

# **An Economic Analysis of the Declining Tulip Bulb Industry in Japan: a consequence of free trade?**

Tatsuya Takeda  
Faculty of Law  
Takaoka University of Law  
Japan  
takedahorticulture@gmail.com

Yasutaka Niisato  
Faculty of Economy  
Toyama University  
Japan  
niisato@eco.u-toyama.ac.jp

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## **Abstract**

In Japan, the peak of the cultivation area and the production of tulip bulbs was at 1993. After then, they have continued to decrease. One of the reasons of the decline is an increasing import of the low-priced bulbs from the Netherlands after the relaxation of the bulb quarantine in 1988. In this paper, we point out and analyze the other causes of the decline. We divide two periods (from 1993 to 2001 and from 2001 to 2015) due to the difference in movement of the demand and supply curve and analyze some causes that affect demand and supply of tulip bulbs. We consider demand factors of large influence such as prices of substitutes and complements for bulbs, prices of consumer goods, national income and demand shocks (change in preference of flowers such as a gardening boom, expected income and population), as well as supply (home production and import) factors such as price of complementary crops in production, substitute crops, production factors (material inputs, labour, and land), capital equipment for the total farmers who decide their investment considering future expected profits and interest cost, and supply shocks (technical progress, weather, market organization, and innovation). and import conditions.

From the economic point of view we clarify the causes of the decline, consider whether it is a consequence of a free trade policy of 1988 or not and show some conditions for sustainability of the tulip bulb industry in Japan.