, rich in starch and fiber. The problem with this style was the lack of protein, mineral and vitamins. Therefore, new type of foods to overcome this defect were introduced to balance the diet of Japanese. Joining the staple foods of rice, vegetables, fish, soybeans and salt were meat, diary products, eggs, fats, sugar and fruits, most of which came from abroad.

Japanese local agricultural and fishery industry had been closely integrated to the eating habit of Japanese. However, the eating style has gone through before mentioned change. Even today, consumption of rice and fish is said to be decreasing. Consumers are chasing for ever diversified and expensive types of foods. The modernization, internationalization and Westernization of life style is resulting in increased frequency of eating out, utilization of "instant foods," recognition of meals as part of leisure and proliferation of "gourmet" culture. In other words, people, who used to eat only what was produced in the local farms, have now began to eat whatever they want, disregarding the origin of the product. This disintegration caused a "lack of agricultural policy in modern Japan, which can neither decrease or increase self-support ratio[8]".

The third factor which affects structure of food trade is small farms. The large number of small farms, with low productivity and little competitiveness, were long considered to be a deficiency in Japanese agriculture. Some of those farms are run

by "kengyo" farmers who have another full time job. Their productivity is low because they devote only a fraction of their time of farming and their land is too small to enjoy scale merit. On the other hand, they are supposed to form a big chunk of local population. Their farming activity is the glue that integrate those people into local economy, too[9]. Therefore, an argument goes, they should no be deprived of land ownership even to form one big efficient farm.

The fourth factor is agricultural policy. Some critics points to the pro-American nature of the current policy. This tendency began in mid 70's along with establishment of industrial policy which called for development of heavy industry. The economic ties between the U.S. and Japan was further reinforced into 80's. Partly to sustain the value of the U.S. currency, Japan agreed to purchase large amount of excess agricultural products from the U.S. As the surplus from the trade with the U.S. swelled, the pressure from the U.S. government to open up Japanese food market built up to the extent of affecting the food policy of Japan[10]. In a way, the market became a "scapegoat" of trade imbalance. Japanese government is now having to cope with both surplus of domestic rice, diary and citrus and the U.S.'s demand to liberalize its market.

The last factor is deterioration of environment to produce foods[11]. For example, as the result of increased energy cost, some farmers abandoned their land. The energy-concentrating labor-free type of agriculture deprived moisture from the soil. The effect of rainfall and irrigation is compromised and in times of drought, the soil weathers quickly. The effectiveness of investment also decreases and additional utilization of equipments accelerates the destruction of soil. Accumulation of sodium derivatives, alkalization, lack of drainage or hardening takes place.

Extinction of certain species is another problem. As profit becomes the prime target for growers, species with high resistance are often ignored and becomes extinct.

Excess usage of chemicals, consecutive plantation of the same product increases the damage by noxious insects.

Air pollution, acid rain, cutting down of forests change the supply of water and affect agricultural production. These are all factors which worsen agricultural environment.

3. Actual Condition of Food Trade

This chapter analyzes the current situation of agricultural production and trade on a world-wide basis. Advanced countries have an edge with wheat, diary products

and meat, while developing countries are dominant producers of cocoa, coffee, tea, tobacco leaf, cotton and rice. The products of later category require longer time till harvest, are labor-intensive to produce and their prices volatile. Most of them are luxury goods which provide little nutrition.

On the other end of the spectrum is grain. The exporting regions are North and South America, West Europe and Oceania. Importers are in Asia, Africa, Central America, East Europe. On country basis, the U.S., Canada and Australia are leading exporters and the USSR, China, East European countries and Japan are biggest importers. In terms of population or total output in agricultural industry, Japan is in par with the U.S., U.K., West Germany, France and Australia. The difference lies in the percentage of agricultural products within total export or the agriculture GDP per capita. These figures proves the backwardness of Japanese agricultural sector.

To be analyzed next is the position of agricultural products within total trade. Chart-2 proves that the products exported from Japan are increasing the proportion of added value in them. Gone are the textile, steel and ships, which composed a major bulk. Increasing are electric machineries and autos. In the process, food products almost completely shrank. For example, the biggest export items of food are:

1. Dried mushrooms (shiitake)
2. Tuna
3. Canned tune
4. Wheat
5. Alcoholic beverages

(From *White Paper of Trade*. Figures are those of 1987.)

Chart-2. Export Structure of Japan (%)

	1960	1970	1980	1987
Food products	6.6	3.5	1.2	0.7
Textile products	30.2	12.5	4.8	3.0
Non-metal products	3.6	1.9	1.4	1.1
Chemical products	4.2	6.4	5.2	5.1
Metal products	13.8	19.7	16.4	7.9
(Steel)	(9.6)	(13.2)	(11.9)	(5.5)
Machinery	25.3	46.3	62.8	74.6
(General)	(5.5)	(10.4)	(13.9)	(19.5)
(Electrical)	(6.8)	(14.8)	(17.5)	(22.2)
(Autos)	(2.6)	(6.9)	(17.9)	(19.6)
(Ships)	(7.1)	(7.3)	(3.6)	(1.9)
Others	16.4	9.8	8.1	7.6
Total	100.0	100.0	100.0	100.0

Source: MITI, *White Paper of Trade*, 1988, p.821.

The market for these products are:

1. South East Asia 40.6%
2. North America 29.8%
3. East Europe 10.6% (12)

Chart-3 shows the import side of trade. As the export of textile products decreased, the import of their material has declined. On the other hand, import of processed goods is increasing. They are mainly from NIES and ASEAN countries. Food products also shows gradual increase.

Chart-3. Import Structure of Japan (%)

	1960	1970	1980	1987
Food products	12.2	13.6	10.4	15.0
(Seafood)	(0.1)	(1.4)	(2.2)	(5.3)
(Grain)	(6.5)	(2.7)	(3.1)	(2.1)
Material	49.1	35.4	16.9	14.7
(Textile)	(17.6)	(5.1)	(1.7)	(1.8)
(Metal)	(15.0)	(14.3)	(6.0)	(4.1)
(Lumber)	(3.8)	(8.3)	(4.9)	(4.2)
Mineral Energy	16.5	20.7	49.8	26.2
(Oil)	(10.4)	(11.8)	(37.5)	(13.8)
Processed goods	21.9	29.8	21.8	40.5
(Machinery)	(9.0)	(12.2)	(7.0)	(12.8)
(Chemical)	(5.9)	(5.3)	(4.4)	(7.9)
(Metal)	(5.0)	(6.8)	(4.1)	(6.1)
(Textile)	(0.4)	(1.7)	(2.3)	(5.1)
Others	0.2	0.5	1.1	3.6
Total	100.0	100.0	100.0	100.0

Source: same as Chart-2

Chart-4 reveals the content of imported foods. Topping the list in terms of item are:

1. Shrimp
2. Corn
3. Pork
4. Tobacco
5. Beef (13)

Chart-4. Food Import of Japan (%, Total amount = billion $)

	1977	1980	1983	1985	1987
Meat	9.5	10.4	11.9	12.4	14.9
Seafood	21.7	20.6	26.1	29.7	35.7
Grain	27.9	30.2	28.1	25.4	14.1
Fruit/Vegetables	9.2	9.5	10.8	11.8	12.6
Sugar	8.5	9.7	3.6	2.2	2.1
Coffee, Cocoa, Tea	10.8	7.3	6.5	7.3	6.1
Feed	4.6	4.0	3.7	3.0	3.5
Beverages, Tobacco	4.8	4.9	5.7	4.9	7.3
Others	3.1	3.4	3.6	3.3	3.6
Total (%)	100.0	100.0	100.0	100.0	100.0
Total Amount	10.1	14.7	14.9	15.6	22.4

Source: MITI, *White Paper of Trade*, 1983–p.161. & 1988–p.149.

Among them, seafood is showing the most visible increase. Most significant of them is shrimp, followed by tuna, bonito and sea bream. Among fruit, bananas and grapefruit come to the first place, but various fruits of small quantity is also making inroads. Among vegetables, onions and beans are being replaced by frozen or dried vegetables. With beverages, both alcoholic and non-alcoholic beverages increased. Tobacco products increased mainly because of the market liberalization[14].

Chart-5 shows the origin of imports.

The U.S. tops the chart with about one third of import. The import from South East and East Asia countries is increasing, especially from Thailand, Korea, Taiwan and China. Following is the figure of 1987 as extracted from White Paper of Trade compiled by the Ministry of International Trade and Industry (MITI):

Beef: 55.0% from Australia
38.8% from USA
3.6% from New Zealand

Pork: 47.8% from Taiwan (90% of the country's export)
32.7% from Denmark

Chicken: 41.8% from Thailand (followed by USA, Brazil, China)

Chart-5. Origin of Imports to Japan (million $)

	1980 Amount (%)	1983 Amount (%)	1985 Amount (%)	1987 Amount (%)
USA	5,171 (35.3)	5,246 (35.2)	5,085 (32.7)	6,779 (30.3)
Taiwan	817 (5.6)	888 (6.0)	1,144 (7.4)	2,378 (10.6)
Korea	584 (4.0)	706 (4.7)	784 (5.0)	1,476 (6.6)
Australia	1,538 (10.5)	1,031 (6.9)	1,120 (7.2)	1,309 (5.8)
China	471 (3.2)	523 (3.5)	934 (6.0)	1,282 (5.7)
Canada	832 (5.7)	1,007 (6.8)	889 (5.7)	1,045 (4.7)
Thailand	333 (2.3)	433 (2.9)	403 (2.6)	784 (3.5)
Denmark	149 (1.0)	117 (0.8)	350 (2.3)	576 (2.6)
Philippines	526 (3.6)	399 (2.7)	430 (2.8)	547 (2.4)
Indonesia	335 (2.3)	346 (2.3)	359 (2.3)	535 (2.4)
New Zealand	243 (1.7)	320 (2.1)	339 (2.2)	447 (2.0)
Brazil	288 (2.0)	324 (2.2)	383 (2.5)	366 (1.6)
India	249 (1.7)	299 (2.0)	295 (1.9)	348 (1.6)
France	155 (1.1)	150 (1.0)	176 (1.1)	328 (1.5)
Total	14,666 (100.0)	14,896 (100.0)	15,547 (100.0)	22,395 (100.0)

Source: MITI, *White Paper of Trade*, 1982–p.172., 1984–p.157., 1986–p.160., 1988–p.162.

Grain: 59% from USA

Fruit: 40.5% from USA

Bananas are mostly from Taiwan and Ecuador. Sugar is from Australia, South Africa and other countries. Coffee from Brazil, Indonesia and Colombia comprises 56.2%[15].

Chart 6 to 8 shows Japan's marine products trade. Japanese fishery industry's output has been decreasing due to the international declaration of 200 nautical miles of territorial water.

Chart-6. Amount of Imported Marine Products (in million dollars)

	1983	1984	1985 (Estimate)
Japan	4,219	4,425	4,941
USA	3,764	3,859	3,985
France	1,130	968	n.a.
UK	766	719	782
West Germany	895	819	884
Italy	697	708	944
Total	16,680	16,670	17,381

Source: JETRO, *Agricultural and Marine Trade*, p.14.

Chart-7. Marine Products Export of Major Exporting Countries (in million dollars)

	1983	1984	1985 (Estimate)
Japan	1,117	1,266	1,119
Canada	1,253	1,214	1,335
USA	917	850	1,010
Norway	761	765	812
Denmark	718	600	n.a.
Korea	636	660	655
Total	15,756	15,955	16,644

Source: same as Chart-6

Chart-8. Amount of Catch of Fish by Major Fishery Countries (in 1,000 tons)

	1982	1983	1984
Japan	10827	11255	12021
USSR	9957	9757	10593
China	4927	5213	5927
USA	3988	4143	4814
Chile	3673	3982	4499
Peru	3529	1568	2947
India	2367	2507	2859
Korea	2281	2400	2477
Norway	2501	2836	2456
Thailand	2120	2250	2250
Total	76590	76846	82770

Source: same as Chart-6

Along the domestic coast, the quality of water is declining. Japanese consumers are moving away from fishes. All these development is casting a shadow over fishery industry in Japan. Yet, in comparison with other advanced nations, Japanese still get much of their animal protein from seafood and its importance will remain intact. Chart-8 proves the fact that Japan still catches most fishes in the world. This is partly due to the bigger and better equipped fleet. On import and export of seafood, Japan handles slightly bigger amount than the U.S.

Japanese export in this field is as follows[16]: (figures are of 1986.)

1. Among fresh and frozen products, bonitos to Thailand occupies 50%.
2. Canned foods go mostly to developing countries and they include sardine, mackerel and bonitos.
3. Major bulk of marine oil and fat goes to Netherland.
4. Most pearls go to the U.S. but the amount decreased after the appreciation of the Japanese currency.
5. Powdered fish mainly goes to Taiwan.

On import side, details are as follows[17]:

1. Shrimps are by far the biggest single item, reaching 29% of all imported marine products at 303 billion yen. 17% comes from Taiwan, 14% from India and Indonesia, 9% from China, 7% from Australia, 5% from Philippines and Thailand, respectively.
2. Salmons and trouts reach 90.7 billion yen and 82% comes from the U.S., 16% from Canada.
3. Tuna and swordfish constitutes 80.5 billion yen. Korea (37%), Taiwan (34%), Panama (5%), USA (5%) are major exporters.
4. Squid reaches 59.6 billion yen. Thailand (28%), Korea (16%), Morocco (14%) are major exporters.
5. Octopus, 59 billion yen of them come from Mauritania (33%), Spain (23%), Morocco (23%) and Korea (13%).
6. Codfish reaches 33 billion yen. USA (76%), Korea (11%) and USSR (8%) are major exporters.

Another important aspect of food trade is food companies. Chart-9 shows the kind of activities Japanese food companies are engaged in.

A look at the Agriculture and Forestry, Fishery & Marine, Manufacturing-Food columns will prove steady increase. Chart-10 lists major overseas projects of companies listed in Tokyo Stock Exchange.

The chart reveals that most companies are investing in South East Asia and North

America. Corporation, by virtue, does not exist to develop domestic market but to maximize their profit. When there are protectionism or red tapes and price differential exist between domestic market and international market, they work to find loopholes on those restrictions and try to get foreign goods into Japanese market. As such, Japanese food companies are dealing with both agricultural and marine products, their distribution, processing and marketing on a world wide basis.

Chart-9. Direct Investment to Foreign Countries by Japanese Co.
(Admission or Application)

	1965		1970		1975		1980		1985	
	Number of Project	Amount	Number of Project	Amount	Number of Project	Amount	Number of Project	Amount	Number of Project	Amount
Agriculture & Forestry	6	7	17	9	55	36	53	39	24	12
Fishery & Marine	4	1	12	8	43	28	33	34	42	42
Mines	12	26	36	208	61	707	48	565	32	598
Construction	1	8	7	3	42	32	36	37	59	94
Manufacturing	76	45	289	236	425	924	719	1,706	718	2,352
Food	7	3	27	15	58	58	77	54	87	90
Fiber	15	6	43	49	28	98	63	91	40	28
Lumber/Pulp	1	4	13	79	24	89	25	78	18	15
Chemical	20	4	36	22	76	151	80	314	87	133
Metal	5	4	14	9	41	148	166	493	57	385
Machinery	3	3	37	16	61	98	100	102	107	352
Electrical machinery	14	3	43	22	48	96	103	309	133	513
Transportation	3	16	3	3	23	100	17	176	49	627
Others	8	1	73	22	66	87	88	89	140	208
Commerce	50	26	216	47	452	668	735	797	644	1,550
Finance/Insurance	6	30	26	89	36	310	35	380	164	3,805
Service	0	0	37	9	75	113	163	251	225	665
Others	25	4	52	257	224	318	320	675	677	2,769
Real Estate	5	12	11	32	41	11	50	119	38	329
Branch Office	16	1	56	6	137	132	250	91	0	0
Total	196	159	730	904	1591	3,280	2442	4,693	2613	12,217

Source: MITI, *Statistics of Second Survey of Overseas Corporate Activities*, pp.12–13.

Chart-10. Overseas Projects of Japanese Food Companies

Company Names	A: Actual Plan Decided B: Feasibility Study	Country	Launch Year	Type of Project	Objective (Reason) of Investment	Remarks
<FISHERY & FORESTRY>						
HOKO FISHERY PROCESSING	B	Asia NIES	1989	Joint Venture	1, 7	Food Processing
HOUSUI	A	Bangladesh	1987	Joint Venture	1, 9	Aquaculture of shrimps
SAKATA NO TANE	A					
<FOOD>						
NISSHIN SEIFUN	B	North America & South East Asia	1989	Joint Venture	1, 6	Food
CHUBU SHIRYOU	B	Thailand	1981	Joint Venture	10	Food
MITSUI SUGAR	B	South East Asia	n.a.	n.a.	1, 6	Sweetener
YAMAZAKI PAN	B	South East Asia, Oceania	n.a.	100% Ownership, Joint	6	Production and Distribution of Bread and Confectionary
KIRIN BEER	B	USA	n.a.	Equity Partner Acquisition	8, 9, 10	Food & Bio-technology
POKKA CORPORATION	B	South East Asia North America	1988	Equity Partner Acquisition	1, 6	Food
NISSIN OIL	A	China	1988	Joint Venture	1, 3	Oil Refinery
NICHIREI	B	USA, South East Asia	n.a.	Joint Venture	1, 6, 10	Food
KATOKICHI	B	Korea, Hong Kong	n.a.	Equity Partner	1	Food
<SERVICE>						
MARUBENI	A	South & North America, Europe, Oceania	n.a.	100% Ownership, Joint Venture	1, 4, 5, 6	Various Kinds of Projects
TOMEN	A	South East Asia, USA	n.a.	100% Ownership, Joint Venture	1, 2, 4, 5, 6	Trade, Finance
TOUSHOKU	B	USA, Asia	n.a.	100%, Joint, Acquisition	1, 6, 7, 8	
OSAKA UOSHIJOU		USA	n.a.	100%, Joint	6	Marketing of Seafoods
SUMITOMO SHOUJI	A	Worldwide	n.a.	100%, Joint, Equity Partner, Acquisition	1, 4, 6	
SHOUEI SHOKUHIN KOUGYOU	B	USA	n.a.	USA, China	1, 6, 7	Food Processing
YUASA SANGYOU	A	Thailand	1988	Equity Partner	1, 3, 7	Frozen Vegetable Processing Vinyl Packaging
ROYAL	B	Australia	1987	Equity Partner	6, 8, 10	Beverage

Objective of Investment:
1. Lower Cost
2. Foreign Exchange
3. Local Government's Incentive (Promotion)
4. Trade Friction
5. Advantageous Financing
6. Penetration of Local Market
7. Export to Third Country
8. Dividend/Loyality
9. Development of R & D
10. Others

Source: *1988 Directory of Companies with International Operation, Weekly Toyo Keizai Special Issue*, pp. 40–44.

4. Direction of Food Trade in Japan

This paper analyzed about food consumption and production, problems that surround them and actual condition of food trade in Japan. This chapter will classify some arguments concerning the direction of food trade in Japan. Basically, the principle of our trade policy is to increase import, as reported by OECD.

We did not have any restriction over outflow of agricultural products from Japan. No credit or export subsidy has been necessary and if there was any policy, it would have been about import(18). The policy on agricultural products, however, differed by item. Generally speaking, we realized our low self-supply ratio and tried to maximize domestic production of the items that could be produced at a reasonable price.

There are those who wish to delay market liberalization and develop domestic industry. They argue that by so doing traditional Japanese culture in local areas, which depend on agriculture, can be revitalized(19).

Another reason to restrict inflow of product is safety. By limiting the inflow, they say, food with radioactive or unwanted chemical contamination, additive antibody or preservatives can be stopped.

Third reason is national security, which calls for higher self-support ratio.

Forth reason does not necessary work against imports but they want to cultivate food industry with export capability(20).

All these reasons are employed to justify agricultural protectionism. However, the current situation of food trade is against such sentiment. Local areas could be revitalized by establishing a commodity with enough competitiveness but the commodity or product need not be agricultural one. The argument of food safety should lead to a common safety standard for both imported and domestic products and not to protectionism. National security could be achieved by diversifying the countries from which we import foods.

Japan would have be decide if it continues the pro-American policy and weather to open up the food market further. The pro-American policy means to reduce domestic agricultural capacity further(21), a trend that is said to have been accelerated during 80's.

This trend in our agricultural policy seems to have an eventual objective of sacrificing Japanese food production in order to reorganize industrial structure. In other words, to give up the efforts to increase self-support ratio(22) and increase export of industrial goods(23). Therefore, we had to protect our food production, some people say.

However, this argument assumes that Japanese agriculture cannot improve productivity. The low productivity at the present is undeniable and is causing the very torrent of food import. To make the matter worse, the productivity appears to be sagging further. In most cases agricultural subsidy is needed to increase self-support ratio or to cultivate export industry out of specific commodity. This did not happen in Japan, and it is hard to expect such a result in the near future.

One of the few effort to crack the international market is establishment of overseas offices by the Ministry of Agriculture and Marine and Zenno, the association of farmers. Small amount of agricultural products' export, food processing and agribusiness is the limited field where internationalization is on track. We will have to expect these efforts to strengthen the agricultural industry in Japan.

Japan has to do something with its self-support ratio and productivity of agricultural sector. The move is closely monitored by other countries[24]. No matter which path Japan takes, the future of her agricultural industry is not bright. The policy of the past has come to a watershed and major reform would take place in a few years.

APPENDIX

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