

1 Overview

The Economy

Japan has the second largest economy in the free world, exceeded only by the United States. From 1982 to 1986, Japan's economy grew at an average annual real rate of 3.7 per cent. Japanese government forecasts are for continued economic growth at a 3.75 per cent rate over the next decade. With the recent increases in the value of the yen, the Japanese have also attained the highest level of per capita GNP among industrialized countries.

Japan is an inefficient food producer with limited land under cultivation, small farms, and labour-intensive agricultural production. Japan has arable land of 4.6 million hectares, which is only about one-tenth the amount of equivalent arable land in Canada. The average farm is just 1.1 hectares in Japan, compared to 152 hectares in Canada. Furthermore, these small Japanese farms support an agricultural population of 4 838 thousand, approximately nine times the 513 thousand Canadians dependent on agriculture for their livelihood.

Table 1

Per Capita GNP (U.S. Dollars)

Country	1984	1985	1986	1987
United States	15 949	15 356	17 529	18 415
Japan	10 474	13 543	16 184	19 530
Canada	13 300	12 946	14 210	15 700
Germany	10 072	11 704	14 700	18 400
France	8 880	9 863	13 034	15 816
U.K.	7 610	8 173	9 879	11 780

Source: Bank of Japan, Comparative International Statistics, 1986, 1987 and 1988. OECF Reference Tables.

Japan imported \$150 (U.S.) billion worth of goods in 1987. Broken down, this amounted to 41 per cent raw materials and fuels, 15 per cent food, 13 per cent capital goods and five per cent consumer goods. Food product imports can be further broken down as follows (1986 figures):

Product	% of Total Food Imports
Meat and Meat Preparations	13
Dairy Products and Eggs	1
Fish and Fish Products	18
Cereals and Cereal Preparations	18
Vegetables and Fruit	12
Fancy Foods	8
Beverages	2
Tobacco	3
Other	25
Total	100

Source: OECD, Statistics of Foreign Trade.

The result of this agricultural inefficiency is Japan's declining capability to feed itself. As shown in Table 2, Japan's food self-sufficiency ratio has declined from 90 per cent in 1960 to 70 per cent in 1986. The decline was particularly evident in wheat, pulses, fruits and nuts, meat and seaweeds.

Given the large market size, a continuing strong open market economy, and high dependency on food imports, Japan, in the long-term, must be considered a market of good potential for food exporting countries.