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U.S.-Japanese Agricultural Trade Relations

Edited by
Emery N. Castle and Kenzo Hemmi,
with Sally A. Skillings

A Book from Resources for the Future

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Preface

In 1978 the Japan Center for International Exchange approached Resources for the Future with, for RFF at least, an unusual proposal. The proposal was for me to chair a group of U.S. scholars who would explore certain aspects of U.S.–Japanese agricultural trade relations in a set of papers. The proposal was unusual in that the efforts of the U.S. scholars were to be coordinated with parallel efforts of a group of Japanese scholars under the chairmanship of Kenzo Hemmi, dean of agriculture at the University of Tokyo; further, the entire scholarly effort was to be integrated with reciprocal visits and discussion between policy makers in the U.S. Congress and the Japanese Diet. At that time I was vice-president and senior fellow at RFF, and after discussing it with President Charles Hitch of RFF and selected staff members, I agreed to undertake the assignment on behalf of the organization.

The primary objective of the entire undertaking, as explained by Mr. Tadashi Yamamoto, director of the Japan Center for International Exchange, was to serve the decision-making process in the two countries. A secondary objective was to develop additional scholarly capacity in both countries for the understanding and analysis of agricultural trade relations. The Japan Center for International Exchange—using grants by the Toyota Motor Company, the Toyota Motor Sales Company, and the Japan–United States Friendship Commission—provided the major funding for the undertaking.

There were no plans at the outset to combine the scholarly work in the two countries in a single volume, but there were plans for a conference of the two groups to facilitate an exchange of findings. Dean Hemmi and I had not met prior to the initiation of the project. Each of us was to choose his scholars, develop his respective outlines, and make the two efforts as complementary as possible through correspondence. When Dean Hemmi saw the U.S. outline, however, he developed a very comparable outline for the Japanese efforts. It became apparent a well-integrated piece of work might result.

In June of 1980 a conference of the authors was held in Tokyo. D. Gale Johnson from the United States and Yujiro Hayami of Japan joined the original group of scholars and also presented papers. Johnson had just completed a manuscript on world food problems and prospects and Hayami one on Japanese agricultural adjustments. Both papers were relevant to U.S.–Japanese trade relations and added significantly to the conference.

At that time, it became apparent that the integration and complementarity of the papers had succeeded beyond our original expectations, and it was decided that an effort should be made to publish the results. I agreed to submit the collected papers to Resources for the Future for consideration as a book.

Thus, Dean Hemmi and I, who had begun the project in the expectation of chairing a small group of scholars in our respective countries on parallel but somewhat loosely coordinated projects, found ourselves working closely together in editing a highly integrated volume. I take this opportunity to recognize Dean Hemmi's professional skill, patience, and wonderful sense of responsibility. What began as a professional association has grown to encompass personal friendship. It has been a genuine privilege to work with him in this undertaking.

Dean Hemmi and I believe the process has produced a book. Efforts of this kind usually result in collections of papers that have substantial duplication, different styles, and gaps in coverage. Although this volume suffers from all of these defects, it is our belief they are minimal when compared with the contribution the volume makes. Dean Hemmi and I have edited each manuscript, and the authors have been exceedingly cooperative in making adjustments. Chapter 1 was written by Dean Hemmi and me after the other chapters were in hand and furnishes the plan of the volume, an overview and summary of the principal findings, and our own conclusions. We believe the volume is a unique treatment of agriculture, agricultural policy, and trade relations of two countries that have great need for mutual under-

standing. Because the book will be published in both languages (in Japanese by the University of Tokyo Press), scholars and policy makers in each country will have available for the first time data and material on each country viewed in a comparable manner. Some of the Japanese material is available in English for the first time; Dean Hemmi assures me the same is true on the Japanese side.

As noted earlier, the primary purpose of the entire undertaking was to serve decision makers in Japan and the United States. We believe such service already has been and will continue to be rendered. The Japan Center for International Exchange coordinated visits of members of the U.S. Congress and their staffs in Japan as well as visits of Diet members to the United States. Materials from this volume have already been used in numerous ways by policy makers, and I trust such use will continue. The draft papers were supplied to the members of the Japan–U.S. Economic Relations ("wisemen") Group and were cited in recommendations on agricultural trade in their report to the president and prime minister. This volume will also serve the secondary objective of the project—to develop scholarly capacity for the understanding and analysis of agricultural trade relations between the two countries.

Mr. Tadashi Yamamoto of the Japan Center for International Exchange deserves tremendous credit for making the effort possible in the first place and for coordinating it from start to finish. He was ably assisted in the New York office of the center by Mr. Hiroshi Peter Kamura, who was most efficient and always seemed to have the myriad details concerning the project at his fingertips.

Certain individuals within RFF also deserve special mention. Sally Skillings provided expert editorial assistance and helped greatly in making the style of authors of the two countries comparable. Kenneth Frederick served as acting chairman of the RFF Publications Committee for the review of this manuscript.

January 1982

Emery N. Castle
Washington, D.C.

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Overview

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Why has the history of agricultural trade relations between the United States and Japan often been so troubled? And what of the future? Even though trade in agricultural commodities is apparently of mutual advantage, unless the issues that have created problems are recognized and defined, future trade relations are likely to be worrisome to both parties. This book is written in the hope that a thorough analysis of the basic complementarities between the two agricultural economies and an understanding of the internal problems of each country will point toward better relations in the future.

The United States has large land areas and large-scale farming. A significant part of its agricultural output is exported, and Japan is a most valuable customer for these exports. In contrast, Japan is an importer of food and its agricultural economy is dominated by small farms. Generally speaking, Japan is a willing importer of U.S. agricultural products and it also wants to be assured of a dependable supply. In addition, the two countries are friends. Both are democracies and both have the same general objectives in the world.

What, then, is the problem? On the surface it would appear that the need for accommodation is so great that, in comparison, any

Emery N. Castle is president of Resources for the Future. Kenzo Hemmi was dean of the Faculty of Agriculture at the University of Tokyo.

obstacles which might exist would be insignificant. However, when ones goes beneath the surface, the issues are complicated and need to be recognized by policy makers in both countries. That is what this book is about.

The book has four parts. Part I introduces the issues addressed in this volume, describes the world food situation as a setting for U.S.–Japanese agricultural trade relations, and presents the current policy situation with respect to these relations. Part II discusses agriculture and agricultural policy in Japan and the United States and their interrelationships. Part III shows how agricultural policy in the United States and Japan is made with attention to both similarities and differences. In this connection, the coalitions underlying prevailing agricultural policies are described in detail, thus permitting an assessment of the possibilities of change. Part IV analyzes the interdependence of the two agricultural economies in the belief that future policy development should be based on such knowledge.

Scholars from both countries participated in the preparation of each of the four parts. The reader will find substantial cross-referencing between chapters throughout the book. The writers discovered in a very real way that scholarship, as well as trade, is interdependent.

U.S.–Japanese Trade Relations

Trade between countries occurs in a global context and is never just the result of bilateral negotiation without direct or indirect effect on third parties. Furthermore, the global demand and supply situation for a commodity establishes the general market conditions within which bilateral trade is negotiated, and so it is with food. Accordingly, in chapter 2, D. Gale Johnson provides a description of the world food situation that establishes the context for agricultural trade between the United States and Japan.

In the chapter, Johnson is cautiously optimistic about the world food situation while recognizing that trade relations in the future will undoubtedly be complicated. Despite higher energy prices and disappointing agricultural performance in many parts of the world—notably in parts of Africa and the centrally planned economies—per capita food consumption for the world as a whole increased during the 1970s. Johnson believes that inadequate performance in the production of food usually can be traced to either inadequate consumer

income or inappropriate incentive systems. He writes that resource constraints are much less important on a global basis than poverty and institutions.

With the exception of parts of Africa, Johnson believes that the low-income countries gave a remarkable performance in food production during the past decade. Their rate of increase in food production has outstripped that of the higher income countries in a significant way. Relatively, per capita increases are much less, of course, because of population growth. But Johnson notes that one of the real surprises of the past decade has been the decline in birth rates in the more densely populated parts of the world. Although it will be some time before the full impact of this decline is reflected in food produced per capita, there are short-run benefits, and it is a trend lending support to Johnson's cautious optimism.

Johnson analyzes the forces that influence world food trade—a trade that has been growing at approximately twice the rate of food production. The centrally planned economies, especially the Soviet Union and China, have greatly increased their grain imports. In the case of the Soviet Union, these imports were primarily used to increase the production of their livestock industry. Another factor resulting in increased trade has been the greater participation in such trade by the developing countries; some of them have increased their food imports but others have increased their exports. Moreover, these countries are likely to participate in trade as they develop their respective comparative advantages in the international community because it would be uneconomic for all such countries to become self-sufficient in food production. Underlying both of the above trends has been a decline in the real price of grain on a worldwide basis. The application of research results, the development of technology, and the use of advanced management techniques have permitted certain areas of the world to increase grain output under declining cost conditions. It has been to the advantage of these countries to dispose of part of this output elsewhere in the world. In those parts of the world where declining cost conditions do not prevail, it makes economic sense to import rather than produce at higher cost.

But if food trade grows in the future, it will do so in an uncertain world. Food is not traded, of course, in isolation from other commodities, and if trade in food is to flourish, so, too, must trade in other commodities. All trade is much influenced by world politics and global geography. Recent events in the world demonstrate the extent to which trade can be influenced by nations acting in concert (the actions