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Lifting the Siege on Japanese Agriculture

Japanese Agriculture Under Siege: The Political Economy of Agricultural Policies. By Yujiro Hayami
New York St Martin's Press, 1988, 145 pages, \$45

Reviewed by William T Coyle

Japanese policymakers must have read earlier drafts of this book by Hayami. Recent agricultural and trade policy changes undertaken by Japan seem to closely follow his prescription for "lifting the siege" on Japanese agriculture by raising productivity in Japanese agriculture so that it can be viable without trade barriers. Fitting into Hayami's framework are the elimination of import quotas (p. 118) as was agreed to in the GATT-12 case in early 1988 and the beef and citrus agreement in July 1988, significant cuts in rice prices (p. 116) in 1987 and 1988 (the first in 30 years), and the recommendation of using "market mechanisms" (pp. 119-121) to achieve structural improvements in the farm sector in the 1986 and 1987 Maekawa reports.

Even his view that true food security for Japan lies not in self-sufficiency but in international cooperation (pp. 122-123) is consistent with Japan's emerging role as the world's leading foreign aid donor and its more activist role in providing leadership and contributing ideas to solving the Third World debt problem. The latter was manifest at the Economic Summit in Toronto last year.

Japan's recent actions and Hayami's vision cast a more optimistic light on the potential for reform in Japanese agriculture. In many ways, Japan's efforts to reform its agriculture since the beginning of the Uruguay round of multilateral trade negotiations (Sept. 1986) are the most dramatic in the developed world. For many years, Japanese agricultural and trade policy changes were slow and peripheral to the farm sector; rice market liberalization was a taboo subject, and the farm lobby's political clout seemed insurmountable. There was a sense that things would get more distorted as time went on, that there was something deterministic about economic development and ever higher levels of farm protection and assistance in Japan.

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According to Anderson and Hayami's earlier book, *The Political Economy of Agricultural Protection* (Sydney Allen and Unwin, 1986) (p. 114) "The clearest lesson is that agricultural protection is unlikely to disappear. On the contrary, it will probably continue to increase in East Asia and other protected economies and spread to less developed economies as they industrialize (or otherwise lose their comparative advantage in agriculture)." The commonly held view that the political influence of the farm sector will diminish as the number of farmers declines is clearly erroneous, at least until some threshold is reached. This is most obvious in Japan, where the nature of the demographic change that has accompanied industrialization, and of the agricultural cooperative organization that has entrenched itself in rural area, ensure that the demand for agricultural protection will continue to expand."

At the time the Anderson and Hayami book was published in 1986, government assistance in Japanese agriculture had been increasing during the 1980's. Since about 80 percent of assistance to Japanese agriculture comes from high producer prices maintained by restrictive border measures and paid for by consumers, low world prices and an appreciating yen, particularly after 1985, raised farm support even though budgetary programs were being cut during 1981-87. But, with cuts in rice supports in 1987 and 1988 and significant reform in the beef and citrus sectors underway, Japanese Government support to farmers may have finally begun to decline. Whether this trend continues depends, of course, as much on exchange rates and world commodity prices as on a continuing national commitment to reform.

Hayami's essential point in *Japanese Agriculture Under Siege* is that Japanese agriculture does not have to be forever inefficient and the lightning rod for foreign criticism, that it can be viable without border restrictions, but that many changes have to be made. His reform scenario centers on the increased use of market principles and the activation of a land rental market. By reducing support prices for major farm activities and deregulating the land rental market, he envisions a greater willingness on the part of part-time farmers to rent out most of their land to full-time progressive farmers, perhaps retaining a small garden plot. Full-time farmers would then have the opportunity to put together units of about 10 hectares (the average for West Germany), take advantage of

economies of scale, and reduce their costs. Efficiencies gained through structural reform would make Japan's farm sector more internationally competitive and more able to cope with trade liberalization measures. Structural reform and trade liberalization measures would be complementary, with the latter satisfying the repeated access demands of foreign food suppliers and putting cost-cutting pressure on Japanese farmers.

The nature of Japan's agriculture would change. It would be smaller as a percentage of GNP, dominated by full-time producers, and switch from traditional rice to livestock-centered farming. The rest of the economy would become even more efficient than it already is, something for the U.S. auto industry and other industries to think about.

Hayami's thesis is intriguing and far more plausible now than when I heard it for the first time 12 years ago. To be safe, an observer of Japanese agriculture and farm policy should maintain a healthy skepticism. While the forces for change seem to be mount-

ing, including the rapid aging of the farm population, the most important characteristic of post-World War II Japanese agricultural policy has been the slowness of change. Average farm size grew from about 1 hectare in 1960 to only 1.2 in 1985, so that the fragmented nature of rural landholdings remains a major impediment to reaching Hayami's goal of larger, more competitive farms. Furthermore, the resistance to reform by what Hayami calls the "iron triangle"—the Ministry of Agriculture, Forestry, and Fisheries, the Liberal Democratic Party (LDP), and the farm cooperative (Nokyo)—cannot be underestimated. The recent Recruit scandal and weakening LDP support in rural areas triggered by the beef and citrus agreement are also likely to stall agricultural reform in the short term.

In addition to his framework for policy reform, Hayami provides excellent background chapters on the historical development of Japanese agriculture and a profile of the types and extent of government assistance in the farm sector. This is must reading for the student of east Asian agriculture.

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