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A Critical Review of the Rural Policy Development in Japan: The Decay and Future Outlook of Rural Communities

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The aim of this study is to review critically the rural policy development after the Basic Law on Food, Agriculture and Rural Areas established in 1999. The following points were found. An important feature of Japanese rural policy is the use of the rural community, which has a long history. The purpose of rural policy shifted from the promotion of rural society to the management of local resources. The key to future rural policy is to support the declining rural community and promote endogenous development.

Key words: rural policy, community, local resources

1. Introduction

The purpose of this paper is to reflect critically on the development of rural policy after the Basic Law on Food, Agriculture and Rural Areas established in 1999 (abbreviated as the New Basic Law hereafter) and propose issues through this work. This paper is composed of five parts. Firstly the position of rural policy in the policy system of the New Basic Law was examined, focusing on the relationship among the four principles; “Securing a stable supply of food”, “Ensuring sufficient multi-functions”, “Sustainable development of agriculture” and “Rural promotion”. Conflicts and tensions between “Ensuring sufficient multi-functions” and “Rural promotion”, structural policies to realize desirable farm structure for “Sustainable development of agriculture” and “Rural promotion” have become clear. Secondly how the policy window opened and how the direct payment system in hilly and mountainous areas was realized were clarified by means of tracing and organizing the development of rural policy up to the New Basic Law. Rural policy entered a new stage with the establishment of this direct payment system. The policy has been inclined to the conservation and management of local resources while taking on the character of community policy. Thirdly the characteristics of rural policy in Japan were confirmed by the use of the rural community, discussing the significance and issues of the direct payment system in hilly and mountainous areas and the multi-functional payment system. The former direct payment system is better than the latter. The problem

of the rural policy is that the primary priority is not placed on self-sustaining endogenous development but on local resource management. Fourthly the uniqueness and context of the policy were identified by organizing the formation process and characteristics of rural policy in Europe and the UK while incorporating the viewpoint of fiscal constraints, which made it clear that the exercise of discretion based on decentralization was important. Finally taking into account the policy actors, such as local governments and communities, we looked at the ideal path for rural policy in the future. The goal should be to create a fund that brings out the independence of the local community, but the immediate issues are to support an increase in the indigeneness of the local community and to establish an organization to receive various grants such as the direct payment in hilly and mountainous areas and the multi-functional payment.

2. Conflicts and Tension among the Principles of the New Basic Law

The New Basic Law has four principles. The diversification of the policy philosophy and policy objectives has led to the inclusion of different values and potential trade-offs within the agricultural system (Shobayashi, 2011: p.165). The question is how to harmonize these ideas with different directions at a high level (Shogenji, 1988: p.240). The relationship among the four principles was examined focusing on “Rural promotion” which corresponds to rural policy.

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The basic philosophy of “Rural Promotion” as the starting point is as follows. Rural areas are “places for the lives of local residents, including farmers”, and it is declared that rural areas should be promoted so that “multiple functions” can be fully demonstrated as well as “supply functions of food and other agricultural products” (Citation points are from Article 5 of the New Basic Law).

Two problems can be pointed out from the viewpoint of this rural policy. The first point is that the promotion of rural areas through the promotion of agriculture in the direction that was discussed at the time when the new Basic Law was enacted is not necessarily linked to the conservation and securing of farmland that is indispensable to provide multiple functions. It is a problem over the tension and contradiction between rural policy and multifaceted functions. Rural promotion by high value-added agriculture such as horticulture and by industries other than agriculture leads to a decrease in farmland and forest land, resulting in a contradiction between rural development and maintenance of multifaceted functions especially in hilly and mountainous areas. A typical example can be found in Oita Prefecture, which is an advanced area of high value-added agriculture promotion called the “one village, one product movement” and has been regarded as a model for the promotion of hilly and mountainous areas. The more mountainous the area, the more difficult it is to reproduce farmers and foresters by super-intensive facility-type crops that do not depend on land conditions (Sato, 1994: pp.22-23) and there was a problem of divergence between regional promotion and farmland conservation by agriculture (Ando, 1997).

The second point is the issue of consistency between rural and structural policies. This is because it is necessary to establish a link between rural policy and structural policy. At the time the New Basic Law was enacted, it was difficult to accumulate farmland for large-scale farmers typically in hilly and mountainous areas. It may be necessary to tailor rural policies as a means to integrate not only large-scale farmers but also various actors such as “elderly and old farmers” and “community farming”. The problem is the prominence of structural policies that are not balanced with rural policies. As a result of being overwhelmed by structural policies, the agricultural policy and the use of agricultural land by various actors are not depicted in the rural policy. It is necessary to actively evaluate community farming as a role to support farm villages and to preserve farmland which will lead to multifunctions. The rural policy in the New Basic Law did

not provide a vision for the state of rural society, and it is still so.

3. Formation Process of the Direct Payment System in Hilly and Mountainous Areas

Since the mid-1980s, as the increase in abandoned farmland became more serious, the challenge of rural policy had been focused on the direct payment system based on national land conservation and multifunctions. At first, attention was focused on farmland conservation by the third sector such as municipal agricultural corporations. In the process of local governments sharing various bits of wisdom like a policy contest, farmland conservation by the third sector and direct farmland conservation with public funding were eventually rejected, and a direction that aims to reorganize and strengthen the community function was adopted in the end. It is thought that the fundamental framework of the current rural policy for local resource management was established in 1990s.

The direct payment system in hilly and mountainous areas was established in 2000 as a result. This system was the core of the rural policy at the time of the establishment of the New Basic Law, and the rural policy meant the hilly and mountainous area policy at first. The use of community was the same as in previous methods such as rice production adjustment. The main aim of the conservation of local resources such as farmland was a major shift. Farmland, water and environmental conservation improvement measures aiming at nationwide deployment of similar mechanisms started in 2007 with a delay. In 2011, direct payment for friendly agriculture was built separately. The basic framework of local resource management policy using community has not changed. The basic direction of rural policy since 2000 has been that policies had been established with emphasis on local resource management, starting with hilly and mountainous areas.

4. Significance and Limitations of Rural Policy Utilizing Rural Community

1) Community farming as a practical rural policy

Community farming was being established in the hilly and mountainous areas where community had been weakening already. The direct payment system in the hilly and mountainous areas has made a big drive to create community farming. The Specified Agricultural Corporation System established under the Agricultural Management Base

Strengthening and Promoting Law (1993) was a structural policy for areas where there were no farmers who had an intention to expand their scale by borrowing farmland. In fact, it was applied to community farming that was established as a crisis response to protect the community, and all members of the community participated, and it was quite characteristic as a rural policy. This experience contributed to the implementation of a direct payment system in hilly and mountainous areas. For example, Shimane Prefecture has a long history of promoting agriculture based on community (Taniguchi, 2006). On top of this accumulation, Shimane Prefecture has become an advanced area of community farming utilizing this direct payment system.

2) Development of rural policy after the new basic law

Farmland, water and environmental conservation improvement measures (2007) became a multifunctional payment. It was merged with the direct payment system in hilly and mountainous areas and compiled into a Japanese direct payment system in 2014. Japanese direct payments consisted of three types: direct payments in hilly and mountainous areas, multifunctional payments, and direct payments for environmentally friendly agriculture. Here we discuss the first two, where the budget is large and important. Their characteristics lie in the implementation of policies through the local community.

The direct payment system in hilly and mountainous areas pays 80% of the difference in production costs between areas that have difficulty in topographical conditions and plain agricultural areas as grants to farmland managers, and is a compensation measure for the productivity gap. The important points are that a community agreement was concluded, and that a certain percentage of the subsidy can be used for the community-related activities that farmers are working on jointly (community-oriented principle). It can be used for multiple years (escape from the restriction of single-year budget execution) (Odagiri, 2010: pp.43-44). In addition, it was epoch-making that the contents of joint activities can be decided by the participants themselves. This is not just a farmland conservation activity, but it also has the character of an ideal rural policy that gives locals discretion and grants a fund to challenge endogenous development. This point can be highly appreciated. In recent years, the area of agreements has been decreasing, but this system has become established as an indispensable measure for maintaining hilly and mountainous areas.

The multifunctional payment system is a policy to

maintain and manage agricultural drainage channels and farm roads by establishing an active organization with various actors such as local residents including non-farmers, neighborhood associations, land improvement districts, and NPO corporations. The background of this policy was the recognition that as the farmland accumulation by large-scale farmers progressed, the number of farmers decreased, making it difficult to maintain and manage local resources. This policy provides subsidies to organizations that maintain and manage local resources, and has a point in building a system based on local society. It gives this system a character as a rural community policy.

3) Evaluation of the direct payment system in hilly and mountainous areas

There was a problem with the operation of this system. Increasing the scope of community agreements as much as possible and increasing the amount of subsidies that can be received has the potential to develop various endogenous businesses. Most of the agreements actually concluded covered only a small area. It was a decisive failure that an operation with great ideals was not aimed at in the first stage.

Considering the precise payment of grants and starting the project from setting up sloped farmland over a certain area, the possibility of endogenous development of the local community was lost. Since a small community agreement was concluded, there was no innovative activity and it was difficult to create community farming. At this initial stage, agreements should have been established in the widest possible range and encouraged to allocate as many grants as possible for joint activities. Perhaps it should have been subsidized for the local development plan instead of the community agreement for farmland conservation. In that case, however, the scope of the policy implementation would be small, and it would not have been possible to achieve the farmland conservation effect as it is today.

The effect of the system was the establishment of community farming, and the system worked as a big tailwind in the prefectures that were actively working on community farming in western Japan. However, since the scope of problems facing rural communities has exceeded the maintenance of local resources, the effectiveness of this system is limited. Surviving community farming has become difficult. The population is declining and the continuation of activities is limited by the aging of leaders and members. This difficulty is alike in joint activities of the system. In response to the progress of population decline and aging, measures

will be taken to introduce human resources from outside, promote cooperation among communities, and promote the broadening of the agreement. If the basic unit is still a community, there remains a question as to whether the promotion of cooperation between communities and the widening the agreement can be effective as countermeasures against community malfunctions. It may be the biggest problem that the situation in the hilly and mountainous areas is getting bad enough to find a way to change the system.

4) Evaluation of multifunctional payment system

The coverage area of this system exceeds that of direct payment systems in hilly and mountainous areas, increasing its presence. The basic framework of establishing an organization to receive grants, which is responsible for the maintenance and management of local resources, is the same. However, the subsidy per unit area is small and is basically a deduction for existing activities.

The multifunctional payment system lacks local discretion and flexibility. This is a measure that plays a complementary role in the structural policy to cope with the situation where large-scale farmers cannot manage local resources (Odagiri, 2015). It is a complete defensive policy, and it is difficult to expect new activities that will lead to the promotion of rural areas. Although it was effective in revitalizing local community activities such as residents' associations, it was not a movement that led to the establishment of community farming. The essence of this system is to seek cooperation from local residents for the maintenance and management of local resources such as agricultural waterways that can no longer be carried out by farmers alone. It is also common to the direction of the 2017 Land Improvement Law revision.

5. Rural Policy Formation in Europe

1) Characteristics of rural policy formation in CAP

It was the Agenda 2000 reform in 1999 that officially introduced the rural development policy to CAP. With this reform, the CAP was composed of two pillars: the first pillar is the agricultural production support policy and the second pillar is the rural development policy. The rural development policy was not welcomed and started (Lowe et al., 2001). This is because there was a backlash from agricultural groups and agricultural ministers in each country who were wary of reducing the agricultural budget. As a measure to overcome this, modulation was adopted to transfer part of the budget for the first pillar to the second pillar. As a result, the rural development policy managed to gain budgetary support.

Modulation was a voluntary measure in each country at the time of introduction. The rural development policy is based on the co-financing of the EU and each country's budget, and measures according to the situation in each country/ region will be implemented. The fact that diversity has been born in rural policies, assuming a certain policy framework, is a major achievement.

As can be seen from the strengthening of environmental requirements to protect the first pillar in the 2013 reform, the first pillar is still important for the CAP as a whole (Hirasawa, 2012). Even if the shift to rural development policies progresses, rural area cannot be supported without agricultural production support policies. The supply of environmental public goods that emerged in place of the multifunction is strongly embedded in this direct payment system. The development of these policies is very different from that in Japan.

2) Characteristics of rural policy formation in the UK

British agricultural and rural policies are characterized by a shift from agricultural sector policies to rural policies targeting territory. The background was the political change of the Labor Party taking power (Ward and Lowe, 2007). The Labor Party administration shook off the opposition of agricultural pressure groups, actively used modulation, and transferred the budget from the first pillar to the second pillar. The rural economy, which aims to diversify the regional economy, was a new idea at the start of the UK rural development policy. However, with the outbreak of foot-and-mouth disease, agricultural and rural policies targeted agricultural sectors, and agricultural environmental policies aimed at environmental conservation have become more important than ever. The bulk of the UK's second pillar budget has been invested in agricultural environmental policies. The UK's stance is to make full use of the discretion of CAP and actively aim to reform the direct payment system according to the supply of environmental public goods. If the UK leaves the EU, the first pillar budget will be reduced, and the reforms that have been made so far are expected to drive further.

6. Rural Policy Perspective

When looking at rural policies, it is necessary to consider them together with the implementation system which actually carries them out. The experience of Europe and the United Kingdom suggests delegating authority to countries and regions, and the formulation and execution of policies

based on discretion. What will happen when this is applied to Japan?

One is the idea of making municipalities the subject of rural policies. Rural policy is premised on the extension of decentralization, and there is a concern that there is no guarantee that the national minimum level rural policy will be implemented, although this is a natural direction. The reason for this is that the opinions of the marginal areas are no longer reflected by the merger of municipalities, it is difficult to secure the relevant budget due to the deterioration of the local government's finances, and the reduction of staff in charge of agriculture and forestry administration is progressing. Municipalities cannot afford the time to work on regional development. We can't put great expectations on them.

Another is based on the concept of rural community. Looking back on the history of Japanese agricultural policy so far, it is still appropriate to design rural policies based on rural communities. What is important is not to regard the rural community as any material structure, but to focus on the "independence of creatively confronting environmental changes" (Tama, 2001: p.50) and provide support to encourage its growth. It is also to regain the ideals that were discussed at the time of the creation of the direct payment system in hilly and mountainous areas.

7. Conclusion

When the rural community is the policy implementation body, it is difficult to specifically formulate the policy. It is natural to reform the Japanese direct payment system and promote the reconstruction of rural policies, based on the direct payment system such as that for hilly and mountainous areas that function as a highly flexible fund that can bring out the independence of the local community. This system is essential for rural areas with a steady effect in terms of local resource management. Rapid reform should be avoided. It is not the situation that a "policy window" (Kingdon, 1995) opens.

What should be tackled is to strengthen the independence and intrinsicity of rural communities through cooperation with external actors, and to promote the establishment of a receiving organization for grants of each system. A general incorporated association is one of the most powerful options (Mori, 2019). It is a realistic response to institutionalize a weakening rural community and prepare a financial foundation while various grants are paid.

On the other hand, it is necessary to start studying countermeasures assuming the situation where the population decline in rural areas has further progressed. The specific issues to be examined are the rural society that will survive with support from outside, such as children who have been sent out, the determination of the minimum line for local resource management, and the development of technology and infrastructure. Although not discussed in this paper, it is necessary to consider the economic development of rural areas from the viewpoint of Rural Economy. If these issues are addressed in earnest, it will lead to redefinition and organizational restructuring of the Ministry of Agriculture, Forestry and Fisheries.

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