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Opposition to free trade is commonly treated as a heresy. Yet farmers in Japan, and in other countries across the Asian region, have persistently opposed the WTO order, and now oppose its extension through bilateral or multilateral Free Trade Agreements, of which most notable are those currently being negotiated between the United States and South Korea and between Japan and Australia. Commonly, those negotiations are conducted at high bureaucratic level, with direct input from major business federations but little or no voice for farmer and consumer groups. With the Doha round of WTO negotiations stalled, the United States, Japan and others are shifting their attention to bilateral FTAs. Ono Kazuoki, veteran of Japanese and Asian farmer movements, here comments on the projected Australia-Japan FTA. (Japan Focus)

The Japanese government opened negotiations on a Free Trade Agreement with the Australian government in Canberra on 23-24 April. Australia is a major agricultural country and the third biggest exporter of agricultural products to Japan. These negotiations are likely to result in significantly negative consequences for agriculture and the local economy in Japan, so farmers' groups strongly object to the FTA. On the other hand, the Japanese business community has lobbied for the agreement, anticipating positive impact on the economy from the import of natural resources and energy and the export of automobiles and parts. However, it is unlikely that the impact of the FTA will be confined to economic aspects. The hidden motive behind it is the economic integration of the Asian region by the USA and Japan in association with expanded security links. The following paper explores the impact that the FTA is likely to have on Japan's economy and society.

FTA: A Japanese Business Initiative

On 19 September 2006, the Federation of Economic Organizations (Keidanren), the Japan Chamber of Commerce and Industry (Nihon Shoko Kaigisho), and the Japan Foreign Trade Council (Nihon Boeki Kai) published a document entitled, "Call for earlier commencement of negotiations on Japan-Australia Economic Partnership Agreement."[1] This document is summarized below.

(1) An FTA would be significant for Japan's promotion of economic integration in the Asia-Pacific region;
(2) An FTA would enable Japan to secure important resources, energy and food such as coal, natural gas, iron ore and beef;
(3) Without an FTA, Japanese companies would be disadvantaged in market competition because of the FTA between Australia and the USA;
(4) Without an FTA, there would be a risk that China, which is also in the process of FTA negotiations with Australia, might grab Australian resources and energy;
(5) An FTA would lead to increased exports of automobiles and spare parts, engines, tyres, and TVs, all major Japanese export products;
(6) An FTA could be expected to lead to increased business opportunities in the area of government procurements and in the service sector.

Impact of The FTA on Agriculture and the Local Economy in Japan

In contrast to the positive anticipation of FTA in the business community, Japan's agriculture sector anticipates it with anguish. According to MAFF (Ministry of Agriculture, Forestry, and Fisheries), damage to the beef, dairy, wheat, and sugar sectors (Japan's major imports from Australia) would amount to 430 billion yen (ca. 4.3 billion Australian dollars). Production of wheat and sugar would disappear in Japan, and that of dairy and beef would be reduced by half.

The drop in agricultural production would lead to a decline in the farm household economy and local economy, and would also cause job losses in the processing and transporting sectors. The Ministry estimates total damages, when these are factored in, amounting to two trillion yen.

Australia is a big rice-producing country, with a maximum rice production area of 1.8 million hectares. Eighty per cent of the production is Japonica rice, the preferred Japanese variety. The producer rice price is now dropping because of international competition and oversupply. If the tariff on rice from Australia is lowered, Japanese rice production will be heavily damaged, and the Ministry predicts that Japan's food-sufficiency rate will decrease from its current 40 per cent to around 30 per cent (calculated on a calorie basis).

Japanese rice paddy

Hokkaido may anticipate an especially severe impact from an FTA. The four main imports from Australia (beef, dairy, wheat, sugar), together with rice, are all staple products of Hokkaido. On 28 November 2006, the Hokkaido Agency estimated likely losses in the case of the FTA being ratified and tariffs abolished. Total losses suffered by Hokkaido's beef, dairy, wheat, and sugar sectors, including those of linked industries such as milling, refining, dairy processing, and related manufacturing, construction, transport and commercial businesses, would be 1.37 trillion yen, and about 88,000 people would lose their jobs.

Liberalization: Path to the Strengthening of Japanese Agriculture?

Some argue that cheap imported foods will be beneficial to Japanese consumers, and that Japanese farmers, challenged by the imported foods, will become more competitive, but one cannot treat food and agriculture as an exclusively economic matter.

Japanese agricultural production costs are undoubtedly high. The cost of rice in Japan is more than ten times that of the USA, and with Australia the gap is even wider. However, in terms of cultivated land per household, the average figure for Japan is 1.8 hectares, for the USA 500 hectares, and for Australia over 3,000 hectares. Even if Japanese farmers made huge efforts and were able to increase the scale of their land ten fold, that would still leave them only one-27th of the USA and one-167th of Australia.

Australian sheep grazing

It is cruel to require Japanese to become internationally competitive while ignoring the factor of land scale, something that individual farmers can do nothing about. It is therefore unrealistic in the extreme to think that liberalization will make Japanese agriculture competitive in international markets.

Furthermore, it is not well known that the tariff rate of Japanese agricultural products is already very low by international standards. While the figure for the European Union, a big agricultural exporter that presses other countries to adopt free trade policies, is around 20 per cent, the rate of Japan is 12 per cent, slightly higher than the figure for the USA. Also, price support policies to protect domestic agriculture were abolished more than a decade ago. Compared to the large export subsidies paid by the US and EU, Japanese farmers receive very little subsidy.

In view of the actual situation, it seems not at all far-fetched to think that the further promotion of free trade and reduction of tariffs might make Japanese agriculture disappear altogether.

And, to those who say that if we can gain a stable supply of cheap agricultural produce from abroad that should be fine, the question is not so much just one of economics and price as one of values. What price would we put on the health of the countryside surrounding our towns and villages and on our dragonflies, minnows and butterflies?

Competition for the Expanding Asian Market

In fact, it is quite possible that concerns about agriculture will be pushed aside as the Japan-Australia FTA is promoted by a business community that sees the FTA as 'necessary for Japan to promote economic integration of the Asia-Pacific'.

At present, China, the US, and Japan are fiercely contesting shares of the rapidly growing Asian market. Since Japan is anyway subordinate to the US, the structure is basically one of confrontation between China on the one hand and the US-Japan coalition on the other. Facing a China that has taken the lead in building an East Asian Community made up of 13 countries (China, Japan, South Korea, and the ten ASEAN countries), the US-Japan coalition plans to add Australia, New Zealand, and India to make a total of 16 countries. The next step would be for the US itself to be included and the community expanded to the 23 countries of APEC. The objective is to weaken the influence of China in the Asian region.

Australia now occupies a key position in the Asian strategy of the US and Japan. The extent to which the US and Japan can capture the rapidly expanding Asian market will depend on their winning over Australia, or, in other words, on getting the Japan-Australia FTA. In that strategic perspective, nothing could seem more trivial than the problem of Japanese agriculture.

The Japanese business community has already begun to insist that an FTA with the USA will follow after that with Australia.

Economic and Military Linkage

Cooperation in the economic sphere is linked to cooperation in terms of security, that is to say, military cooperation. On 13 March 2007, Australian PM John Howard, visiting Japan, reached agreement with Prime Minister Abe Shinzo on starting negotiations towards an Australia-Japan FTA, and at the same time the two Prime Ministers signed a 'Japan-Australia Joint Declaration on Security Cooperation.'

Abe Shinzo and John Howard exchange the agreement

It was the first time for Japan to issue a comprehensive joint statement on national security with any country other than the US. Australia is allied to the US and its troops serve in Iraq. Japan is also allied to the US. The March 'Joint Statement' means that the alliance frame becomes triangular, linking the US, Japan, and Australia. It also means that the frame of collective self-defence that Prime Minister Abe so strongly promotes is greatly widened.

This is consistent with the 'Armitage Report Mark Two' which former Deputy Secretary of State Richard Armitage and his colleagues published on 16 February [2]. This Report seeks to have Japan strengthen its anti-China stance by cooperating with Australia and India. It also urges Japan to agree to the right of collective defence, and to ratify a comprehensive free trade agreement with the USA. That is the real point of the Australia-Japan FTA.

[1] "Nichigo keizai renkei kyotei no soki kosho kaishi o motomeru," Keidanren, 19 September 2006, www.keidanren.or.jp/japanese/policy/2006/066.html
[2] Richard L. Armitage and Joseph S. Nye, "The U.S.-Japan Alliance: Getting Asia Through 2020," Washington: Center for Strategic and International Studies, February 2007. www.csis.org/media/csis/pubs/070216_asia2020.pdf

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