

Chapter 5 Update

Kenneth A. Reinert, *An Introduction to International Economics: New Perspectives on the World Economy*, Cambridge University Press, 2012.

In Chapter 3, you learned that it was possible for countries to move from autarky to *inter-industry* trading relationships based on patterns of comparative advantage. So, for example, Japan can export motorcycles to Vietnam while importing rice from Vietnam. You also learned that such movements from autarky to trade involve improvements in welfare for the countries involved. In other words, both Japan and Vietnam can experience gains from trade. In point of fact, however, Japan has a long history of *restricting* imports of rice. This reluctance to import rice has been explained by the Consulate General of Japan in San Francisco:

Rice has been the staple of the Japanese for over 200 years and can be considered the most important element in the evolution of the Japanese culture and social structure. Therefore, a significant segment of the Japanese population express cultural concerns over rice imports. In addition, many Japanese rice producers have historically been strongly opposed to accepting rice imports for both economic security and cultural reasons.

Indeed, during the Uruguay Round of multilateral trade negotiations, the Japanese Diet (Parliament) passed three resolutions opposing the proposed partial liberalization of the Japanese rice market. At the very end of the Uruguay Round negotiations (in 1994), Japan was given “special treatment” to continue to restrict rice imports. To this day, Japan offers significant protection to its domestic rice sector such that the domestic price is approximately twice as high as the world price.¹

New References

The Economist (2013) “Fieldwork: Farming in Japan,” April 13.

¹ See Fukuda, Dyck and Stout (2003), for example. The Economist (2013) reports that Japanese rice farmers “wield political influence through the national network of local farm cooperatives called Japan Agriculture (JA). With its tight links to the Liberal Democratic Party (LDP) and the agriculture ministry, and employing an astonishing 240,000 staff in Tokyo and around the country, the JA is probably Japan’s most powerful lobby. It campaigns to keep high import tariffs on farm goods: the tariff on rice is 777.7%.”