

## CHAPTER 3

### THE POLITICAL SIGNIFICANCE AND POWER OF LANDHOLDERS AND FARMERS

#### Role of the agriculture sector in Japan

3.1 The Department of Foreign Affairs and Trade submitted that:

With a tradition dating back to the Confucian influence in feudal Japan, the Japanese agricultural sector has always been seen as a fundamental element of Japanese society. The agriculture lobby today tends to mobilise as a political force over domestic economic policy issues, but also maintains a strong defensive posture against international pressure to force Japan to liberalise its agricultural sector. In each case, the issues are regarded by the agricultural lobby as central to the survival of agriculture in Japan, and therefore pursued with considerable passion. But in a political context, they are closely connected with the perennial problem of the ongoing health and development of rural communities, in that same way that this is a priority in most other developed countries. In many instances the two causes are synonymous.

Many of the agricultural lobby's domestic policies have a strong emotional and chauvinistic foundation, with religious and symbolic arguments used to justify its 'unique', 'sacred' values. According to the agricultural lobby, agriculture is the basis of national economic security, and Government policy must accord it the highest priority in budgetary and other processes.<sup>1</sup>

3.2 Dr Aurelia George Mulgan drew attention to the success of farmers and their organisations in gaining preferential treatment from government, which has resulted in high food prices in Japan and the ire of Japan's trading partners. She submitted that:

The protectionist regime in Japan shares many common features with interventionist systems found elsewhere, including similarities in the instruments used (such as price supports, import restrictions and subsidies on agricultural production inputs), associated domestic effects (such as commodity surpluses, budget deficits and economic 'losses') and consequent impact on international trade in agricultural commodities.

Amongst the major trading nations protecting agriculture, Japan has occupied 'a uniquely protectionist niche' in the world market for rice

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1 Department of Foreign Affairs and Trade, submission no. 32, p. 42

and other agricultural commodities.<sup>2</sup> As early as 1965, steady annual increases in the price paid by the government to rice farmers made Japan the leading industrialised country in level of support for agriculture.<sup>3</sup> Assessed by a range of measures devised by economists, Japan's agricultural sector has revealed itself as more highly protected than any other in the major world economies.<sup>4</sup>

3.3 Government protection of the farm economy has insulated it from the full impact of domestic and international market forces and from the consequences of economic and social change. However, agricultural support and protection in Japan and other industrialised nations have been waning, with farm lobbies now focussing on retaining rather than expanding benefits.

In Japan's case, the turning point can be traced back to the early 1980s when the government imposed a zero-growth framework on agricultural budget spending and froze agricultural prices as a forerunner to actual reductions. The government subsequently made both major and minor retreats over import barriers and, in the 1990s, almost all remaining quantitative restrictions on farm imports were abolished. Several events stand out in their symbolic importance: the decision to lower the producer rice price for the first time in thirty-one years in 1987; the agreement with the United States and other suppliers in 1988 to abolish prospectively import quotas on beef and orange imports in 1991; and the commitment to allow foreign exporters 'minimum access' to the Japanese rice market along with tariffication of other agricultural import barriers as part of the 1993 Uruguay Round (UR) Agreement on Agriculture.<sup>5</sup>

3.4 In an accord that concluded the Uruguay Round of multilateral trade negotiations in 1993, Japan pledged to open its rice market to imports and committed itself to granting 'minimum access' to foreign rice for six years beginning in 1995. The Uruguay Round agreement obliged Japan to import 4 per cent of domestic rice demand in 1995 and to gradually increase that to about 8 per cent by 2000. But Japan instead introduced a flat tariff of 351.17 yen per kg in April 1999 and cut it to 341 yen a year later in a move to avoid increasing the minimum access level.<sup>6</sup> If calculated on the basis of prices

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2 Carlisle Ford Runge, 'The Assault on Agricultural Protectionism', *Foreign Affairs*, vol. 67, no. 1, Fall 1988, p. 146; cited in Dr Aurelia George Mulgan, submission no. 20, p. 52

3 Junko Goto and Naraomi Imamura, 'Japanese Agriculture: Characteristics, Institutions, and Policies', in Luther Tweeten, Cynthia L. Dishon, Wen S. Chern, Naraomi Imamura and Masaru Morishima (eds.), *Japanese & American Agriculture: Tradition and Progress in Conflict*, Boulder, Co, Westview Press, 1993, p. 23; cited in Dr Aurelia George Mulgan, submission no. 20, p. 52

4 Bureau of Agricultural Economics (BAE), *Japanese Agricultural Policies: An Overview*, Canberra, Occasional Paper no. 98, 1987, p. 1; cited in Dr Aurelia George Mulgan, submission no. 20, p. 52

5 Dr Aurelia George Mulgan, submission no. 20, pp. 52–53

6 'Farm minister to discuss rice with WTO chief', *The Japan Times*, 10 January 2001

instead of volumes, these tariffs were nearly 1,000 per cent. The introduction of the tariff scheme in fiscal 1999 allowed Japan to raise the minimum access level by only 0.4 percentage point during that year and fiscal 2000, bringing the market share guaranteed for imported rice to 7.2 per cent for fiscal 2000. Japan is facing strong pressure to lower tariffs for rice during the current round of WTO trade negotiations, which was to be launched in early 2000 but was delayed due to the collapse of the WTO ministerial meeting in Seattle in early December 1999.<sup>7</sup> During informal agricultural trade talks in Geneva in May 2001, Japan appealed to WTO members for a lower minimum rice import quota, arguing that, if Japan had adopted the tariffication policy in 1993, the minimum import quota would have been only 5 per cent in 2000 instead of 7.2 per cent, and that it was unfair to be penalised just because it adopted tariffication in 1999.<sup>8</sup>

3.5 Despite the gradual diminution of government support for the farm sector, farmers and their organisations continue to fight any moves that might further erode their position. The power of farm lobby is evident in the fact that, despite constant international pressure to liberalise the farm sector, the Japanese Government has shown little indication that it will succumb to such pressure in any significant way in international trade fora, such as WTO and APEC.

### **The agricultural lobby**

3.6 The Japanese agricultural lobby continues to be a major force in Japanese politics, exercising a disproportionate amount of political and other influence compared with the manufacturing and services sectors.

The term 'Agricultural Lobby' is sometimes used to refer to Liberal Democratic Party (LDP) politicians elected from rural constituencies who actively identify with rural interests. But it is more accurate to view the Agricultural Lobby as including National Organisation of Agricultural Cooperatives, which also goes by English initials 'JA' (for Japan Agriculture). In addition, associated with MAFF and JA are a large number of statutory corporations which in a sense represent the practical arms of the agricultural community in Japan. There is also a number of Japanese agricultural bodies engaged in technical as well as business support at the prefectural level.<sup>9</sup>

3.7 The agricultural lobby regards agriculture as a basis of national economic security and argues that government must give it the highest priority

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7 Hisane Masaki, 'WTO to approve Japan's rice tariffs as Uruguay backs down', *The Japan Times*, 20 February 2001

8 'Japan Appeals to WTO for Lower Rice Import Quota', *Nikkei*, 24 May 2001

9 Department of Primary Industries and Energy, submission no. 31, p. 26

in policy and budgetary terms. It regards the current self-sufficiency rate of 40 per cent as dangerously low and must be lifted.<sup>10</sup>

3.8 Dr Aurelia George Mulgan described JA (also known as Nokyo) as having no equivalent amongst rural producer groups in the Western world:

Nokyo is not merely an economic group with self-help functions as are most farm cooperatives elsewhere. It is a human social institution, a social movement, a group that encapsulates, expresses and reinforces social and cultural mores of the countryside; a vast bureaucracy with a multitude of officials extending the organisation's reach into the remotest areas of Japan; an arm of government in the implementation of agricultural policy; an electoral support organisation and interest group with policy interests that range over the entire agricultural economy; a huge and economically powerful interlinked enterprise network (*keiretsu*) that competes with other giant Japanese financial and trading corporations on equal terms; an institutional obstacle to structural adjustment and deregulatory reform in the agricultural sector; and a powerful non-tariff barrier to expansion of farm imports.<sup>11</sup>

3.9 Although JA is very committed to preserving Japanese agriculture, its leaders recognise that it would be unrealistic to try to revert to the 52 per cent level of self-sufficiency that existed before 1986. They also acknowledge the need to rationalise and modernise Japanese agriculture but claim that it would be unrealistic to seek to achieve the 100 hectare basic size of farms that is the Europeans' aim. 'But acceptance of these realities does not seem to allow them to contemplate—or discuss publicly—the possibility of a lower food self-sufficiency level than the current 40 per cent, or the possibility of agricultural production ceasing in products acknowledged to be uneconomic.'<sup>12</sup>

3.10 As the Committee reported in its first report in this inquiry, the Japanese people hold food self-sufficiency as an indispensable part of their national security. According to the results of a 1998 public opinion poll, 80 per cent of Japanese are concerned about the future food supply and 70 per cent are willing to pay an additional reasonable cost for food so as to secure their food supply in the long run.

3.11 The agriculture lobby generally tends not to debate publicly the pros and cons of reliance on government support programs, taking their continuation in one form or another for granted and as beyond questioning. Nor do they like to acknowledge that the effect of government policies is to provide 'subsidies' for agricultural production. But the reality is that some farmers have welcomed

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10 '45% food self-sufficiency target set for 2010', *The Japan Times*, 5 April 2000

11 Dr Aurelia George Mulgan, submission no. 20, p. 59

12 Department of Foreign Affairs and Trade, submission no. 32, p. 42

the greater freedom they now have to market their own produce. Liberalisation of the rice sector, for example, has been popular with more efficient farmers who welcome their freedom to market their own rice and are increasingly inclined to disregard JA's wishes.

3.12 In viewing the start of the Uruguay Round in 1986 as the turning point in Japanese agricultural development, the agricultural lobby takes the view that the overall pattern of Japanese economic development, with its emphasis on manufacturing and exports, has prejudiced the health of Japanese agriculture. While accepting that a certain degree of efficiency and streamlining is desirable, they do not seem to regard competition or economic viability as reasonable benchmarks for the continuation of agricultural production. Indeed, they regard WTO's emphasis on such objectives as contributing specifically to the decline of the Japanese agricultural sector.

3.13 Japan has accepted with alacrity the argument developed by the European Union stressing the importance of recognising the specific role of agriculture as a provider of public goods. The EU submitted a proposal in December 2000 to the WTO on how liberalisation in the agricultural trade area should be negotiated, which said: 'The multifunctional role of agriculture, which includes its contribution to sustainable development, the protection of environment, the sustained vitality of rural areas and poverty alleviation, should be recognized'. Agriculture Minister Yoshio Yatsu agreed with his European Union partners at a meeting in Brussels on 17 January 2001 to pursue recognition of the multi-functional role of agriculture in the new round of trade liberalisation talks. The Cairns Group, where Australia has played a leading role, is pressing for a far-reaching liberalisation of the farm sector, and has warned that the multifunctional role could be used as a 'cloak for protectionism'.<sup>13</sup>

3.14 The agricultural lobby is very strongly committed to food security (and will continue to try to use developing country food problems to strengthen its case); it is as firmly wedded as ever to the notion of the 'multi-purpose character of agriculture' (to avoid it being viewed purely in economic terms); and it will continue to espouse the 'uniqueness' of agriculture in certain cultures. It will concentrate its international efforts in areas it judges more sympathetic to its interests, such as the FAO, and will probably be bolder in forging coalitions with other protectionist countries such as the EU.

3.15 Another issue on which the agricultural lobby, and especially the LDP, has been active is the recommencement of agricultural negotiations in the World Trade Organization. At a meeting of the WTO in Geneva in February 2001, Japan's proposal on global farm trade was criticised by Australia's delegate, who said the proposal 'raises questions as to whether Japan is

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13 'Japan, EU unite on WTO farm stance', *The Japan Times*, 17 January 2001

prepared to engage seriously in discussion on the agreed long-term objective of reform of agricultural trade'. In response, Japanese officials said the comments revealed 'a huge misunderstanding, or one based on a distortion of the facts'. They said Japan was committed to maintaining liberalisation of trade in agriculture and services as specified by the Uruguay Round of negotiations.<sup>14</sup> Japan's proposal argued that farming served a 'multi-functional' purpose, which included its contribution to sustainable development, the protection of environment, the sustained vitality of rural areas and poverty alleviation, and that therefore subsidies for farmers were not protectionism but rather a step toward maintaining rural communities.<sup>15</sup>

### **Farmers' voting power**

3.16 Dr Aurelia George Mulgan pointed out in her submission that:

Although farm household voters declined from 20.1 million to 15.9 million between 1960 and 1980, falling even further to 12.0 million in 1995, this still represented 12.4 per cent of the national electorate in that year in spite of the fact that the farm vote more than halved in percentage terms between 1955 and 1979 (from 41.3 per cent to 20.1 per cent of the national electorate) and almost halved again between 1979 and 1995. The conclusion generated by these figures is that the national agricultural electorate at the aggregate level is shrinking, although considering the period of time covered (1950 to 1995), the decline has not been particularly dramatic.

Farm votes would certainly still contribute to a total package of support in some constituencies by possibly making the difference to the success or failure of a particular candidate.<sup>16</sup>

3.17 Dr Aurelia George Mulgan went on to argue that the agricultural vote was not confined to farmers but had a multiplier effect, whereby other rural dwellers have tended to support farmers with their votes, thus broadening the base of the agricultural lobby and strengthening its position within the political system. She went on to say that multiplier effect has been reinforced by two additional factors. First, 'both farm and non-farm household dwellers in rural areas benefit from the provision of local services and rural infrastructure'. She went on to say that, secondly, farm and rural solidarity has also been reinforced by the agricultural cooperative system.

The organisational structure of the agricultural cooperatives has provided an institutional overlay to farm households as cohesive

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14 'Food exporters renew attack on Japan's farm stance', *The Japan Times*, 8 February 2001

15 'Japan to play multifunctional agro theme at global talks', *The Japan Times*, 26 April 1999; 'Farm import curbs slammed', *The Japan Times*, 7 February 2001

16 Dr Aurelia George Mulgan, submission no. 20, p. 64

units because farmers could join Nokyo as farm households not only as individuals. Furthermore, because of the geographic rather than the functional basis of their membership, the agricultural cooperatives strengthen local community ties. Farmers can belong only to the multi-purpose cooperative within their community, while most rural people belong to Nokyo regardless of their engagement in farming. In this way, rural communities became the natural units of local agricultural cooperatives, and Nokyo thus represents and reinforces traditional solidarity in rural communal life.<sup>17</sup>

3.18 For much of the time since World War II, Japanese farmers have been over-represented in the Diet, as Diet members in rural areas are elected by fewer voters than their counterparts in urban areas. This has given rural voters proportionately more political power than urban voters. The 1994 electoral reforms curbed the worst of this gerrymander and has reduced the bias towards rural interests in the Diet. Albeit with fewer members, the rural vote has continued to support the LDP, especially as new parties have had an urban focus. Another reason for LDP's success in rural areas has been the relationship between the LDP and Nokya. The LDP has basically used Nokya as a vote-gathering machine. 'The relationship between LDP politicians and Nokyo groups as electoral support organisations was established very early in the ruling party's post 1955 Diet history. The LDP successfully penetrated rural districts by linking up with Nokyo leaders in each prefecture. Conversely, the kind of political resources Nokyo mobilised in its relationship with the government party provided one of the primary sources of its influence over agricultural policy.'

3.19 As a result of rural support for the LDP, Dr Aurelia George Mulgan has argued that:

In the short term, the LDP is unlikely to escape its partial electoral dependency on the farm bloc, which will help to sustain the agricultural support and protection system. This means that if the LDP remains in government, either ruling on its own or in coalition, it will seek to preserve its rural connections with appropriate policies.<sup>18</sup>

3.20 This farm bloc remains important to the LDP because it is virtually guaranteed whereas a greater urban focus would not necessarily guarantee additional urban votes, especially given the urban focus of the other parties. Regular electoral support has also enabled rural members to rise in the party hierarchy through the seniority system and thus assume greater influence and authority over agrarian policy, making it more difficult to effect change in the agricultural sector.

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17 Dr Aurelia George Mulgan, submission no. 20, pp. 65–66

18 Dr Aurelia George Mulgan, submission no. 20, p. 70

## **Representation of farming interests in the Diet**

3.21 Unlike many other Western democracies, most Diet members represent specific interests and often represent specific organisations. Consequently, many agricultural organisations are directly represented by politicians who have held or hold official positions in those organisations. Those members will not only speak strongly in debate on behalf of their interests but will use their positions within the party to influence party policy where it impinges in any way on their constituency. According to Dr Aurelia George Mulgan:

The dominant interest representational characteristic of Diet membership was entrenched by the previous Lower House electoral system. The construction of the new electoral system, which requires politicians to pitch their appeals to a broader cross-section of the voting population, may serve to weaken the special interest connections of Japanese politicians. If this proves to be the case, it will gradually alter the dominant modes of political behaviour of Diet politicians and will ultimately strengthen their party identity at the expense of their interest-representational identity.<sup>19</sup>

3.22 It is not easy to get an agreed figure for the size of the LDP's agriculture lobby. The core group of LDP politicians numbers around 40 individuals, but others would be associated with these activities from time to time.

3.23 There are very close day-to-day, personal and professional relationships between the different components of the agricultural lobby. For example, some 15 ex-Ministry of Agriculture, Forestry and Fisheries (MAFF) officials are currently serving as members of the Diet. These ex-MAFF officials maintain their personal association with MAFF, on a regular basis.

3.24 JA is also noticeable for its links with politicians. In rural electorates, these take the form of constant, daily contact. It is not unusual, for example, for the ranking official of the local JA organisation to serve as the head of the local (LDP) politician's political support group. (This occurs even more commonly at the level of prefectural politics). JA also routinely vet the attitudes of politicians to agricultural issues before preselection and before elections (much as some NGOs in Australia do) publicly endorsing candidates.

## **Political factors affecting agricultural lobby influence**

3.25 The agricultural lobby has been affected by the reduced number of Diet member elected from rural constituencies as a result of the 1995-96 electoral redistribution—although the re-jigging of the electoral system at that time only partly corrected the bias in favour of rural seats. However, since the

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19 Dr Aurelia George Mulgan, submission no. 20, p. 78



introduction of the single constituency system in 1996, it is also the case that Diet members can no longer regard themselves as exclusively representing agricultural interests; they must be seen to speak for all interests in their electorate. Consequently, agricultural issues no longer necessarily receive the high priority of Diet members from rural constituencies as was previously the case.

3.26 JA acknowledges that the single-member constituency system, which was introduced in the 1996 electoral changes, has reduced JA's ability to exercise power at the political level. Agriculture is now usually just one of several issues for members of the Diet, who must now be seen to pay attention to the full range of local interests. As the single member constituency is often smaller in area than the local JA body's territory, the local JA body has to cultivate and lobby more than one Diet member.

### **Patronage politics**

3.27 The LDP's strong electoral record in rural areas has largely been the result of pork barrelling, not only in favour of the farming community but also rural construction companies. 'The bulk of agricultural administration is about providing state fiscal capital for loans, subsidies and public works for, in the official phrase, "consolidating the agricultural base in all parts of the country". Agricultural and forestry administration is a priceless tool for gathering votes.'<sup>20</sup> Dr Aurelia George Mulgan submitted that:

According to subsidy documents for the government 1995 General Account budget, the agriculture-related public works categories of agricultural structure improvement, works to consolidate the agricultural production base, coastal preservation, agricultural land preservation, rural consolidation works, agricultural road consolidation, agricultural facilities disaster restoration works and agricultural facilities disaster-related works accounted for 50.2 per cent of all the subsidies distributed by the MAFF main ministry in that year. They represented an outlay of 233,350 yen per farm household in 1995.<sup>21</sup>

3.28 Dr Geoge Mulgan also described how the Japanese Government paid considerable public works subsidies as an offset for the farming community for the various agricultural trade liberalisation agreements into which it has entered. For example:

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20 Matsuura Tatsuo, '“Hokaku Ainori” Doko Made Tsuzuku' [‘“The Collusion between the Conservatives and Progressives”: How Long Will It Last?'], in Nosei Jyaanarisuto no Kai (ed.), *Tatoka Jidai no Nosei [Agricultural Policy in the Era of Parry Proliferation]*, Nihon Nogyo no Ugoki, no. 44, Tokyo. Norin Tokei Kyokai, 1977, pp. 12–13; cited in Dr Aurelia George Mulgan, submission no. 20, p. 78

21 Dr Aurelia George Mulgan, submission no. 20, p. 79

Under the deal for beef market opening, a new subsidy category of ‘agricultural infrastructure construction and improvement programs by tariff of beef’ was created, allocating expenditure of 10 billion yen and 10.1 billion yen in 1991 and 1992.

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The UR [Uruguay Round] countermeasures policy package laid a similar emphasis on improving the market orientation of the agricultural sector (particularly the rice sector), by ‘reinforcing the process of structural adjustment in the industry, and facilitating rural development’.<sup>22</sup> More than 58 per cent of the package (3.55 trillion yen) comprised public works subsidies for agricultural production infrastructure.<sup>23</sup>

### **The role of the agricultural lobby in decision-making**

3.29 The Japanese agricultural lobby has traditionally played a decisive role in setting agricultural price supports (where such prices are set by the government and implemented through the activities of the MAFF), in the writing of legislation, and in the general formulation of agricultural policy.

3.30 In recent years, policy formation has shifted towards a more evenly balanced approach where the bureaucracy and the LDP jointly formulate policy settings or, increasingly, a system whereby drafts originate with the LDP. Even within MAFF, the politicians’ role as the ultimate decision-makers is becoming acknowledged. Rather than presenting the agricultural lobby with a *fait accompli*, MAFF is now more inclined to develop options and present them to the LDP. Within the LDP, there is no longer a single voice representing the agricultural lobby. Instead, all members of the lobby will seek the information, considerably complicating the task of the MAFF bureaucrats.

3.31 Consistent with the general shift of exclusive policy-making activity away from the bureaucracy towards the Diet, MAFF no longer plays a pre-eminent role in the content of legislation. However, this shift in itself has not weakened the influence of the agricultural lobby on agricultural legislation. Where change has occurred is in the extent to which agricultural issues are overshadowed by other, more pressing issues.

3.32 Dr Aurelia George Mulgan explained that major agricultural policies in Japan were negotiated by an agricultural policy sub-committee consisting of three parties: the MAFF; the LDP; and Zenchu (the peak body of Nokyo). The content of the new Agricultural Basic Law was negotiated by means of this

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22 OECD, *Agricultural Policies, Markets and Trade in OECD Countries*, Paris, OECD, 1996, p. 53; cited in Dr Aurelia George Mulgan, submission no. 20, p. 80

23 Dr Aurelia George Mulgan, submission no. 20, p. 80

tripartite process, although there was a blue ribbon advisory council also involved:

it is during these negotiations that various compensation schemes are worked out to appease agricultural cooperative and farming interests in the face of unpopular reforms. In that way the government avoids a harsh electoral reaction of the organisation and its members.<sup>24</sup>

3.33 Whatever process is followed, the demarcation line between the LDP/JA) and the Japanese government is not always well-defined or visible. Nevertheless, before new policies are formed or major decisions are taken, extremely close consultation and coordination takes place between the LDP, JA and MAFF. This does not stop JA from carrying out a conventional lobbying role, for example, over the level of the rice price, using publicity and representations to give prominence to their views in order to influence a government decision. Each of the three organisations to a great extent sees itself as the protector of Japanese agriculture.

### **Economic factors affecting agricultural lobby influence**

3.34 DFAT submitted that:

One of the main causes of a relative loss of influence on the part of the Japanese agricultural lobby is structural and other changes to the Japanese economy. For example, the percentage of GDP represented by agriculture declined from 5.9 per cent in 1970 to 2.4 per cent in 1990 and 1.9 per cent in 1996; and the proportion of the Japanese Government budget earmarked for agriculture declined from 5.9 per cent of total budget in 1987 to 4.4 per cent in 1998. The overall number of households engaged in agriculture in Japan has dropped noticeably in the past 10 years, remaining at over 3.3 million in 1998 compared to over 4.6 million in 1980.<sup>25</sup>

3.35 By 2001, the number of households involved in agriculture in Japan dropped further to around 3.1 million. Households engaged in livestock and dairy production dropped the most—down by half in the five years to 1998. The JA attributed this fall directly to liberalisation measures introduced just before the final Uruguay Round agreement.

3.36 There are other signs of decline in the agricultural sector—the number of registered agricultural organisations in Japan declined sharply from 4,000 to just under 2,000 between 1988 and 1998. JA's budget and staff have both declined, but not significantly, in recent years. However, JA claims that its membership has not declined.

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24 Dr Aurelia George Mulgan, *Committee Hansard*, 28 May 1999, p. 680

25 Department of Foreign Affairs and Trade, submission no. 32, p. 47

3.37 The Japanese Government has also reduced the number of agricultural products over which it still exercises price control. The beef market has been liberalised since the mid 1980s, which has much reduced scope for lobbying. Since 1995, the government no longer purchases the entire rice crop. Although the debate over the fixed price only relates to a portion of total production, it still also influences the ‘commercial’ price. The debate over the annual rice price has traditionally been the centrepiece of the agricultural lobby’s political action in Japan but it now produces much less drama. On the other hand, some dairy products are still the subject of price control and from time to time remain subject to lobbying.

3.38 DFAT submitted that:

With most other sectors of the Japanese economy being forced in recent years to engage in deregulation and liberalisation to outside competition, the agricultural lobby finds it increasingly difficult to justify exempting agriculture from this process. At a time when the effects of economic recession are being felt throughout the economy, it will become even more untenable for the agricultural lobby to argue for special treatment for agriculture. Their defence of rural communities will be forced to be more hard-headed simply because of the lack of resources to fund the sort of programs undertaken in the past.<sup>26</sup>

### **Community factors affecting agricultural lobby influence**

3.39 DFAT considered that the agricultural lobby appears to have lost ground in consumer opinion. Traditionally, the lack of strong consumer groups has probably helped the agricultural lobby influence consumers to adopt a sympathetic attitude towards domestic agriculture. But JA’s campaigns to persuade shoppers to buy Japanese produce ahead of foreign produce have not stopped the very significant increase in clearly identified foreign produce in supermarkets and shops. This is due partly to the economic downturn as well as to the growing allure of Western goods to younger Japanese. However, when it comes to food safety, the agriculture lobby has successfully fostered a belief that Japanese products are safer than foreign products, which are invariably subjected to rigorous testing whenever there is a food safety scare. But even domestic food is no longer accepted without question by Japanese consumers.

3.40 Media criticism of the agricultural lobby is no longer a rare event. The main newspapers now generally treat agricultural issues more objectively than in the past, readily acknowledging the unreasonably high prices for products subject to continuing government price support, and accepting that there might be other options for Japan. JA itself is also less immune to media criticism. However, the Japanese media still does not scrutinise the agricultural sector to

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26 Department of Foreign Affairs and Trade, submission no. 32, p. 48

the extent that other Western media would examine such issues in their own countries.

## Conclusion

3.41 The changing demographics of rural Japan as well as reform of the electoral system and continuing international pressures have seen the agricultural lobby's power and influence waning in Japan. However, as both DFAT and the Department of Primary Industries and Energy submitted, the agricultural lobby has, to some extent, been fighting a rear guard action against liberalisation of Japanese agriculture in recent years. While the agricultural lobby has in recent years lost some of its previous power, it would be a mistake to write it off as a spent force.<sup>27</sup>

3.42 Dr Aurelia George Mulgan told the Committee that the farm sector was in a transitional phase from a dominant, well organised and electorally powerful majority interest, to a less well organised minority interest.<sup>28</sup> She pointed out that many of the changes in the political demography of agriculture were the culmination of trends that had been taking place over some decades and which would continue inexorably in the future. Nevertheless, she considered that it remains tenacious and formidable in many respects, not the least because the contraction in farmers' political power is an incremental rather than a dramatic process. She said:

We certainly need a greater expertise in the agricultural bureaucracy to understand the nature of the farm lobby in Japan, that politics dictates agricultural policy in Japan... The main problem with people in bureaucratic positions is that they are working very much to immediate issues and immediate questions that have to be dealt with. They do not have a chart; they do not have an opportunity to sit back and do some sort of more reflective work that can take place in academia.<sup>29</sup>

3.43 There is little doubt that the agricultural lobby in Japan is still a formidable barrier to significant change in the structure of Japanese agriculture and in the protection afforded agriculture by the Japanese Government from liberalisation processes. Nevertheless, its power and influence has been eroded over the last decade or so and, inexorably, will continue to diminish further in the years ahead, as a result of economic and social change in Japan and continuing international trade liberalisation pressures.

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27 Department of Foreign Affairs and Trade, submission no. 32, p. 49

28 Dr Aurelia George Mulgan, submission no. 20, p. 81

29 Dr Aurelia George Mulgan, *Committee Hansard*, 28 May 1999, p. 687. Subsequent to giving evidence to the Committee, Dr Aurelia George Mulgan's *The Politics of Agriculture in Japan* was published (London, Routledge, 2000)

3.44 The objectives of the Australia–Japan Partnership Agenda regarding agriculture are:

In recognition of the diverse and long-standing agricultural partnership that exists between Australia and Japan, the two Governments will continue informal dialogue on agricultural matters of mutual interest, in order to facilitate informal exchanges of views and build enhanced mutual understanding and cooperation.<sup>30</sup>

### **Recommendation**

**The Committee recommends that the Australian Government continue to work toward enhanced mutual understanding and cooperation with Japan on agricultural issues in accordance with the objectives of the Australia–Japan Partnership Agenda.**

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30 See Appendix 5