

***The Impact of Farmers' Resistance to Trade Liberalization:
A Comparative Study on Political Process around FTAs in Korea and Japan***

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The Asian Conference on Politics, Economics & Law 2016
Official Conference Proceedings

Abstract

This study asks why South Korea could liberalize its international trade faster than Japan in spite of farmers' strong opposition. Though both Korea and Japan had protected their agriculture until the 1990s, Korea has liberalized its trade of agricultural products much faster than Japan in these a few decades. In both countries, farmers have resisted to trade liberalization. However, Korean farmers have been less influential on their government than Japanese farmers. This is due to the farmers' lobbying strategy. While Japanese farmers have lobbied ruling parties exchanging their ballots with political interests, Korean ones have relied on street demonstrations. Because the Korean farmers have not exchanged political interests with ballots, they have been less influential on policy making than Japanese farmers.

Keywords: Korea, Japan, trade liberalization, FTA, farm lobby

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Introduction

This study asks why South Korea (hereafter Korea) could step toward trade liberalization faster than Japan in spite of its farmers' strong anti-free trade movement.

Korea and Japan have shared their patterns of economic growth: While exporting industrial goods to the markets overseas, they have protected their vulnerable agriculture from international competition. Agriculture in the two countries is characterized as extremely small family farming¹, concentration in rice production, and high production cost². These factors have made Korean and Japanese agriculture less competitive and have given the two governments the incentives to protect their agricultural industries by quantitative import restrictions and strict governmental control of rice retailing. The farmers in the two countries have been spoiled and been exempted to compete globally. In short, the agricultural policies in Korea and Japan could be described as 'Closed Door-ism' in terms of international trade before the 1990s.

Since the 2000s, however, these two countries have shaped different patterns each other. Korea has expanded its Free Trade Agreement (FTA) networks with major economies such as the United States, the European Union, and China³. These FTAs include the open door-ism not only in industrial goods trading but also in agricultural products trading. Meanwhile, Japan had ratified the FTAs or Economic Partnership Agreements (EPAs) with limited numbers of small economies such as Singapore, Thailand, and Australia until the Trans Pacific Partnership (TPP) with a number of Asia-Pacific countries including the United States in 2015.

Conventional arguments in mass media have pointed out the farmers' resistance as a major reason for the Japan's delay in trade liberalization⁴. However, Korean farmers have also acted to prevent trade liberalization. As widely known, Korean farmers have operated a number of street demonstrations to resist free trade⁵. However, their

¹ The size of farmlands per household accounts less than 3ha both in Korea and Japan as of 2015.

http://kosis.kr/statisticsList/statisticsList_01List.jsp?vwcd=MT_ZTITLE&parentId=F (Reviewed on Nov. 5, 2016)

² For detail of Asian agriculture including Korea and Japan, see Fan and Chan-Kang (2003).

³ For detail, see

http://www.mofa.go.kr/ENG/policy/fta/status/overview/index.jsp?menu=m_20_8_0_10 (Reviewed on Nov. 9, 2016)

⁴ For example, a news article in the Bloomberg described the Japanese Agricultural Cooperative's political presence as 'extraordinary, semi-public powers' mentioning to the Prime Minister Shinzo Abe's agricultural reform.

<http://www.bloomberg.com/news/articles/2015-02-10/japan-s-farm-lobby-concedes-to-abe-s-agriculture-reform-plans> (Reviewed on Nov. 6, 2016)

⁵ The Korean Peasants' League lists its 'struggle' against free trade on its website. According to this chronological list, the farmers' group has held more than ten demonstration events to prevent FTAs and other trade liberalization measures. http://ijunnong.net/ver2010/introduce/int_04.php (Reviewed on Nov. 6, 2016)

demonstrations have not performed to prevent trade liberalization in Korea. If their activities have been less influential in trade policy making than other democratic countries, it raises one question: Why were the Korean farmers less influential than Japanese one to prevent free trade agreements? This study focuses on the difference of the farmers' strategy to resist trade liberalization in the two countries.

In the analysis below, the case studies are implemented on three cases: the Uruguay Round Agreement on Agriculture (UR) in 1993, Korea-China FTA in 2015, and Japan-Thailand EPA in 2007. The UR played crucial role for the two countries to open up their agricultural market. China and Thailand are huge exporters of rice and, therefore, the FTA and EPA with the agricultural exporting countries caused the farmers' strong resistance both in Korea and Japan. Therefore, the Korea's FTA with China and the Japan's EPA with Thailand fit the comparative analysis.

Previous studies and Their Subjects

According to conventional arguments in social science, political system has been the main contributor in the difference of trade liberalization in Korea and Japan. Particularly, the Presidential system has been explained as the major contributor for Korea's rapid trade liberalization. While the President of Korea has its strong legal power to ignore the farmers' lobbying, the Prime Minister of Japan is elected by the Diet, where the constituencies in rural areas are over representative. Because the ruling Liberal Democratic Party (LDP) has been based on rural precincts, the party's cabinets have the reason to avoid the trade liberalization in agriculture to gain the ballots from farmers. Because the President of Korea is directly elected by the nationals, meanwhile, over representation of rural voters cannot occur (Saito and Asaba 2012; Takayasu 2014).

The recent changes of the LDP's agriculture policies have been explained as the increase of the Prime Minister's leadership. Since 2012, the LDP government has accelerated trade liberalization including agricultural products. Though the Japan Agricultural Cooperatives (JA) has resisted, the government achieved the final agreement of the TPP, the multi-lateral free trade agreement including Japan, Australia, New Zealand, and the United States. Previous studies have pointed out that the strengthened Prime Minister's leadership in policy network is the major contributor for this achievement (Sakuyama 2015; You 2016).

From the international comparison of farm lobby, however, the arguments above are inadequate to explain the difference between Korea and Japan because farm lobbies in Western countries have overcome the institutional barriers such as strong presidency. As Julien (1989) and Orden et al (2009) point out, the farm lobby in the United States has sustained its political influence for several decades in spite of rule changes in the Congress and of trade liberalization. Both Julien and Orden argue that the farm lobbies have sustained its influence by changing their strategy. Under the WTO regime since the 1990s, for example, the American farm lobbies have shifted their request from price support to income compensation, which the WTO codes approve. Also in Europe, while the convergence under the European Union (EU) proceeds, lobbying groups have activated its contact to the officials in Brussels (Chambers 2016). Therefore, the institutional factors alone cannot explain why the farmers' political action showed different performance in Korea and Japan. What

should be focused on is, rather, how the farmers acted in the process of lobbying.

Japanese Farmers' Activities

The JA has lobbied the ruling LDP to prevent trade liberalization of agricultural products since the 1990s. Though the population of farmers has been decreased in Japan, the JA counts its membership more than ten million in 2014, which covers the most farmers and rural residents in Japan⁶. Their large numbers of ballots have been quite attractive for the ruling party. When the government faced the need to launch agricultural reforms based on the Uruguay Round Agreement on Agriculture in 1994, the national headquarters of the JA (JA Zenchu) required the LDP Diet men to prevent the reforms. In the reform under the Uruguay Round Agreement, the government and ruling parties were planning the cancellation of its price support system on rice, the most major agricultural products in Japan (Yoshida 2009). This became a symbol of the agricultural reform under the UR regime. The JA set the substantial continuing of the price support system as the necessary condition to assist the ruling LDP in coming Diet elections. Because the LDP had depended on rural ballots before the Koizumi Cabinet's structural reforms in the 2000s, the JA's pressure succeeded to prevent the reform (Nakamura 2000). Though the Food Act of 1994 deregulated the retailing process of rice on the one hand, it regulated the rice retailers under the license by the Ministry of Agriculture, Forestry and Fishery⁷.

The JA's 'success' in the 1990s can be seen as a fruit of political situation at that time. As it lost the 1993 election of the House of Representatives, the LDP lost its status as a ruling party and felt how opposition party is less influential in policy making than ruling one(Yoshida 2009). In order to recover their influence on governmental ministries and business groups, the LDP lawmakers sought any political support to win the coming election of the House of Representatives. This situation gave the LDP members the incentive to accept any request from lobbying groups in exchange for their ballots⁸. In other words, the JA used their members' ballots in the coming election as a strategic tool to sustain the protection on rice farming.

Also in the 2000s, the JA continued its lobbying activities. When the government began the negotiation on a new EPA with Thailand in 2003, the JA strongly opposed it. Because Thailand is the world's largest exporter of rice, the JA was afraid of mass import of Thai rice⁹. Different from the case of the UR, however, the business lobby of the Japan Business Federation (*Keidanren*) became further influential in the Koizumi Cabinet (2001-2006) seizing the membership in the Council on Economic and Fiscal Policy, the core of economic policy making conference in the Prime Minister's Office. The *Keidanren* strongly supported the EPA with Thailand from

⁶ <http://www.zenchu-ja.or.jp/about/organization> (Reviewed on Nov. 6, 2016)

⁷ <http://www.maff.go.jp/j/syouan/keikaku/zyunsyu/> (Reviewed on Nov. 6, 2016)

⁸ The former Minister for Agriculture, Forestry and Fishery Yoshio Yatsu professed that the LDP lawmakers had strong will to accept the request from the JA in the mid-1990s. (*Asahi Shimbun* Nov. 12, 2016)

⁹ When the government imported Thai rice as an emergency measure due to extreme cold summer in 1993, the Japanese rice market fell on heavy confusion. This experience encouraged the JA's opposition on the EPA with Thailand.

the perspective of market access in Southeast Asia¹⁰.

While the *Keidanren* supported the tariffs elimination in the EPA with Thailand, the JA operated ‘the dual lobbying strategy’ to sustain the high tariff barrier of rice: It lobbied not only on the LDP lawmakers but also on farmers’ associations in Thailand.

In the EPA negotiation, the government of Thailand requested Japan to open its agricultural market, particularly that of rice, while opening Thai domestic market for Japanese industrial goods. Though Japan hesitated to accept the request due to heavy resistance by the JA, such closed door-ism of Tokyo caused strong complaint of Bangkok. This caused the criticism on the JA as it was an obstacle for free trade. The failure of the EPA negotiation could cause stronger criticism on the farm lobby. In order to avoid the failure of the negotiation, the JA contacted agricultural sector of Thailand and offered development assistance including farming education, introduction of new technology, and personnel exchange (Miura 2011). The JA’s offer was expected to assist some poor Thai farmers¹¹. This contributed to the Thailand’s compromise in the negotiation to omit a number of agricultural products from the Japan-Thailand EPA. As seen above, the JA pursued to protect the interest of Japanese farmers by pragmatic lobbying on political parties and farmers’ associations abroad. This realistic approach has influenced to deter trade liberalization of agricultural products in Japan.

Korean Farmers’ Activities

Korean farmers began to resist to trade liberalization of agricultural products in the late 1980s, when their country experienced trade friction with the United States. As its economy shifted from developing stage to developed one, Korea faced the antagonism between export-oriented industrial sector and highly protected agricultural one.

Meanwhile, Korea was also in the shift from authoritarian rule to democratic one at the same time in the 1980s. In the process of the democratization, large number of farmers challenged the hegemonic status of the Nong-Hyup (NH), the Agricultural Cooperatives in Korea. Though the NH was the only national center of farmers’ associations under the authoritarian rule, the government strictly constrained its political activity. Even the head of the NH was named by the President¹². The farmers criticized such NH’s dependence on the government and launched new associations to represent their own voice: the Korean Advanced Farmers Federation (KAFF) and the Korean Peasants League (KPL). The KAFF was founded as a mutual cooperative association for young farmers in 1987¹³. The KPL was founded

¹⁰ <https://www.keidanren.or.jp/japanese/policy/2011/108/honbun.html> (Reviewed on Nov. 7, 2016)

¹¹ http://www.jaicaf.or.jp/agrinfo/0706/Report_241005.htm (Reviewed on Nov. 7, 2016)

¹² http://www.nonghyup.com/nh50th/History50th_1980.aspx (Reviewed on Nov. 7, 2016)

¹³ <http://www.kaff.or.kr/introduce.history> (Reviewed on Nov. 7, 2016)

in 1990 assisted by Catholic churches¹⁴. Because of the background above, both the KAFF and the KPL tended to be critical on the government.

When the government signed the UR agreement document in 1993, the KAFF and the KPL resisted the agreement because it required each country to remove non-tariffs barriers on trade such as price support within ten years, which was expected to hit Korean agriculture with huge damage. The two associations held street demonstrations to criticize the government mostly every day since the sign in the UR agreement in October 1993¹⁵.

In January 1994, while the National Assembly dealt the UR-related bills, the government suggested two plans to protect Korean agriculture under free trade. First one is the Special Tax for Agricultural and Fishery Villages. This tax is collected from enterprises and individuals as a fund to assist rural and fishery regions (Office of the National Assembly 1994). However, this tax aimed to raise the farmers' 'productivity' rather than their 'income' and opposition parties criticized this point in the National Assembly's sessions. Secondly, the government launched an advisory council to plan rural policies using the special tax¹⁶. This was a chance for the KAFF and the KPL to influence on the government and to get the government's commitment on protective farm policies as the JA did.

However, both the KAFF and the KPL did not show their interest in the government's plans. Instead of lobbying the government or the National Assembly members on the plans, they continued the opposition on the UR itself. In February 1994, when the National Assembly ratified the UR, some KPL members intruded the Assembly's building and demonstrated their opposition on the UR¹⁷. Even after the ratification, both of the farmers' groups continued street demonstrations to insist the denial of the UR itself (KAFF 2014). Because Korea had grown oriented by export, their request to deny free trade under the UR at all was unrealistic. And because the two groups repeated unrealistic request on the street without substantial lobbying, ironically, the government and the advisory council could decide to strengthen the competitiveness of Korean agriculture using the special tax. On the trade liberalization after the UR, in short, the trade-off between ballots and political interests as seen in Japan did not occur in the Korean case.

The similar pattern was also seen in the FTA with China in 2015. When the government announced its plan of the FTA, the KAFF and the KPL criticized it as a predatory action to harm Korea farmers¹⁸. Though the government held dialogue with farmers, the two groups only criticized the FTA itself and refused any compromise. Rather, the farmers disturbed the government's hearing on the FTA by violence¹⁹. This resulted in the absence of communication between farmers and the

¹⁴ http://www.ijunnong.net/ver2010/introduce/int_05.php (Reviewed on Nov. 7, 2016)

¹⁵ *The Chosun Ilbo* Oct. 23, 1993

¹⁶ *The Chosun Ilbo* Jan. 17, 1994

¹⁷ <http://db.kdemocracy.or.kr/photo-archives/view/00755138> (Viewed on Nov. 7, 2016)

¹⁸ http://www.ijunnong.net/ver2010/introduce/int_04.php (Viewed on Nov. 7, 2016)

¹⁹ *The Chosun Ilbo* Feb. 24, 2012

government. Meanwhile, the business sector has lobbied strategically not only on governmental officers and lawmakers but also on public opinion showing how free trade raises the GDP of Korea²⁰. As a result, the government could be free from farmers' lobby in the negotiation with Beijing.

As seen above, the KAFF and the KPL have refused free trade of agricultural products itself and, therefore, they have also refused to participate in policy process in trade liberalization. This pattern is similar to civil movement for democratization in the 1980s and the 1990s, when the two groups were founded. When the authoritarian rulers tried to perpetualize their rules in 1987, students, labors, and religious groups operated mass street demonstration in order to deny the rulers' legitimacy. Previous studies describe this pattern as 'a protest from outside the governmental sphere.'²¹ Because participation in political process means the mandate and acceptance of the authoritarian regime, they denied participating in every political process. Following how the democratization activists did, the two groups resisted free trade from the outside of political process. Actually, in the author's interview, the cadres of the KAFF and the KPL recognized that they resisted trade liberalization 'on the extension of the democratization movement' or 'having anger on predatory free trade measured by the government'²².

Ironically, their struggle against free trade was less influential than the lobbying strategy the JA did in Japan. The protest without political participation and any compromise did not bear the exchange of ballots and interests and gave the government only the limited incentives to hear the farmers' voice. As a result, the government of Korea could step forward trade liberalization by FTAs without the prevention by farm lobby.

Conclusion, Implication, and Subjects

The analysis in this study indicates that the Korean farmers' opposition on trade liberalization of agricultural products has been too strong to compromise with the free trade-oriented government. Their attitude without flexibility has its roots in the democratization movement in the 1980s and it has prevented them from pragmatic lobbying on governmental officials or lawmakers. This as a result has made them less influential in policy making than the Japanese farmers.

The result of analysis above shows how the farm lobby plays a crucial role to explain the difference between Korea and Japan in terms of trade liberalization since the 1990s. In addition, an important implication can be drawn from the analysis: Interest groups sometime behave irrationally motivated by emotion or ideology. In this study's case, though the KAFF and the KPL were quite passionate, their behavior to protect peasants' interests was less rational than the JA in terms of farmers' interests. Following the way of democratization movement, the Korean

²⁰ Kim (2010) describes how the Korean businesses lobbied in terms of free trade focusing on the Korea-US FTA.

²¹ While arguing the civil associations' political participation in local governance in 1990s, Bae (2012) describes that not all civil groups participated in political process before the 2000s.

²² Based on the author's own interviews on the cadres of the KAFF and the KPL.

farmers were too dogmatic to pursue interests by lobbying. This is contrary to the perspectives of conventional studies to see lobbyists as rational actors. As Winden (2003) points out, the academic studies on lobby have often been based on the framework of Public Choice, which sees all actors behave rationally in pursuing their interests. The Korean case in this study indicates a case that lobbyists act irrationally.

However, the legacy of democratization observed in this study is just one of the factors to make lobby irrational. It is the future's subject to clarify the whole figure of these factors.

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Interview Data

Interviewees	Affiliation	Date	Place
Mr. Han Min-su	General Manager of Policy Research Section, Korean Advanced Farmers Federation	May. 13, 2016	The headquarters of the KAFF, Seoul
Mr. Choi Hyeong-kwon	Manager of Organizational Education, Korean Peasants League	Sep. 6, 2016	The headquarters of the KPL, Seoul
Mr. Lee Jong-hyeok	Policy Director, Korean Peasants League		

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