



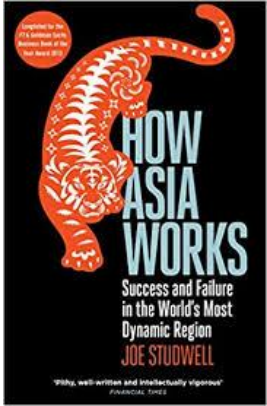
Development Policy 2019

Session (11): Rural Development in Asia

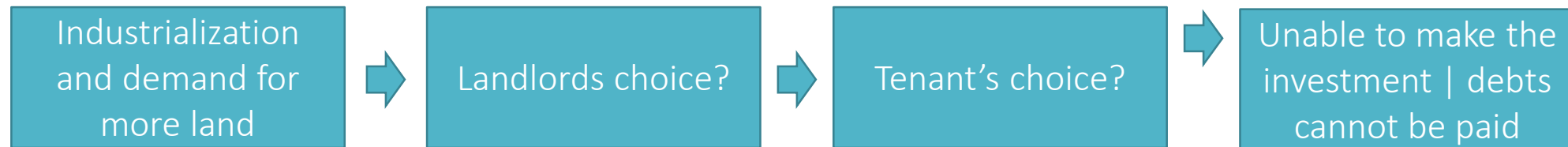
Schedule

- Many countries in Asia successfully escaped from poverty. Industrialization and export-oriented economy of course have been a basis of growth, but agriculture & rural areas are still remain import.
- How could Japan and Asian countries developed rural areas?

Importance of Land



- Land Reform (reform on land use) was one of the important foundation of postwar economic growth in Asia → in particular, 'pro-poor' land reform (Joe Studwell, 2013).
- Why is land so important? 1) In the early stage of development – 2/3 of entire population lives in agricultural area (U.S., Japan, almost all countries); 2) After industrialization, agricultural area tends to fall or decline.



- Little tenure, Land insecurity → good for landlords (easy money).
- Some East Asian countries → 1) favored small family farms (land rights); 2) Self-sufficient agriculture (jump start manufacturing); 3) Encouraged the financial sector to channel capital to family farming.

Outcome

- Notable success of land reform in Japan, S. Korea, Taiwan, and China (orchestrated by communist, anti-communist government) → the 'objective' of the reform was same.
- Take available agricultural land and divide it up on an equal basis among the farming population → backed by government support for agricultural credit and marketing institutions, agronomic training, and other support services.
- Japan (1946) – agricultural production increased by 50%
- South Korea (1949) – rice production doubled, export growth (40% in 1960s, 25% in 1970s), self-sufficient agriculture. Now (rice surplus). Similar to Taiwan.
- Land rights → enable farmers to invest in crop diversification, commercialization → growth income (e.g. Taiwan, farm income increase)



Japan's Agrarian Reform

- Japan's model – based on private land ownership since 1946 → Features individual-cooperatives mixed economies with individual ownership of **small and fragmented** farms (unlike American farms).
- Rural cooperatives provide services.
- Japanese government's protection of agricultural sector – 1) The government's rice-supporting policy(purchase of rice at higher price and sell it to urban dwellers at cheaper price); 2) Liberal Democratic Party members' subsidies from national treasury to their respective prefectures (infrastructure development for rural area, 'pipeline politics').
- In return: Higher yields of rice | multiple cropping of other grains | diversified cropping and other non-crop agriculture.



Challenges to Japan's Agriculture

- External threats:

1. U.S. government targeted Japan as a large market (for U.S. farmers)
2. Japanese large corporations' interests (in U.S. market)
3. WTO entry

- International threats:

1. Rise of off-farm employment | urbanization (peasant migration)
2. Aging of farmers (average age more than 60s) without successors
3. Small scale (average size 1.6 ha) – impeded the use of large machinery.
4. Japanese government blamed overpriced rice (after Koizumi)
5. Natural disasters (typhoons, earthquakes, droughts)

An old Japanese farmer in New York Times (1990): “*Japanese agriculture has no money, no youth, no future.*”

Facing Challenges

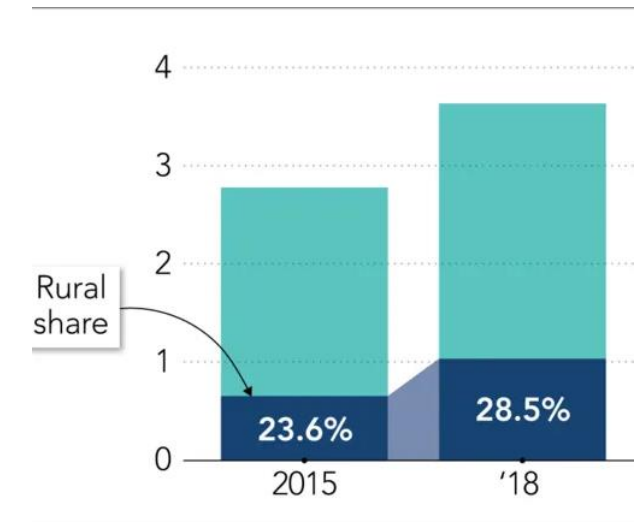
- Promotion of eco-farms fruits trees – produce fruits and serve as wind breaks.
- High-tech agriculture in Japan – using biotechnology (growing rice with amazing diversity). Modernization of rice paddy agriculture. Using agriculture robot.
- Development of vegetable factories.
- Eco-friendly rural tourism
- Re-establishment of rural community

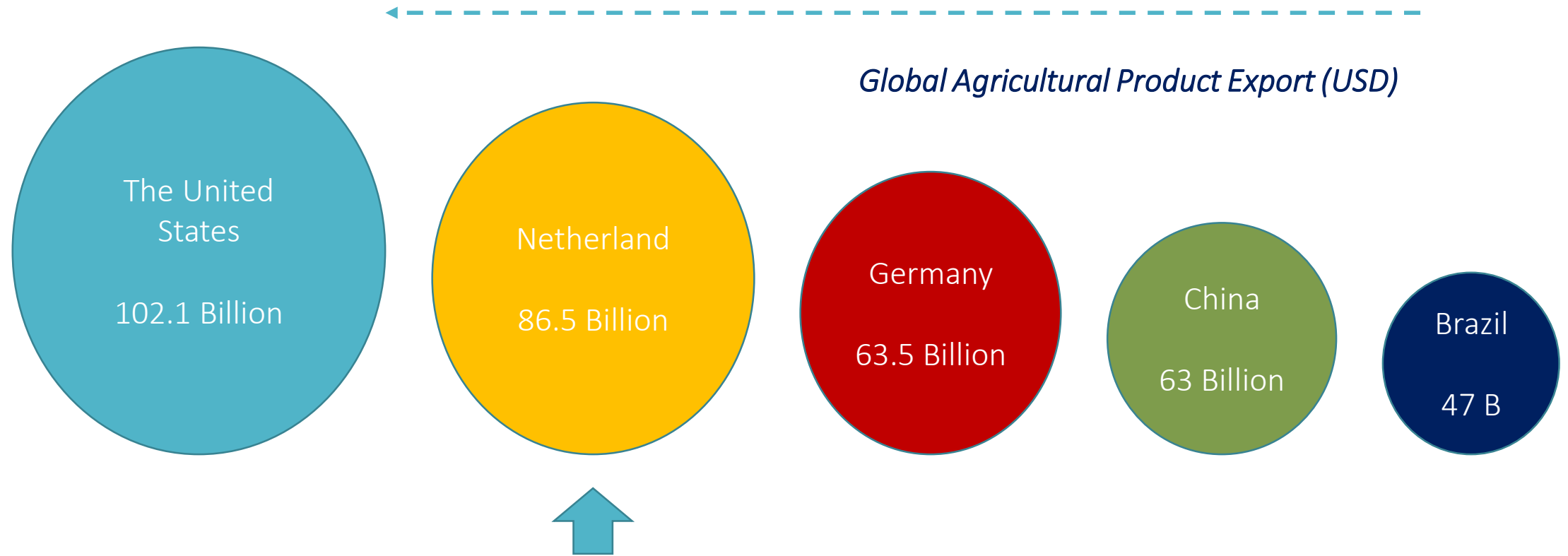


Eco-Rural Tourism



- As of 2018, tourist to Japanese rural areas spent of 1 trillion yen (outside big cities).
- Attract foreign tourist to Japanese rural villages (up to 30% of total tourism) – foreign visitors prefer authentic experiences rather than artificial tourist spots.
- Income diversification
 - Launching 35 flights a week between 8 in Kyushu, using 10 small jets (free).
 - Passengers must buy vouchers worth at least 1,200 USD to shop, eat, sleep, or get medical treatment in the area.
 - Using newly developed Japanese aircraft.
- (e.g.) Air Q Project





- *Land consolidation policy (for commercial, export)*
- *Coherent government policy (lasted for 60 years)*
- *Smart Agriculture – big data, AI technology (subsidized)*
- *Relatively young farmers (Korea 64 years old, Netherlands 54 yrs.)*



Rural Situation in South Korea

- In 1960s – extreme poverty
- Poor infrastructure
 - Car accessibility to villages only 60%
 - Electricity accessible village only 20%
 - Repeated natural disasters
 - Low agricultural products
 - Rural poverty ratio in 1967 was 34%



South Korea

- Followed Japan's path – Land reform, agricultural subsidies, infrastructure development, promotion of rice farming, irrigation, etc.
- Public investment to improve the agricultural infrastructure expanded steadily → creation of farmlands, development of agricultural water resources, the improvement of irrigation systems and mechanization of agriculture.
- Supported the production of rice and barley to promote the production of basic food grains (Price policy)
- Rural infrastructure development (roads, electricity, communication, transportation, etc.).
- Agricultural R&D: The Rural Development Administration (1962)
- Improvement of agricultural cooperatives and organizations
- New town movement (*Saemaul Undong*)** - Self-help movement



Saemaul Movement



- Started without a well-defined formal or theoretical framework.
- A genuine Korean way of community development strategy (mottos, slogans, terminologies, etc.)
- Initiated by political will of the top national leadership as a rural development project.
- Intention was to escape from poverty, hunger → Better living movement. Achieved self-sufficiency of rice and barley in 1975.
- Moral suasion – made pre-modern behavior, customs, etc. into modern one.
- The government's support – organized supporting organizations. Financial support (Saemaul credit union) | trained local Saemaul Undong leaders.

Challenges



Unstable agricultural product price

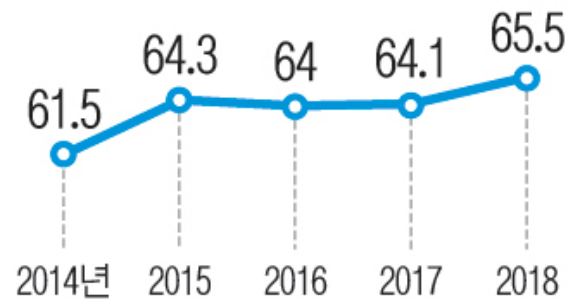


Shrinking cities & Aging Population

WTO, Open economy – import of agricultural product

Income disparity between urban and rural area

Shrinking the size of agricultural land



*Farmers' income
compared to
urban residents
(100%)*

Countries followed private land policy

- Indonesia, Malaysia, Thailand – grew rapidly, but income gap (social instability in rural area).
- Bhutan, Nepal – progressed but still the poorest countries in the world.
- Logic – with private land (small and fragmented ownerships), reforming and commercializing agricultural sector is not easy.
- Question – Is public ownership model (China, Vietnam) an alternative? Does Vietnam have similar rural problems? (urbanization, aging population, shrinking rural areas, e.g.)