PROBLEMS WITH UNGREGULATED LIBERALIZATION OF THE FISHERY PRODUCT TRADE

Masaru Okamoto, Fisheries Economy Department, National Research Institute of Fisheries Science, Fisheries Research Agency, Fukuura, Kanazawa--ku, Yokohama--shi, JAPAN

e-mail: okmt7689@affrc.go.jp

ABSTRACT

Japan imported 35.44 million tons of fishery products in 2000, about 5 times more than in 1975, when imports overtook exports. This increase over the past 25 years is due to the following factors. On the demand side: 1) Increased imports of fodder driven by growth in domestic fish culture; 2) Increased imports of middle- to high-end fish and shellfish, such as shrimp and tuna, in response to rising Japanese living standards; On the supply side: 1) Imports of fishery products by major automakers and electric appliance manufacturers to improve Japan's trade balance; 2) Greater investment in fish culture and processing businesses, supported by the provision of technical guidance by Japanese general trading houses. An uninformed debate is now proceeding on the economic theory of "liberalization of trade," justified according to the principle of "comparative advantage." If we accept that "comparative advantage" leads to across-the-board economic improvement, natural justice dictates that those individuals who lose out as a result of liberalization should be compensated by its beneficiaries. In other words, if "production specialization" is embraced as a national policy, the losers should not be assumed to be compensated by market forces: they need to be compensated through state-sponsored taxes and subsidies. The continued objections of the fishery industry to "unregulated liberalization of trade", an inescapable effect of globalization leading to bleak growth prospects and a widening gap between rich and poor, should be understood not as the complaints of a vested interest, but as a warning that these global-scale problems need local solutions.

Key words: liberalization of trade, globalization, comparative advantage, worldwide environmental problems, problems of difference in wealth, bottlenecks in current mainstream economics, 21st century-type new social and economic system

Introduction

The Earth has now become a smaller space, and globalization is increasingly being regarded as an unstoppable but beneficial force. The problems with the fishery product trade lie in the fact that it is trying to swim against this tide but can do so only weakly.

How should this attempt on the part of the fishery industry to swim against the current of globalization be interpreted? Should it be understood as an inexcusable attempt to preserve a vested interest which in any case contributes little to GDP and employs relatively few people; or, looking at it from completely the opposite direction, might it be regarded as a mission to save one of the Earth’s resources for the future by diverting what might be a disastrous tidal wave of globalization?

In this research paper, problems with the fishery product trade are considered from this second viewpoint.
Much information on the current situation of the fishery product trade, specific problems, etc., can be found in magazines such as specialty journals for fisheries. So, leaving these points to one side, the following should be stated from a macroscopic and fundamental viewpoint on the current problems facing the fishery product trade.

2. Increase in imported fishery products and its reasons

Imports of fishery products have for a long time been continuously and rapidly increasing. This has brought about a situation where the self-sufficiency rate of fishery products as food products, which showed a very high rate in the past, has already fallen to close to 50%. Specifically, Japan imported 35.44 million tons of fishery products in 2000, about 5 times more than in 1975, when imports overtook exports.

The factors behind this increase over the past 25 years are now broken down into social/economic factors and internal factors in the fisheries sector.

Although the appreciation of the yen can be identified as a key factor in this increase, it originated with the shift of the international exchange control system from a fixed exchange rate system to a floating exchange system due to the collapse of the Bretton Woods System in 1971. It accelerated with the Plaza Accord in 1985, which actually acted as a spur to the sharp hike in the yen.

The high value of the yen, which put Japan at a disadvantage commercially and boosted other countries’ incentive to export to Japan as well as Japan’s incentive to import, automatically led to imports. It also had a major impact on increased imports of fishery products by boosting demand for them. This had a deleterious effect on fishery production conditions deriving from efforts throughout the industrial world to enhance productivity to cope with the strong yen, leading to increased wages, increased real incomes, and widening of price gaps between home and abroad.

The above were all fundamental factors driving increased imports of fishery products. These factors are reviewed below, sorting out the factors into those on the demand side and those on the supply side. (See Fig. 1)

Fig. 1 Transition of fisheries product imports (JAPAN)

On the demand side:
1) Increased imports of meal etc., as fodder driven by growth in domestic livestock industry and fish culture
2) Increased imports of middle-to high-end fish and shellfish, such as shrimp and tuna, in response to rising Japanese living standards;
3) Increased imports to cover declining domestic production of mackerel, horse mackerel, and octopus for use as ingredients for food products.
On the supply side:
1) With the setting of coastal economic zone i, a new definition of “imports by JV,” was made, in which catches by Japanese fishing boats sold in Japan were differently categorized.
2) Increased imports of fishery products by major automakers and electric appliance manufacturers in response to domestic and international requirements to improve Japan’s trade balance;
3) Increased imports due to greater overseas investment in fish culture and processing businesses, supported by the provision of technical guidance by Japanese general trading houses, major fisheries companies, etc.

In the abovementioned factors, there exists “excessive consumption” on the demand side, against a backdrop of these factors, at which Veblen (1899) directed criticism, dubbing it “conspicuous consumption”; there also exists the issue of competitive imports of goods without deficiency in supply on the supply side.

Trade issues and economic ideologies
When it comes to economic theories, convenient theories for “the strong” such as hegemonic powers and the wealthy are more likely to be adopted and advocated.

The debate on “the Corn Laws” between Ricardo and Malthus is one example, with involved groups advocating free trade on one side and groups asserting protective trade on the other.

Many examples can also be found after the Industrial Revolution, with countries that had asserted free trade in the past doing complete U-turns and adopting protectionism after changes in their industrial structure, or vice versa. In recent years, the US has insisted on free trade in the finance and service industries since the GATT Uruguay Round, but since the US has moved their industrial structure mainly to tertiary industries, it is clear why they are so insistent on this move.

At the moment, Japan’s industrial structure is based on secondary industries, with the central focus on industrial products; and manufacturers of cars, appliances, and machines that have a high degree of dependence on exports have grown into giants. (However, the proportion of exports to GDP is only 10% or so.) Therefore, the ideology, almost a religious belief, in the public mind as well as in academia is that “Liberalization of trade improves and enhances national and public welfare (that is to say, it serves the national interest)”. This is attributable to the outcome of a self-serving economic ideology that uses the old-fashioned comparative cost theory of Ricardo (1817) (The theory of “comparative advantage”) as its logical starting point. Although other economic theories, such as horizontal trade and inter-firm trade, which of course cannot be covered by this theory, are applicable as complementary theories, the theory of “comparative advantage” is the basis of economic thought which has controlled international opinion aiming at full liberalization of trade in which the US and UK took the initiative.

Bottleneck of economic theory on free trade
In this connection, the economic theory of “trade liberalization”, which is taken as a given, is treated here as the problem, although it may be a bit disrespectful to harbor doubts about a theory so long established in academic society.

First of all, the key concept of the theory is “comparative advantage”.

The theory of “comparative advantage” is premised on the concept of the nation-state (especially the industrial structure of a nation), which is entirely different from the concept of “absolute advantage”.

3
Specifically, the focus is on the promotion of efficiency in factors such as national capital and labor. In other words, capital and labor should be utilized and “specialized” for superior industry, and all-out pursuit of international specialization is its logical result. (If applied to Japan and taken to its logical conclusion, it would mean doing away completely with agriculture and fishery.)

Why does this theory chime so well with the economic principles of “liberalization of trade”? It is possible that this theory is ideal for creating a frame of reference to advocate the elimination of trade barriers for the sake of ensuring “improved and enhanced public welfare” for what they call “the weak in Japan and overseas” such as people working in both startup industries declining industries in Japan and people in developing countries.

However, the promotion of efficiency in factors such as capital and labor, which is a premise of “comparative advantage”, is limited, since even Mundell, an authority on international economics (1968) accepts the “barriers of mobility of factors” such as the difficulty of redeployment, and also states that the eventual outcome of “improved and enhanced public welfare” is premised on a globally high rate of economic growth. (See Table 1 for the benefits and snags of high rates of economic growth.)

Additionally, concerning another premise of the “concept of nation-states”, Krugman (1996), a spirited economist, denies the concept of “national competitive power” and accepts only the existence of competitiveness of individual firms.

Even if “improved and enhanced public welfare” derived from “comparative advantage” is accepted, the theory of “improved and enhanced public welfare” should work out on condition that those who lose out as a result of liberalization of trade should be compensated by its beneficiaries for changes in the industrial structure within a country and, on the international scale, in relations between advanced countries and developing countries. In other words, to develop a theory, it is crucial that if “production specialization” is embraced as a national policy, those who are subject to “decreased surplus” (i.e., losing out or suffering decreased profits) or the losers should not be assumed to be compensated by “market forces”: they need to be compensated through state-sponsored redistributive taxes and subsidies.

Although there are various premises on which are established the theory of trade liberalization as described above, limits have recently become apparent that are preventing its full application. These include the global impact of political, social, cultural, and natural parameters, such as limits to resources and the environment and the inconsistent application of globalization, not to mention the difference in political power among nations. These growing disadvantages were hitherto not factored into what is an extremely simplified economic theory. The theory of liberalization of trade is therefore expected to collapse due to these problems sooner or later.

The author believes that it has become mandatory to review the economic principle that has been accepted so far, that “liberalization of trade” is advantageous in all cases, to establish a new paradigm for economic thought.

The pitfalls of globalization

Current issues concerning globalization should be pursued with a view to seeking a new paradigm as an alternative to the economic view that liberalization of trade is best.

Globalization itself can be regarded as a natural consequence of the historical development of mankind and can be recognized to have greatly contributed to global prosperity. On the other side of the coin, however, with the problems of “limits to resources and the environment on the Earth” and “difference in
wealth” increasingly being recognized globally to have become serious, there is a growing recognition that globalization is the actual source of the problem. In other words, whether or not globalization leads to disaster depends on who understands the dangers that it represents.

Table 1  Bottlenecks in the current mainstream economics and social and economic system of the small scale fisheries and fishing villages

<table>
<thead>
<tr>
<th>Bottlenecks in current mainstream economics</th>
<th>Economic and social system in the small scale fisheries and fishing villages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Negative effects of thoughts on the premise of “economic growth”</td>
<td>* Holding to the empirical rule that there is no other optimum level attainable than maintaining a steady condition that is under the level of reproduction of resources available&lt;br&gt; * The limiting factor of the symbiosis-with-nature type of industry is biological growth, since speeding it up is impossible.</td>
</tr>
<tr>
<td>High economic growth is wrong in the context of limited resources and energy</td>
<td></td>
</tr>
<tr>
<td>2. Moral hazard between generations</td>
<td>* Supplemented by the continuity and momentum of “nature” and “regional community”</td>
</tr>
<tr>
<td>Depleting resources destined for future generations is damaging</td>
<td></td>
</tr>
<tr>
<td>3. Negative effects of the pursuit of “efficiency”</td>
<td>* An empirical rule in that pursuit of “efficiency” under natural restrictions is damaging</td>
</tr>
<tr>
<td>In economic efficiency, price is the only determinant factor on the assumption of homogeneity&lt;br&gt; Applying efficiency to energy and individual welfare in the broad sense of the term is damaging</td>
<td></td>
</tr>
<tr>
<td>4. Negative effects of profit-oriented persons</td>
<td>* The sense of respect for nature and shared practices and traditions in the regional community restrain the mere pursuit of profit.</td>
</tr>
<tr>
<td>Pursuit of profit is the base of human behavior, and excludes most other behavioral objectives.</td>
<td></td>
</tr>
<tr>
<td>5. “Concept of values in time”</td>
<td>* Limit on time due to ”biological speed” and “continuity of growth” of living things</td>
</tr>
<tr>
<td>“Things unchangeable” are denied and pursuit of efficiency in time is esteemed&lt;br&gt; Differences in concepts of values in the symbiosis-with-nature type of industry (the agriculture, forestry, and fishery industry) are found in the slow and circular passage</td>
<td></td>
</tr>
</tbody>
</table>

Notes: It is assumed to be due to the following two important conditions at each of the above bottlenecks becomes a foundation stone for the characteristics of the social and economic system in small scale fisheries and fishing villages:

(a) Intrinsic systems (not only formal laws but also unwritten rules, like customs) of which the major ones cover cooperative organizations and fishing rights systems, and (b) aquatic resources whose characteristics of production are “mobility” and “ownerless property”. “mobility” and “ownerless property”

The synergy of (a) and (b) can be said to have cultivated “regional community” and “commons” in the small scale fisheries.

Reference Okamoto’s materials for his lecture at the 30th North Japan Fisheries Economic Conference in 2001

Refer to Table 1 first. Table 1 was developed on the assumption that part of the solution to the bottlenecks in current mainstream economics could be found in the social and economic system seen in the small scale fisheries and fishing villages (including non-actualized systems); the items listed in the left-hand column are those which the author regards as bottlenecks. From this standpoint, the author feels that globalization is problematic.
What is the problem with globalization? It is that the scale and speed of globalization results in a huge mismatch between economics and politics. The globalization of “information” and “money” has progressed by far the most due to rapid technological advances in the IT sector, followed by the globalization of “goods” and “human resources” due to progress in transportation, but that of “politics”, highlighted by the problem of the global environment and poverty, lags the furthest behind.

The difference in globalization between the world economy and world politics is causing a variety of fundamental problems.

Fig 2. Conceptual diagram of globalization

A. COUNTRY

Interior clearance

Economy (compelled by IMF, WTO etc.)

B. COUNTRY

Human resource (restricted by immigration policy)

Redistribution of wealth (only ODA etc., restrictive)

- Interior is political, economical stability.
- Redistribution of wealth (tax, subsidy)

Fig. 2 illustrates this on a conceptual basis, showing that domestic shipments and the introduction of human resources, goods, and money on a large scale are not seen as a problem. Politics and economy are unified within the frame of a nation to allow measures to be taken, such as the redistribution of wealth and responses to environmental problems, resulting in political and economical stability being secured.

On the other hand, various border policies are translated into action between other nations, but as for economic activities, including trade, only the globalization of the economy takes the lead because the nullification of border policies has been promoted, in part forcibly, by the IMF, WTO, etc., which recently came under critical attack for the actions they recommended taking during the Asian Currency Crisis, while world politics and international welfare still remain in an immature and delayed state. This is a major factor contributing to international instability.

“Harmony of globalism with nationalism” and “a world economy balanced with world politics” are crucial for globalization to benefit mankind.

Actions taken against problems with the fisheries product trade and their significance
What actions should the fisheries sector take against the problem of full liberalization of fisheries product imports? First of all, what is most important is to recognize that the continued objections of the fishery industry to full liberalization of fisheries product imports are not protests from vested interests.

Antiglobalism does not always lead to the resolution of problems with the “global environment”, “limits to growth” or the broadening “difference in wealth”. It attempts to pull a brake on the “liberalization of trade” which is the main driving force behind globalization, which generates differences in level between current world politics and the world economy.

Antiglobalism is forward-looking: its aim is to save the Earth’s resources and to specifically solve the global problems mentioned above.

In addition, as for a practical response to the economy and company management, which are immediately concerned with production and living, it is conceptually justified that from the viewpoint of those who are engaged in fishery as well as individual firms, that they participate in political (not economic) activities to claim compensation for the losses they suffer (the amounts corresponding to “decreased surplus”) incurred by the liberalization of trade. Also, from the viewpoint of regaining Japan’s current self-sufficiency rate in fishery products, they take action on fishery trade liberalization. (There is a similar example from the UK. Even the UK, that normally strongly advocates free trade, felt alarmed by their sinking food self-sufficiency rate, and adopted a package of measures for recovery, resulting in a rapid recovery.) (In reality, however, in many cases they are not compensated due to their weak bargaining position.)

On the other hand, in the case of opposing trade liberalization of fishery products, the entire fisheries industry must recognize anew that they must be prepared to be transiently subject to damage or regional economic confusion, such as, (1) difficulty in securing raw materials for processing due to the generation of excess demand resulting from the shortage of imported fisheries products, (2) a distribution and sales decline due to decreased amounts of fishery imported products, and (3) a decrease in income from subsidiary businesses due to the drop in pay levels.

Can the small scale fisheries show the way to a “21st century-type of new social and economic system”?

The author firmly believes that undeveloped or as yet unrefined concepts which could serve to constitute a paradigm for a “21st century-type of new social and economic system” such as “symbiosis with nature”, independence of labor”, and “regional community” are already part of the culture in the fishery industry and fishing villages.

Thanks to valuable accumulated research in natural sciences, recognition that the Earth has a finite amount of resources and a limited environment is now gaining ground, and is molding global public opinion concerning global resources and the environment. However, the globalization of materialism and finance-oriented principles, which is supported mainly by the UK and the US, and has been accelerating in the last few years, is now spreading to all corners of the world. On the other hand, it is obvious that a political, economic, and social system and thought/philosophy to cope with the crisis of the Earth and mankind in the near future, that is, “worldwide environmental problems” and “problems of difference in wealth”, have not yet been fully recognized throughout the world.

This point of view leads logically to the following.
(1) What are the multiphase functions of fisheries and fishing villages?

In contrast to other industries, the agricultural, forestry and fishery industry has many functions other than that of food supply, since they have their own specific properties in that production can not be increased only by the application of human technology and ingenuity like other industries, and the fact that they largely depend on the elements.

This is understood by the general population.

A poll taken by the General Administrative Agency of the Cabinet (published in October 2001) shows that people are aware that the food-producing industry plays various roles, including

(1) preservation of the natural environment,
(2) maintenance of the protection of national land from natural disasters, such as maintenance of water-holding function in rice paddies and flood control during natural disasters,
(3) food security,
(4) conservation of beautiful scenery,
(5) the cultivation of sensitivity to natural beauty, and
(6) passing down and preserving the cultural heritage of fishing-based local economies and fishing villages.

In addition, the fishery industry has many unique qualities that make it different from other primary industries, since it covers living aquatic resources, which are ownerless property, and has mobility. Therefore, concerning the agriculture, forestry, and fishery industry, specific functions peculiar to the small scale fisheries and fishing villages can be added to other multiphase functions possessed by the agriculture and forestry industries.

On top of this, the author would like to add a new concept: that of a “guiding function for the 21st century-type of new social and economic system” deriving from the unique characteristics embodied in the small scale fisheries and fishing villages.

(2) What is this “21st century-type of new social and economic system”?

The history of economics is a history of paradigm alternation.

(a) Classical economics, founded by Adam Smith who triggered the Industrial Revolution in the second half of the
18th century, criticized mercantilism, and advocated the market function of the “Invisible Hand”
(b) Marxist economics, which focused on labor value theory in the first half of the 19th century against a
background of the miserable life of laborers due to the progress of industrialization. Marx proved the existence of
“exploitation”.
(c) Neoclassical economics, beginning with Keynes, who placed emphasis on the roles of government such as
finance and public investment, from the need to take measures against the deep depression and high unemployment
in the first half of the 20th century (not to be confused with the other type of neoclassical economics—the school of
Walras—which is different from Keynesian economics).

Although the above schools of economics are the biggest three, they can be regarded as contributors to social
science (not only economically but socially, politically, and philosophically) that made a great paradigm shift,
leading to a serious crisis in the history of humankind.

The author understands that what people living on the Earth today must do is to establish the following two
fundamental and theoretically consistent paradigms as a new social and economic outlook common to all humanity
at the beginning of this new century, and convert these new paradigms into tangible forms as a social and economic
system on a global scale:
1. A fundamental paradigm to solve the worldwide environmental problems which have been growing since the
second half of the 20th century, based on the recognition that the Earth, the basis of living and production for all of
humanity, has a finite amount of resources and a limited environment.
2. A fundamental paradigm for solving the problems of difference in wealth, including the gap between the rich and
the poor between nations, which should be reduced with the development and expansion of the world economy,
domestic wealth gap, and problems of absolute poverty in developing countries.

This apparently unrealistic and abstract concept is the “21st century-type of new social and economic system”
in question.

Essential key words for the system are the abovementioned worldwide environmental problems, problems of
difference in wealth, and the problem of the generation gap. At the present time, generations who are not qualified
for social and political decision-making and generations who will be born in the future will be unable to participate in the market. The problem of negative legacy to future generations must be added to these other problems.

The problems represented by these key words are difficult to solve by utilizing economics such as the “theory of the third path” “new development economics”, and “la theorie de la regulation” under the current fundamentalist market-based ideology. (Of course, although economics is trying to solve various problems originating in the market-based principle, from the standpoint of mainstream economics, they are all maverick outsiders.) To solve these problems, it is a mission of the current generation to seek, establish a theoretical basis for, and realize a new paradigm which will bring about a transformation of the market fundamentalism-first principle.

(3) To fishery operators and city dwellers, what is true affluence?

The number of people engaged in coastal fishery has been decreasing. Even if their number is assumed to be maintained or even to increase, the scale of the industry may be expected to expand to some degree due to measures taken to recover resource levels, improvement in the quality and quantity of the aquaculture industry and farming fishery, and return of marginal profits to the fisheries sector (better expansion in the distribution and process sectors), etc. However, it would be difficult to correct disparities in income level between city workers and fishery workers by means of increasing fishery income alone.

In this connection, the author dares to suggest an idea that these problems could be solved by reconfiguring coastal fisheries and fishing villages to

(a) stress the “affluence” in fishing village life,
(b) demonstrate “liberty without time restrictions”, and
(c) enable “pursuit of wealth” for those who aim at economic success with which they can enjoy a more affluent life than in cities, based on the concept of “diversity”.

In addition, a statistical examination of the actual living condition of households engaged in coastal fishing shows that the income per household of fishery households and city workers’ households has been fairly closely matched recent years, although some fluctuation is seen from year to year.

Other than income, an overview of statistical indexes with which actual living conditions can be described, such as the consumer price gap, disposal income rate, savings rate, home ownership rate, sewage services rate, average life expectancy, number of hospital beds, human services, and crime rate, shows that living in a large city does not always confer advantages.

These trends are unlikely to change in the near future.


The basic conclusion of this report is (a) the realization of an economic setup where various concepts of values coexist due to the broadening of individual liberty and (b) the realization of a society where individual free choice is possible.

Specifically, the report gives the following prospects on people’s living styles in the near future, categorizing them into two types: a style that should be changed and a style that must be changed

(a) to a society where factors other than income count towards people’s degree of satisfaction in living
(b) from availability of income to availability of choice and availability of time
IIFET 2004 Japan Proceedings

(c) to pursuit of value of living, from “like others” to “different from others”

On the other hand, in reality, Japan’s most recent and important political and economic key words are “global standard” and “personal responsibility”. This trend is in tune with American or Anglo-Saxon thought but it is open to question as a permanent concept; in spite of this, the people of Japan feel they have to stay in the mainstream for the time being in response to (a) the globalization of human activity of every kind and (b) shrinking public sector support.

However, in the case of staying in the mainstream, what must be developed in principle are, regarding (a), not only to respond to economic activities but also to cope with worldwide environmental problems, and regarding (b), to solve the problem of insufficient public sector involvement in public welfare in the broad sense of the word. Allowing for the above, to enjoy true affluence in both fishing village life and city life, it is important not only to review the present set of values apparently based on the GDP-first principle, to think again about the value of a more varied fishing village-style life and adopt new views on quality of life, such as a post-mass production and post-mass consumerist culture and not a growing economy but a steady economy. It is also important to transmit new concepts and values from fishing villages to cities to broaden the outlook of city dwellers.

Conclusion

We need to recognize that the Earth, the source of life and production for all humanity, has finite resources and a limited environment. This view has been gaining ground since the second half of the 20th century. In the light of this, the author takes the position that all generations living on the Earth today must think about establishing a new social and economic construct for all humanity, directed towards solving worldwide environmental problems, eliminating the gap between the rich and the poor between nations and within nations and absolute poverty in developing countries, which should have been narrowed and reduced as the world economy grew and expanded in the past, and build a new paradigm as a social and economic system worldwide at the start of this century.

In addition, the author firmly believes that as yet undeveloped or unrefined concepts which could serve to constitute a paradigm for the “21st century-type of new social and economic system” such as “symbiosis with nature”, independence of labor”, and “regional community” are already part of the culture in the small scale fisheries and fishing villages.

Furthermore, since the Japanese who are the most successful proponents of Asian type capitalism (similar to the Rhein (river) type of capitalism advocated in Europe, including Germany and France, which is fairly similar to the capitalism prevailing in Japan), in defense against Anglo-Saxon type capitalism, social scientists (the author included) who have become involved in the fishery industry and fishing villages, which they are convinced will become sources of this paradigm in the near future, should attempt to seek a paradigm to establish a “21st century-type new social and economic system”.

In the context of the above, this paper is written to encourage the fishery industry, which has been so dispirited in recent years, to claim a bright future, hoping for a world where this kind of view of economics and living style will be embraced by the general public.

REFERENCES

Hawken, P., Natural Capitalism, 1999 (Japanese translation, Sawa, T., 2001)