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Agriculture can be positive factor

By SHINDO Eiichi

In forming an East Asian Community, agriculture's positive role should be given greater attention. Rather than being an obstacle to regional integration, farming can complement efforts toward unity. Based on this contrarian view, we need to craft a common agriculture policy for East Asia, a region with mature markets yet with many unresolved tasks in the way of development. Dismantling tariff barriers should be an important part of a common regional farm policy.

Agriculture is the biggest roadblock to an East Asian Community. Pessimists cite gaping price gaps in farm products among countries in the region, with nations like Japan and South Korea enjoying high national income on one hand, and China and other developing nations on the other. Naysayers contend that Japan, South Korea and other high-cost countries would inevitably have to slap high tariffs on farm imports, and that would obstruct the formation of an East Asian Community.

However, it must be noted that the international structure surrounding various farming issues is undergoing fundamental change along with the progress of the global information revolution; agriculture may be a stumbling block for East Asia's integration but it has the potential to complement the move toward union.

My first argument for agriculture's positive role is that amid the ongoing information revolution, agriculture and other primary industries, just like secondary industries, are expected to turn increasingly knowledge-intensive and take on the character of tertiary industries; this process will accelerate as they reap the benefits of the information-processing and high-tech environment.

An era has arrived in which every package of cucumbers or potatoes carries a label identifying the grower and farm, as farmers compete to impress the consumers with the safety and quality of their produce. Such competition promises to change plain produce into knowledge-intensive, distinctive products. Some produce is already finding growing markets not only in Japan but overseas as well, including for apples grown in Aomori Prefecture.

In fast-developing East Asia, consumers, centering around a growing middle class, are taking a fancy to quality foods produced by what looks more and more like a tertiary industry. This, and the fact that people in the region share a similar food culture, brings us closer to a common agricultural market in Asia.

Multinationals

The second reason farm policy can be a catalyst for regional integration is that the information revolution is promoting cross-border production by multinational corporations. The emergence of agribusiness is leading to develop-and-import arrangements involving countries in Southeast Asia and China. Under this formula importers do not simply purchase ready-made farm products but get involved in production in some way, contributing to a closer link between grower and consumer.

Except for grains, which are imported in bulk, most foreign food products reach the Japanese consumer under what are called develop-and-import schemes in which Japanese companies set up production bases in Asia and elsewhere from which they export farm products to Japan. Of Japan's total foreign direct investment, Asian operations that count Japan as an important export market stood at 21% in the early 1980s but soared to over 70% in 2001. In particular, Japan's fisheries and food-production companies have a significant presence in Asia; the region accounts for 40-50% of their foreign investment.

Along with its foreign investment, Japan's food imports have surged since the late 1980s. They now top $70 billion annually, up from a mere $10 billion in 1975. And Asia has become a major source of these imports, accounting for 37.2% of the total in 2005. For Asia as a whole, Japan has become the destination for more than 30% of food exports, compared with 14.5% in 1970. These figures show that Japanese cannot talk about food without considering Asian food producers. This interrelationship has been strengthened even more by rising productivity and self-sufficiency of Asia's agriculture thanks to the introduction of advanced farm technology from abroad as well as to freer movements of capital.

As a third reason, I would emphasize that agriculture's other functions, such as protecting the environment, making up the natural landscape and preserving traditional cultures, are beginning to win recognition.

Environment friendly

The trigger for such a positive evaluation of agriculture is heightened environmental awareness because agriculture can also contribute to global warming and other environmental degradation. For example, raising livestock to meet growing demand for meat requires increased production of animal feed, which in turn means greater consumption of fossil fuels. Under these circumstances, Asian agriculture should attract interest because it is thought to be easier on the environment.

Agriculture in Europe and Asia is small in scale compared to the U.S. and Australia. The average size of a U.S. farm is 191 hectares (472 acres). The comparable figure is 15 hectares for European Union countries, 1.59 hectares for Japan, 1.49 hectares for South Korea and 0.17 hectare for China.

Those subscribing to the economies of scale principle argue that European and Asian farmers should pursue efficiency by increasing the scale of their operations. Addressing inefficiency is certainly important, but more important in the 21st century is building a sustainable society. In this sense, Japan and other Asian countries would do well to put the preservation and strengthening of these multifaceted features of agriculture at the center of their farm policy. They would be encouraged to tighten cooperation with EU countries, which are their role model in terms of environmental conservation. East Asia should strive to formulate a common agriculture policy compatible with development of a sustainable and less environmentally onerous society.

In this connection, mention should be made of growing interest in biomass – plant materials and animal waste used as fuel – as a means to combat global warming. One promising application of biomass is cars that run on ethanol produced from corn, sugarcane and other crops. Vigorous efforts are also under way to develop other biomass-based alternative energy sources.

Biomass fuel

Japan already has in place the Biomass Nippon Comprehensive Strategy, an initiative launched in 2005 by the Ministry of Agriculture, Forestry and Fisheries for reducing the nation's carbon dioxide emissions. The initiative envisions biomass-derived fuels replacing one-third of the current gasoline usage and reducing annual carbon dioxide emissions by 7.5 million metric tons. A strategy to harness energy sources friendly to both humans and the environment, including biomass and wind power, would spread from Japan to South Korea as well as to other parts of East Asia, crystallizing in due course as a common agriculture-energy policy.

The low productivity of Asia's farms and lingering fears of food shortages are spurring the drive toward regional integration. In the mid-1990s, massive forest fires hit Indonesia under abnormal climactic conditions, triggering a food crisis in that country. The disaster led Indonesia and other members of the Association of Southeast Asian Nations (ASEAN) to begin exploring the possibility of creating a regional food security arrangement.

Food security

At their summit in 1997, ASEAN leaders adopted "ASEAN Vision 2020" to commit the regional body to food security and to strengthening the international competitiveness of their agriculture, forestry and fisheries industries. The basic principles were reaffirmed in 1999 at the summit of ASEAN+3 (Japan, China and South Korea).

Concrete progress has been made since then. The first meeting of ASEAN+3 farm ministers produced the East Asia Rice Reserve System and the ASEAN Food Security Information System. Under the EARRS initiative, the emergency rice stockpile has been expanded and an arrangement has been put in place so rice can be supplied to the region's people in need. Thailand has become host to the newly created AFSIS Center, whose purpose is to help ASEAN+3 members to foster human resources and exchange information on food security.

When discussing food security, China inevitably grabs our attention, as it did with environmental activist Lester Brown, head of the Earth Policy Institute, who wrote a book titled, "Who Feeds China?" An estimate by the Organization for Economic Cooperation and Development says that China, hard-pressed by food shortages, will be forced to import 40-50 million tons of grain in 2020, straining food supplies not only in Asia but on a global scale.

The impact of China, the world's largest grain producer, emerging as the world's largest food importer will deal a heavy blow to Japan, now the world's top food importer. The upshot: Both Japan and South Korea will suffer food shortages, with especially short supplies of animal feed and livestock products.

Meanwhile, the globalization of agriculture poses greater risks of meat contamination, caused by diseases like bovine spongiform encephalopathy, known as mad cow disease, and food-and-mouth disease. Risks of acute infectious diseases, including avian flu and severe acute respiratory syndrome (SARS), may also increase. These diseases present us with nontraditional security issues, and I would propose that Japan take the initiative on the following fronts to minimize the effects of the anticipated risks on East Asia.

Modernization

First, build an East Asia food industry community on the basis of Japan's cutting-edge agricultural technology and its abundant financial resources. The community would offer technical assistance to those countries of the region with lower agricultural productivity, including China, Vietnam and Thailand. The primary aim in doing so is to modernize East Asia's farm industry and raise the region's self-sufficiency in food.

Second, as soon as possible bring the entire region under the framework of free trade and economic partnership agreements. Such agreements would encourage countries in the region to open their borders wider to the flows of not only merchandise and money but manpower and technology as well. These developments in turn would inspire countries to hasten structural reform of their own domestic economies.

Third, offer cooperation to the poorest, least-developed agricultural areas of the region, which are often victimized by the recurrence of acute infectious diseases. Japan's helping hand can improve their environmental, hygiene and healthcare conditions and also raise the level of

less-developed countries' fragile governance. Japan thus can show an example that if well coordinated among the countries of East Asia, the region's common agriculture, environment and energy policies can also effectively cope with nontraditional security risks, which also include international terrorism and piracy.

It goes without saying that Japan, if it is to lead the move toward forming an East Asian Community, must also take the lead in knocking down its protectionist barriers to agricultural trade.

(This is the text of an article by Prof. SHINDO Eiichi, Professor Emeritus of the University of Tsukuba and Member of the Council on East Asian Community, which originally appeared in the "Opinion" column of the "Nikkei Weekly" on November 27, 2006)