Is it Fine for Japan to Do Without Agriculture? Negotiating Japan-Australia Economic Partnership

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Translated by Rumi Sakamoto

On the 23rd and 24th of April the first round of negotiations for the Japan-Australia Economic Partnership Agreement (EPA) was held in Canberra, the Australian capital. This is the first negotiation since the telephone conversation four months ago between Prime Ministers Abe Shinzo and John Howard, in which a decision was made to begin negotiations. To avoid negative political repercussions the negotiations were scheduled to follow the Japanese General Election and were held in Australia.

The government planned carefully because of strong Japanese opposition to the EPA. Before discussing in detail the nature of the opposition, let me explain the background of the government's decision to enter into the Japan-Australia EPA negotiations. There are two main points.

First is the world-wide boom in bilateral economic agreements. In principle, trade liberalisation should be negotiated amongst multiple countries through the World Trade Organisation (WTO) as in the Doha Round. Doha Round negotiations, however, have made little progress.

Many countries are therefore rushing to conclude bilateral agreements such as Free Trade Agreements (FTA) and EPAs. The forerunner of this trend is the US, which in 1994 concluded the North American Free Trade Agreement (NAFTA) with Canada and Mexico. The completion of the US-Korea FTA negotiations on April 2nd has surprised the world. The Japanese government, a latecomer to this trend, is anxious not to be left behind.

The other factor informing the government's decision is Japan's competition with China over economic hegemony in East Asia. With its huge population and growing power China is rapidly increasing its influence in Asia. It is also enthusiastic about Free Trade Agreements, having already established one with the Association of South East Asian Nations (ASEAN) and being in the process of establishing another with Australia. Currently China is attempting to bring together 13 countries - 10 ASEAN nations plus China, Japan, and Korea ñ as part of its 'vision for an East Asian Community'.

Meanwhile Japan is still negotiating an EPA with ASEAN. Japan's concept of an East Asian Community involves expanding its membership to 16 by adding Australia, New Zealand and India to the aforementioned 13 nations. The intent here is to weaken Chinaís influence as much as possible, for which cooperation with Australia is essential.

Small gain, large liability

What, then, are the advantages of a Japan-Australia EPA?

First is the increase of exports by eliminating tariffs on items such as cars and home appliances. Australian tariffs, however, are already set low. There are also well-developed local production systems. Industry therefore will not benefit much from eliminating tariffs in relation to Australia. Rather, the main concern of METI (Ministry of Economy, Trade and Industry) and Nippon Keidanren (Japan Business Federation) is to secure natural and energy resources by linking with Australia, which has abundant coal, iron ore, and liquefied natural gas. Australia, however, is also in FTA negotiations with other countries including China, and therefore it is uncertain to what extent a Japan-Australia EPA will indeed secure Japan a stable supply of natural and energy resources.

On the other hand, importing agricultural products from Australia - an agricultural superpower - poses a clear threat. Australia is Japan's third largest import source for agricultural products after the US and China. At present high tariff rates for 'important items' ('sensitive items') such as beef, dairy products, wheat and sugar are protecting domestic agriculture. If the EPA removes the tariffs, however, cheap and abundant Australian agricultural products will flow into Japan and destroy the market for domestic agricultural products.

The difference in the scale of agriculture in Japan and Australia is immense. The average size of the land under cultivation for a Japanese farmer is 1. 8 hectares whilst that for an Australian farmer is a massive 3,385 hectares, almost 2,000 times larger than the Japanese counterpart. Clearly, Japanese farmers cannot compete with Australian farmers on this count.

Can we exclude some important items from the EPAís tariff-elimination? The December 2006 report of the joint study produced by the Japanese and Australian governments did mention the possibility of such 'flexible measures'. In fact, in the EPAs Japan concluded with the Philippines and Thailand in the past, such flexible measures were applied in relation to agricultural products in return for Japanese aid to these countries.

With Australia, however, such flexible measures will be difficult to achieve. FTAs and EPAs are to liberalise 'in principle all trade', and since agricultural products represent a high proportion of Australia's total exports to Japan, the exclusion of these items from the tariff-elimination may invalidate the EPA altogether. Besides, Australia, an advanced country, does not need any 'aid' from Japan. Judging from its past FTA negotiations, Australia's attitude seems firm; = it is unlikely that it will allow 'flexible measures' uniquely for Japan.

If the tariffs for agricultural goods are eliminated, Hokkaido will suffer most directly. According to calculations by the Hokkaido prefectural government, if the tariffs are eliminated without any special measures for financial support, Hokkaido's sugar (sugar beet) and wheat production will be devastated; only 30% of beef and dairy products such as butter and cheese will remain. The total value of the decreased production will be 445 billion yen. Possibly 21,000 farming households will disappear.

With the effects extending to food-processing and other related industries, the Hokkaido economy will suffer damage worth 1.37 trillion yen, 88,000 people will become unemployed, and the local economy will be devastated. We may have to witness many cases similar to Yubari city, which was propelled into bankruptcy as a result of the closure of the coal mines.

The impact will also be serious on national agriculture as a whole. According to calculations by the Ministry of Agriculture, Forestry and Fisheries, sugar (including sugar cane in Okinawa and elsewhere) and wheat production will be totally devastated. Half the beef and dairy

production will also disappear. With the production of rice and other items also decreasing, Japanese agricultural production will decline in value by 1.4 trillion yen. If we add to this losses in related industries and in local economies, the total loss comes to as much as 3 trillion yen.

As a result, Japan's food self-sufficiency rate - currently the lowest amongst major countries at only 40 percent (in calories) - will decline even further to just 30 percent.

Besides, if Japan opens its doors to Australia, other agricultural superpowers such as the US and Canada will increase pressure on Japan to provide them with the same deal. Accepting their demands, according to some estimates, would mean that Japan's self-sufficiency rate will decline to just 12 percent. This would be the end of agriculture in Japan.

The Nightmare of a food crisis, again?

Is such a situation desirable? To be sure, consumers will be able to buy cheap agricultural products. But a country that relies on foreign countries for the majority of its food supply, which is the source of life, is not a decent country. Whilst the US has been continuously pressuring Japan to open its doors to US agricultural products, President Bush has said the following in speeches to Americans.

'Can you imagine a country that cannot supply its own food? Such a country is a country that is facing international pressure and danger.' (2001 July) 'Food self-sufficiency is a matter of state security. We are lucky not having to rely on imported meat in order to secure the health of US citizens.' (early 2002)

The world seems to be heading towards a food crisis. According to the US Department of Agriculture, the current level of world grain stocks has fallen to 15%, the lowest in the last 35 years. This translates into just 57 days of consumption. This is because China and other countries with growing income have increased their grain imports, and also because of the sharp rise in demand for corn and other grains as raw material for biofuel.

Another concern is unusual weather. Last year Australia experienced one of the worst droughts on record. This led to a sudden drop in wheat production, which pushed up the price of wheat to the highest level in the last 10 years. Moreover, agricultural exporting countries such as the US and Australia suffer from chronic water shortage, which renders their agriculture fragile.

The current level of world grain stocks matches that of the period between 1972 and 1974, when the world experienced its worst food crisis of the postwar period. The former Soviet Union experienced a bad harvest and secretly purchased a large amount of grain from the US and other countries, triggering a sudden sharp increasing the grain price on the market. West Asia and Africa south of the Sahara suffered large-scale famines. The US soybean export embargo then sent Japan into a panic. There is no guarantee that this nightmare will not happen again.

In this situation, it is not acceptable to further lower the food self-sufficiency level. Besides, agriculture fulfills multiple functions beyond merely supplying food: preservation of farming village landscapes; maintaining farming society and culture; protecting water sources; preventing floods etc. If Japan is to lose agriculture, all these will be lost too.

On April 23rd, the first day of the negotiations over Japan-Australia EPA in Canberra, a 'meeting of consumers and producers who oppose the Japan-Australia FTA negotiations' at the Building of the House of Councilors in Tokyo. Farmers and consumers gathered and adopted a resolution that demanded, amongst other things,

that 'Japan-Australia negotiations exclude agricultural products from the tariff elimination programme'. The group will continue to demand the termination of Japan-Australia negotiations whilst networking with Australian citizens' groups.

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