

Shinzō Abe Policy: *Nōkyō* Reorganization and TPP

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Abstract: Under the administration of Shinzō Abe, the policy of *Nōkyō* (*Nōgyō*, *Kyōdō*, *Kumiai*) reorganization and the role of Japan in the TPP (Trans Pacific Partnership) are bold policy from Abe who wanted to reap opinions at national and international levels. Reformation will likely give mutual benefit in agricultural sector and non-agricultural business. Zennoh who is a reorganized as *Nōkyō* organ becomes large corporation that goes hand in hand with giant existing corporations. TPP provides opportunity for Japan in promotion and marketing of Japanese agricultural products in the international level, especially in Asia Pacific. Research using qualitative methodology with current reference is expected to complement previous research and useful for political and business decision-makers as well as sharpens academic insights about Japan under Abe's government in the era of global competition.

Keywords: *Nōkyō*, TPP, Zennoh, Abe, LDP

1. Introduction

After World War II ended, USA began to occupy Japan and made significant changes in various fields. Additional change is also in the constitution, where USA re-organized pre-war organizations, including agricultural organization that controlled rice and farmland. The policy was known as agrarian reform, where government replaced existing agricultural organizations into *Nōgyō Kyōdō Kumiai* (*Nōkyō*)¹. Under the supervision of SCAP, the task of *Nōkyō* was controlling the distribution of food to rural areas to overcome hunger, food shortage and the widespread food black market after the war². Changes made by SCAP became the beginning of farmer political power in Japan. Democracy and the American-run electoral system was key factor that transformed *Nōkyō* into a large organization and a pressure group on agricultural policy making. The factor that led to the development of the *Nōkyō* into a large and powerful organization is the close relationship between the *Nōkyō* and Liberal Democratic Party (LDP) established in 1955³. The relationship between the LDP, business corporations and Japanese bureaucrat referred as iron triangular relationship. *Nōkyō* was in the influence of this iron triangle⁴. Thanks to a strong relationship between *Nōkyō* and LDP, for more than sixty years, *Nōkyō* succeeded in mastering the agricultural sector in Japan. *Nōkyō* controls types of plants to be planted in one area and determines the equipment to be used⁵. Thanks to *Nōkyō*'s support, the LDP was able to win elections and lead Japan for decades. As a

form of reward for *Nōkyō*'s support, LDP enacted policies favoring farmers and made *Nōkyō* financially strong and cooperative.

In 2012, the LDP again won election and Shinzō Abe returned as Prime Minister. However, under Abe's leadership, the government reorganized *Nōkyō*. The TPP (Trans Pacific Partnership) and *Nōkyō* reorganization are two very bold and risky Abe policies against LDP and *Nōkyō* relationships. These two policies are against the wish of *Nōkyō*. TPP and the reorganization have potential to reduce relationship of LDP and *Nōkyō* that have been well established for decades and could have an impact on the reduced vote for LDP in rural constituencies in the next general election. Abe's decision to reorganize the *Nōkyō* was a huge decision in the history of the agricultural cooperative system that has existed for sixty years⁶. Although the agricultural policies under Abe's leadership seemed to weaken *Nōkyō*, but in reality, the government continued to support *Nōkyō* by enacting several counter policies. This research will focus on Abe's policy on *Nōkyō* and TPP.

2. Literature Review

This study referred to some relevant sources. Yoshihisa Godo (2000) "Reforming Japan's Agricultural Policies" explained about the reasons why Japan insisted on protecting domestic agricultural products until now. Godo discussed problems in Japan related to Uruguay Round where Japan received a lot of pressure from abroad to open more import quota for agricultural products, especially rice. Yet Japan continued to insist on protecting domestic rice market. In the end, Japan opened rice market by imposing minimum restricted access in form of tariff or non-tariff barrier. Other than that, Japan rice market remained close for six years between 1995 and 2000 by compensating for minimum access to import quotas.

Japan enforced rice self-sufficiency and closed market policy from overseas rice product for more than three

¹ Adam D. Sheingate, *The rise of Agricultural Welfare state: Institution and Interest Group Power in The United State, France and Japan*. United Kingdom: Princeton University Press. 2001

² Understanding the Japan Agricultural Cooperatives, <http://www.nippon.com/en/currents/d00082/>

³ Parallel Politics: *Economics Policy Making in Japan and the United State*. Kanel. Samuel 1991.

⁴ I Ketut Surajaya, "Segitiga Besi dan Pembaharuan Politik Jepang" in *Jurnal Lembaga penelitian dan Pendidikan kepada Masyarakat*, September 1994. Year III Number 1, Jakarta; University of Darma Persada. Jakarta

⁵ Japan Agricultural Reforms Opened the Door to Widespread Change, Marti Foster

⁶ <https://www.japantimes.co.jp/opinion/2015/02/11/editorials/ja-zenchu-reform-just-first-step/#.WcjLF8gjHIU>

decades. Japan's self-sufficiency policy was massive. In 1977, as much as 41.4% of agricultural lands were used for planting rice. Rice was 38.3 percent of the total agricultural products harvested by around 2.3 million farmers in Japan. Of the 2.3 million farmers, 66.8% are rice farmers and the government protects them. It was beneficial for the Liberal Democratic Party (LDP) to win the election. Godo explained that Japanese people support the government to protect the rice fields. Japanese society also understands that self-sufficiency is very important and rice also has significant cultural and social traditions that are very important in Japan society.

Godo explained about the original purpose of Japan's government to protect the agricultural sector after the Second World War. In 1960s the rise of industry made Japan's agriculture become inferior sector in the economy. In addition, farmers' income is much lower than those who worked in urban areas. To overcome the imbalance, the government implements new rules in the distribution of food. In 1960s government established a rice price formula called a production cost compensation program. The price of rice procurement was determined to cover the cost of rice production. Although Japan participated in the Uruguay Round, according to Godo, Japan still insisted on protecting domestic agricultural products in various ways. Godo's study certainly did not discuss whether until recently the Japan government still adamant about protecting agricultural products and whether Japan's strategy in offsetting the TPP is the same as the policy once used to compensate for Uruguay Round. Therefore the study will focus on these questions.

Michele Graßal (2005)⁷ in his article "Interest Group Activity of The Agricultural Lobby *Nōkyō* in Japan and its Implications" described activities of *Nōkyō* as a group of interests and explained activities and movements of *Nōkyō* as policy clustering group that influenced government policy. Michele began by describing forerunner of agricultural organization that has existed since Meiji era. The agricultural organization at that time was formed by government and assigned to promote agriculture in the countryside. After the end of World War II, the agricultural organization underwent reorganization into *Nōkyō*. The duties and authorities of *Nōkyō* at that time were limited, i.e., only in terms of marketing and selling agricultural products. However, over the time, *Nōkyō* then evolved into a very large agricultural organization. The business of *Nōkyō* extended into the field of services and trade. More than that, *Nōkyō* continues to expand business field until penetrated in field of insurance and banking. Members of *Nōkyō* not only consisted of the peasants but also those who cooperated with the business of *Nōkyō* outside agriculture, such as construction. This huge number of members was used by *Nōkyō* to win LDP in every election. *Nōkyō* is an agricultural cooperative organization that strongly opposed liberalization of agricultural products. For example, rice market is closely guarded against liberalization, even by spreading an opinion

⁷Graßal, Michele, (2005) "Interest Group Activity of the Agricultural Lobby *Nōkyō*, in Japan and its Implications." 194 . <http://studylib.net/doc/8416345/agricultural-sector-in-japan---deutsch-japanischer>.

that the "Japanese belly" will not be able to digest rice from outside Japan. But the government of Morihiro Hosokawa (founder of the Nihon Shintō Political Party and Japanese Prime Minister in 1993 – 1994) was able to successfully liberalize the rice market. This shows that *Nōkyō* was only able to slow down the liberalization process but not completely stop the rice market liberalization. In this case, Michele also described the power of *Nōkyō* as a pressure group that was not always capable of pressuring the government to establish policies in favor of *Nōkyō*. Michele showed that the *Nōkyō*'s power began to weak in the era of Prime Minister Hosokawa. This study did not extend to recent developments, related to *Nōkyō*'s strength at this time related to government policy over *Nōkyō*.

Brady James (2014:03) in an article entitled "Japanese Agricultural Policy Studies: The State of the Field"⁸, described debates of some parties in Japan regarding government's decision to protect agricultural products. Government policy in protecting agricultural sector was not fully supported. One party who disapproved of the government's move not to impose market liberalization was *Keidanren* (*Keizai Dantai Rengo* = Federation of Economic Associations). The large organization, supporter of LDP, does not agree with the party policy in supporting agricultural subsidies. Abe's decision to promote agriculture within the TPP sparked a split between two interest groups between those who wanted market liberalization and those who wanted to protect Japan's agricultural sector, especially rice production. James stated that there are three parties who have influence in perpetuating the condition of agricultural protection in Japan or often referred to as actors who perpetuated Japan agricultural regime. First is the Ministry of Agriculture, the second is the *Nōkyō* as a giant agricultural union that has a strong influence in policymaking, and the third is politician. James emphasized that regarding to the relationship with the government and *Nōkyō*, the organization grew into a very large and prosperous organization. Although *Nōkyō*'s power was reduced in the 1990s as the electoral vote in the countryside diminishes due to urbanization, *Nōkyō* still has major influence on government decision-making. James's research also showed a split between *Keidanren* that supported TPP and *Nōkyō* who does not support TPP. This study has not answered yet whether Abe manages to unite *Keidanren* and *Nōkyō* as they have a unequal perception related to Abe's decision to join the TPP and whether the *Nōkyō*'s strength as a pressure group has weakened based on Abe's decision to join the TPP. The answer to this question will be examined in detail.

Ulli Jamitzky (2015) in article entitled "The TPP Debate in Japan: Reason for a Failed Protest Campaign"⁹, outlined *Keidanren*'s efforts that have urged government to

⁸Kokusai Kokyo Seisaku Kenkyuu = 国際公共政策研究. 18 (2) P.17-P.32, text Version publisher. URL <http://hdl.handle.net/11094/51322>.

DOI. <http://hdl.handle.net/11094/51322>

⁹Asia Pacific Perspectives, Volume XIII: Spring/Summer 2015, a publication of the Center for Asia Pacific Studies. <https://www.usfca.edu/center-asiapacific/perspectives/v13/jamitzky>

begin bilateral agreements since 1990s. *Keidanren* saw bilateral cooperation would be able to increase Japan's export and bring good impact to the Japan's economy. *Nōkyō*, on the other side keeps pressure the government not to start bilateral agreements or market liberalization because they want to protect domestic agricultural products from foreign agricultural products. Opposing market liberalization was strengthened since the issue of Japan's participation in the TPP. *Keidanren* stated that Japan needed TPP while *Nōkyō* firmly stressed TPP will kill agricultural sector. Ulli described activities of *Nōkyō* in efforts to pressure the government to leave TPP through protests and meetings demanding the government to reject TPP. In addition, *Nōkyō* leveraged its network to influence policymakers in rejecting TPP. *Nōkyō* also successfully collected 11 million signatures used as petition to government to reject TPP. This was a remarkable achievement since the number of farmers in Japan was only 2.6 million in 2010. *Nōkyō* made a very hard effort to reach all groups and propose idea to refuse Japan's participation in TPP. The anti-TPP protests began in 2013 after Prime Minister Abe decided to join the TPP. Soon after, as many as 7,000 farmers held protest against Abe's decision.

According to Ulli, although *Nōkyō* had mobilized all their forces in various ways to prevent Japan from participating in TPP, *Nōkyō* had to accept the fact that their strength was no longer sufficient to pressure TPP-related policy. The Japan's decision to participate in TPP also broke public opinion that after LDP came to power, *Nōkyō* would be stronger. In the article, Ulli stated that Abe's decision to participate in the TPP had ignored pressure of *Nōkyō*. Ulli argued that *Nōkyō*'s position as a pressure group began to weak as the number of farmers in Japan declines. This research took a different perspective from Ulli's statement on Abe policy, related to join the TPP as the influence of *Nōkyō* as pressure group began to weak due to declining number of farmers. This study presents data that the declining number of farmer populations has nothing to do with the weakening *Nōkyō* power as pressure group because *Nōkyō* members are not just farmers. Ulli indeed only explained *Nōkyō*'s condition after TPP, until Akira Banzai (President of the Central Union of Agricultural Co-operatives = *JA-Zenchu*) received a proposal related to *Nōkyō*'s reform. Ulli did not explain how *Nōkyō* reform was done, how *Nōkyō* reacted and whether Abe enforced balancing policy to keep good relationship with *Nōkyō*. Parts that have not been explained by Ulli, will be completed in this study.

3. Definition of Problem

This research analyzes the influence of *Nōkyō* in the agricultural policy set by Abe's administration. The question in this study was whether *Nōkyō* reorganization influenced agricultural policy or weakened agricultural policy under Abe's administration? The assumption and hypothesis of this study is that the reorganization under the Abe's administration does not weaken farmers because the agricultural revitalization still under government's attention to the sector. The reorganization of *Nōkyō* has no effect on the support of policies and subdivisions that the government gives to farmers.

4. Methodology

This research used descriptive qualitative method. Qualitative methods used to answer the question of 'what', 'how' or 'why' a phenomenon occurred rather than answering the question of 'how much'. Alan Bryman (2004: 366) affirmed that qualitative research emphasizes words, inductive and interpretative¹⁰. Data collection technique used is document studies, literature and quantitative data. The data used for analysis is primary and secondary data. Primary data is formal statement from government and statements published in the mass media. Secondary data is data obtained from various journals, books, and Internet sites. The data is collected and abstracted, then finding patterns contained from the data¹¹. Specifically, the method used in this study was a case study in the social affair¹². Case studies seek to highlight a decision or set of decisions. The complexity of a case is analyzed in a particular context, situation, and time. By understanding the case in depth, the researcher will capture the importance for the interests of a particular society, organization or community. Irawan Prasetya (2006) asserted that the conclusion in qualitative research is not a summary. Conclusions involve the ability of logic and the ability to understand the data.

5. Discussion

5.1 Subsidies as TPP counter strategy

After LDP won 2012 elections, *Nōkyō* directly suppressed LDP members and Abe's administration to support *Nōkyō*'s reward for their support to LDP in the election¹³. In addition *Nōkyō* also invited members of the newly selected Diet to join anti-TPP group. This group was formed in order to protect the interest of the State and reject TPP (TPP *kosho ni okeru kokueki o mamori nuku kai*)¹⁴. *Nōkyō*'s efforts did not work well. In 2013, Prime Minister Abe officially announced Japan's participation in TPP. After the decision was established, *Nōkyō* activities as interest group did not end. *Nōkyō* demanded the Abe administration to put priority on the exclusion of rice, wheat, beef, pork and sugar from tariff exemption in TPP discussions¹⁵. The participation of

¹⁰ Alan Bryman, (2004) *Social Research Methods (third edition)*, New York, Oxford University Press, p. 366.

¹¹ Irawan, Prasteya, (2000) *Peneletian Kualitatif & Kuantitatif untuk Ilmu-Ilmu Sosial Depok* : DIA FISIP UI.

¹² Case Study Methodology Rolf Johansson Architect SAR/MSA, Associate Professor. Royal Institute of Technology Infrastructure / Urban Studies / Built Environment Analysis rolf.johansson@infra.kth.se

¹³ Aurelia George Mulgan, Masayoshi and Honma, (2015), *The Political Economy of Japanese Trade Policy* : (*Critical Studies of the Asia-Pacific*).

¹⁴ Aurelia George Mulgan dan Masayoshi Honma, (2015), *The Political Economy of Japanese Trade Policy*, St Martin Press New York, p. 146.

¹⁵ Reiji Yoshida, (2013). Abe declares Japan will join TPP free-trade process : Government predicts 0.66% GDP bump; farmers to take ¥3 trillion hit, The Japan Times. 24 Oktober. <https://www.japantimes.co.jp/news/2013/03/16/busi>

Japan in TPP by ignoring *Nōkyō*'s insistence does not mean the *Nōkyō*'s power is weakening as a group. Because, in fact, after deciding to take part in TPP, Japan government is running a domestic strategy to deal with TPP's decision.

Strategy in after the decision abroad is achieved often called countermeasure. However, this study used the term of counter strategy. A counter-strategy in the country is done so that the government can keep good relations with *Nōkyō* while participate in world trade negotiations to stabilize Japan's relations with other countries. The counter-strategy to TPP is similar to the Uruguay Round. Abe's decision to continue TPP is offset by new policies. Among these are the increased allocations of funds for agricultural sector. The subsidies are allocated to prepare farmers to face market liberalization and encourage exports of agricultural products. In addition to subsidy, LDP appointed Moriyama, a very outspoken person in refusing TPP to become head of TPP working group¹⁶.

After Abe's victory in 2012, the budget allocated for agricultural sector in 2013 is higher up to double than before. The budget for agriculture in 2012 is 374.3 billion yen while in 2013 it reached 803.7 billion yen. The subsidy spent to support agricultural sector is greater than subsidy allocated to support non-agricultural industrial sector (424.5 billion yen)¹⁷. The allocation of subsidy for agriculture is the third largest in budget allocation set by the Ministry of Finance. In addition to the higher budget allocations for agricultural sector after Abe won the election, the Japan government imposes a revision of the income insurance system. This policy was adopted after three-year experiments with farmers¹⁸. The average income of farmer for the last five years will be set as the revenue standard. If one year's income is below 90% of the standard, the difference between the annual income and the revenue standard will be compensated¹⁹. Large subsidies and new insurance systems showed that Japan still supports the agricultural sector. *Nōkyō*'s power to pressure the government is still strong and LDP still wants to keep the vote of *Nōkyō* for the next general election

5.2 Counter strategy against *Nōkyō* reorganization

The determination of agricultural reorganization was first actualized and published in the second Abe administration. Previously, there was no government body and Ministry that published *Nōkyō* reforms²⁰. Raising the issue of *Nōkyō*

reorganization was considered inappropriate and taboo. The reorganization of *Nōkyō* was done to eliminate the centralize *Nōkyō*'s authority in conducting audit and intervention against the local *Nōkyō*. Prior to the reorganization, all forms of activities and financial arrangement of *Nōkyō* were arranged directly by the central *Nōkyō*. The local *Nōkyō* is obliged to obey the decision taken by the central *Nōkyō*.

In January 2013, Abe established the Industrial Competitiveness Council (ICC) and The Regulatory Reform Council (RRC). Both councils are formed to carry out economic growth strategies²¹. In May 2014, the RRC announced 'The Statement of Agricultural Reform'. In the draft of the proposal, there is a proposal for the reorganization of *Nōkyō*. This reorganization was done in an attempt to reduce *Nōkyō*'s power as a pressure group in influencing government in agricultural policy. The RRC proposes that parties with no connection at all with *Nōkyō* carry out the reorganization. This is done so that reorganization process is independent and neutral. If *Nōkyō* himself does the reorganization, there is suspicion that the old system will be retained. Proposal was not only limited to reorganization. Moreover, the RRC strongly proposed that *Nōkyō* be abolished. This action was done in order to strengthen government rule and weaken the strength of pressure group²². So the government's decision will be based on the needs of the State compared to the need of interest groups. Immediately after the proposal was published, *Nōkyō* members asked politicians from the LDP to review proposal related to agricultural reform based on the magnitude of the contribution provided by *Nōkyō* to the Japan's economy²³. In addition, *Nōkyō* strongly rejected reorganization to be undertaken by independent parties. *Nōkyō* considered independent parties beyond *Nōkyō* organization did not have good competencies regarding cooperatives.

As a result of government negotiation and *Nōkyō*, the government did not dissolve *Nōkyō*. In addition, the government rejected the RRC's proposal on reorganization by independent parties outside *Nōkyō*. *Nōkyō* was allowed to do self-reform. This showed government's allegiance to *Nōkyō* and *Nōkyō*'s pressure is still very influential. The rejection of the RRC proposal was a victory for *Nōkyō*. When examined more deeply in terms of reorganization, changes that occur will have no significant influence on the

ness/abe-declares-japan-will-join-tpp-free-trade-process/#.We71WGtCzIU . accessed 24 October 2017.

¹⁶ Patricia L. Maclachlan dan Kay Shimizu. 2014. Showdown: The Trans-Pacific Partnership vs. Japan's Farm Lobby. National Interest . Oktober 2017 <http://nationalinterest.org/blog/the-buzz/showdown-the-trans-pacific-partnership-vs-japans-farm-lobby-11394>. Accessed on 13 October 2017.

¹⁷ <http://www.mof.go.jp/english/>

¹⁸ Agriculture, Forestry and Fisheries and Regions Citalization Creation Plan.

¹⁹ Ibid

²⁰ Kazuhito Yamashita, (2014), I was surprised! The Regulatory Reform Council's JA (Japanese Agricultural

Cooperatives) reform proposal is highly significant. The Canon Institute For Global Studies. 20 Oktober. http://www.canon-igs.org/en/column/macroeconomics/20140605_2609.html accessed 20 October 2017.

²¹ Hiromi Kabashima, "The Trans-Pacific Partnership and Japan's Policy Making Process : Why did Japan decide to open market to global trade? ". Yokohama National University. http://paperroom.ipsa.org/papers/paper_54231.pdf f.accessed 7 August 2017.

²² Kaoru Ishiguro. 2017. TPP negotiations and political economy reforms in Japan's executive policy making : a two level game analysis. Interatinal Relations of Asia-Pasific. Vol 17, No.2. accessed 7 August 2017

²³ Ibid.

relationship of *Nōkyō* and LDP. In other words, the reorganization does not weaken political power of agricultural organization of almost all farmers in Japan. This was due to several things, among others: (a) *Nōkyō*'s reorganized organizational body is *Zennoh* (moves as *keizai dantai* or moves in economic, not as a political body). *Nōkyō*'s political body is *Zennoseiren*. The reorganization does not target *Zennoseiren* as part of *Nōkyō* who had the right to campaign in elections. Therefore, the reorganization can be interpreted, as the efficiency and problem solving that existed in *Nōkyō* and to eliminate the trade monopoly that has been done by *Zennoh*. If Abe wanted to undermine the political power of *Nōkyō*, *Zennoseiren* should be targeted in reorganization because *Nōkyō*'s political power was within this institution. (b) All parties in *Zennoseiren* are involved in election activities (*senkyou undou*), recommending candidates (*suiesen*), involving all members ranging from executives, staff and farmers' members to support candidates in favor of agriculture. (c) Reorganization should be undertaken to strengthen local peasant groups. Since 1970s, there has been a disagreement over differences in outlook on agricultural cooperatives in *Nōkyō*. Many farmers considered *Nōkyō* officials focused only on business expansion and had nothing to do with improving agricultural products. Many farmers think that *Nōkyō* officials are salesmen who offered insurance and savings to meet *Nōkyō*'s deposit, compared to offering solutions to improve agricultural sector. The conflict within the *Nōkyō* body that has existed for decades is often referred to as 'profit versus cooperates' conflict.

5.3 Reorganization of *Zennoh*

Under Abe's administration, *Zennoh* (*engaged in economics, not politic*) was ultimately not excluded in anti-monopoly laws. Prior to the reorganization, *Zennoh* was an *Nōkyō* body established for the purpose of buying cheap agricultural products. *The government subsidizes Zennoh* so that it can buy agricultural product at low prices but sell agricultural produce at high prices. For decades *Zennoh* monopolized the sale and purchase of agricultural products. The government permits agricultural cooperatives to undertake all business related to agriculture²⁴. Therefore, the whole activity of buying and selling of agricultural products is done by *Zennoh*. Over time, *Zennoh* became agent that monopolized the trade²⁵.

The subsequent reorganization by Abe administration was that *Zennoh* was no longer allowed to be free of tax payments. The logical consequence of this reorganization was that *Zennoh* would lose all sorts of conveniences that have been enjoyed for decades primarily thanks to tax exemptions. Without tax exemptions, *Zennoh* had to compete with ordinary companies. The existence of healthy competition will have implication on price competition and

make price of agricultural products in Japan can decrease²⁶. *Zennoh*'s reorganization and policy changes imposed by Abe were offset by a replacement policy, a balancing policy where the government granted permission for a joint venture with *Zennoh*. Under this policy, *Zennoh* is allowed to work with industrial companies. The government will facilitate the reorganization of *Zennoh* and encourage manufacturers to take part in agricultural machinery market to increase competition through the implementation of joint venture licenses²⁷. Joint venture opened up opportunities for *Zennoh* to expand the line of business and benefit as substitute for subsidies granted by the government. Through joint venture, Japan is actually preparing to reshape collaborations between agricultural and industrial sectors. *Sangyou kumiai*, who had existed before the war, will be reformed²⁸. Under the joint venture permit, *Nōkyō* and *Keidanren* will have chance to form a new joint organization and may be new "*Zaibatsu*" in Japan. Collaboration between these two large organizations will strengthen the Japan economy.

In pre-war era, *Zaibatsu* was formed through joint venture efforts. In 1910, the government held major structural adjustment, which implied the transformation of various companies in form of joint venture companies²⁹. The difference was that joint venture companies of *Zaibatsu* in prewar period started from family companies that formed branches and worked together. Meanwhile, at present time, "*Zaibatsu*" was formed through a joint venture company among local and industrial companies in the region. As a result of the joint venture permit policy enacted under Abe's leadership, *Zennoh* worked with *Mitsubishi* to establish a new company in 2017. *Zennoh* and *Mitsubishi* announced the creation of a new company engaged in manufacturing registration and distribution of Agrochemical materials. The new company is named "Z-MC Crop Protection Corporation". The combined company *Nōkyō* and *Keidanren* was founded in October with 50% share each. The total initial capital of the combined company is 560 million yen. The joint venture is planned to start operating in 2018³⁰.

The combined company of *Zennoh* and *Mitsubishi* will run the production and expansion of agrochemical trade overseas. The company is assisted by *Mitsubishi*'s business

²⁴ Kazuhito Yamashita. 2014. I was surprised! The Regulatory Reform Council's JA (Japanese Agricultural Cooperatives) reform proposal is highly significant. http://www.canonigs.org/en/column/macro-economics/20140605_2609.html. accessed 22 October 2017.

²⁵ Ibid.

²⁶ Kazuhito Yamashita, I was surprised! The Regulatory Reform Council's JA (Japanese Agricultural Cooperatives) reform proposal is highly significant. http://www.canonigs.org/en/column/macro-economics/20140605_2609.html

²⁷ Agriculture, Forestry and Fisheries and Regions Vitalization Creation Plan/ Vitalization Plan.

²⁸ *Sangyou kumiai* is an industrial organization for industry and agriculture in the post-war era. *Sangyou Kumiai* was abolished by SCAP. The result of the abolishment was *Keidanren* and *Nokyo*.

²⁹ Edited by Takao Shiba, Masahiro Shimotani Beyond the Firm: Business Groups in International and Historical Perspective, Oxford University Press 1997. Page 17.

³⁰ AgroNews. October 2017. Agricultural Cooperative ZEN-NOH and Mitsubishi Corporation to Establish Agrochemical Joint Venture. <http://news.agropages.com/News/NewsDetail---23693.htm>. accessed 19 October 2017.

network that will meet food demand and agricultural inputs related to the increase of world's population. This year, the *Zennoh* and *Mitsubishinew* company has signed trade contracts with China and India³¹. China and India are countries with a very high population. The need for food and fertilizer for agriculture is very high in both countries. The expansion of *Zennoh's* business field into the industry and running overseas business is likely to gain enormous profits. The enactment of anti-monopoly law and also the abolition of subsidy for taxes in fact did not substantially harm *Zennoh*. Only with joint venture permit, *Zennoh* could expand its business field and earn higher profits. The government will also allow *Norinchukin* Bank, the Agricultural Insurance Company (*Zen-Kyoh-Ren*) to transfer the shares³². This new permit provided opportunity for agricultural sector to develop and improve due to collaboration with industry.

5.4 Removal of the *Gentan*

The challenge of Abe administration was to abolish the *gentan* (rice production quota system), a policy that has been implemented since 1969 to overcome surplus of rice³³. This policy was in form of subsidy for farmers who wanted to change the types of agricultural products besides rice. This policy had implications for high rice price in the Japan's market and high government subsidy for agricultural sector. The *gentan* policy has burdens consumers and government significantly. Consumers had to buy in high rice price conditions while government should allocate more budgets for agricultural sector. Subsidy issued by government was inversely proportional to the income from the agricultural sector to a very minimal state. The decision to abolish the *gentan* was judged by *Nōkyō* as a hasty decision. *Nōkyō* asserted that rice farming was the foundation for the nation, so that if the decision was made by ignoring fears felt by peasants, it will be bad for the future of Japan. As a final result of the negotiation between *Nōkyō* and the government, Abe will impose the removal of the *gentan* and *Nōkyō* finally accepts the decision. In October 2015, Akira Banzai's president of the Central Union of Agricultural Co-operatives (*JA-Zenchu*) agreed to abolish the *gentan* in 2015. The negotiation took a very long way and also presented by the LDP's representative, Nishikawa Koya.

The Ministry of Agriculture, Forestry, and Fisheries (MAFF) welcomed the abolishing of *gentan*. Small-scale agriculture makes it impossible for Japan to compete with USA and Australia³⁴. USA is currently the largest exporter

of agricultural products in the world while its farmland is much smaller than Australia. Through this statement, MAFF wishes to emphasize that farmers need to improve agricultural products for exports and end the dependence on government subsidy. In addition, Japan also had to see how the world's response to Japanese food products. In the world, Japan's agricultural products are known for good quality and contain few chemical substances. In fact, Japan imposed strict rules for agricultural import products with high levels of pesticides. Products with high pesticides will be exposed to non-tariff barriers that cause the product cannot be sold in Japan's market. Japan already captured this condition as a great opportunity to expand rice exports. High rice production and less expensive price will increase the demand for Japanese rice in the world, even to Asian countries. Therefore, the benefit of farmers derived from government subsidies (by keeping rice prices constantly expensive) can be replaced by profits from the export of rice. The price of rice that is affordable in the market and only slightly different from the price of rice from other countries with excellent quality, Japan's rice will be unmatched³⁵. In addition, another factor causing the government remove the *gentan* is based on the weakening rice market in USA. The rice market in USA has encountered a problem because in 2014 US rice production fell by 22% and it was the lowest value since 1999. By 2015, rice farmland in USA is expected to be dropped by 14% due to drought problems in California. Based on this situation, rice-trading company will start exporting rice to California. This could encourage spread of Japan's rice in US market³⁶.

After the removal of the *gentan*, Japan's government achieved various progresses. The results of the policy change include: (a) by 2015, the *Kubota* Company, a manufacturer of agricultural equipment's in Japan, cooperated with *Zennoh* to start exporting rice to Asia by 2016³⁷. *Kubota* and *Zennoh* have announced the increase of rice exports every year of 10,000 tons to Hong Kong and

20Agriculture%20Trade%20Policy%20and%20Sustainable%20Development_0.pdf. accessed 11 October 2017

³⁵ Kazuhito Yamashita. 2015. Japanese Agriculture Trade Policy and Sustainable Development. Canon Institute for Global Studies ; Research Institute of Economy, Trade and Industry

(RIETI). No 56 (Agustus). https://www.ictsd.org/sites/default/files/research/Japanese%20Agriculture%20Trade%20Policy%20and%20Sustainable%20Development_0.pdf accessed 11 October 2017.

³⁶ Kazuhito Yamashita. 2015. Japanese Agriculture Trade Policy and Sustainable Development. Canon Institute for Global Studies ; Research Institute of Economy, Trade and Industry (RIETI). No 56 (Agustus). https://www.ictsd.org/sites/default/files/research/Japanese%20Agriculture%20Trade%20Policy%20and%20Sustainable%20Development_0.pdf. accessed 24 October 2017.

³⁷ No writer Name. 2015. Japanese equipment maker Kubota ties up with agriculture body for rice exports. 15 Oktober. <http://fareastagriculture.com/crops/agriculture/japanese-equipment-maker-ties-up-with-agriculture-body-for-rice-exports>. accessed 15 October 2017.

³¹ *Ibid.*

³² Agriculture Polic, 2nd Revision

³³ Takashi Terada. 2015. The Abe effect and Domestic Politics. *Asian perspective*. Vol. 39, No.3(July-September) pp. 381-404.

<http://journals.riener.com/doi/abs/10.5555/0258-918439.3.381?code=lrpi-site>. Accessed on 22 October 2017.

³⁴ Kazuhito Yamashita. 2015. Japanese Agriculture Trade Policy and Sustainable Development.

Canon Institute for Global Studies ; Research Institute of Economy, Trade and Industry (RIETI). No 56 (Agustus). https://www.ictsd.org/sites/default/files/research/Japanese%20Agriculture%20Trade%20Policy%20and%20Sustainable%20Development_0.pdf

Singapore. (b) On August 23, 2017, local government of Fukushima and a Malaysian importer company approved an agreement to export 100% of "Koshihikiri" rice. Exports began in 2017 for rice produced in Fukushima prefecture. Export in 2017 is amounted twice of exports in previous year. Fukushima prefectural government is determined to increase rice export based on rapid growing Asian economic conditions. (c) Malaysian rice import from Japan continued to increase after the *washoku*³⁸ became popular in Malaysia. The Circular Company, an importer in Malaysia, in 2015 imported 12 tons of rice from Fukushima and the number increased to 29 tons in May and July of 2017. (d) The Circular Company planned to import 20 tons of *koshihikiri* rice each month or more than 200 tons per year in the future. Fukushima prefectural governor, Masao Uchibori, and local Fukushima *Zennoh* chairman have signed this agreement³⁹. (e) Fukushima rice, known as "ten no tsubu", will be marketed in the UK. The first import will amount to 1.9 tons. General Manager *Zennoh* confirmed that Japan's rice market would not only be expanded in the UK but also around the world⁴⁰. (f) The growth of interest in Japan's rice from Singapore has also increased. In 2014, Singaporeans consumed 1.359 tons of Japanese rice. This amount was increase by 602 tons from 2011 consumption. Based on data from Japan's agriculture ministry, Singapore is the second largest importer after Hong Kong. In *Giant* supermarket, the need for Japanese rice has increased since 2011. Interviewed consumers said that they made breakfast with Japanese rice for their children because Japan's rice is healthy⁴¹. (g) Based on the growing rise in rice exports by 2016, the Japan's Ministry of Agriculture took a very ambitious plan to increase rice exports to 100,000 tons by 2019. The Ministry will increase rice sales campaigns in overseas markets by exploiting the popularity of Japanese foods to support agricultural income. The record until 2016, Japan successfully exported 10,000 tons of rice for staple food⁴². The success of Abe's government in abolishing *gentan* was a step forward for Japanese agriculture. Although initially, *Nōkyō* who assumed the abolition of opposed this policy *gentan* would affect the decrease of farmer's income.

6. Conclusion

³⁸ *Washoku* was a traditional food in Japan, registered in Malaysia as world heritage

³⁹ Naoyuki, Saito. 2017. 100 tons of Fukushima rice to be exported to Malaysia per year. Fukushima Minpo News. 20 <http://www.fukushimaminponews.com/news.html?id=852> . accessed 20 Oktober 2017.

⁴⁰ Danielle. Demetriou. 2017. Fukushima rice to go on sale in UK for first time since 2011 nuclear crisis. www.telegraph.co.uk . 20 Oktober. <http://www.telegraph.co.uk/news/2016/06/20/fukushima-rice-to-go-on-sale-in-uk-for-first-time-since-2011-nuc/> accessed 20 October 2017.

⁴¹ Jessica, Lim. 2015. Growing appetite for Japanese rice in Singapore. www.straitstimes.com. <http://www.straitstimes.com/singapore/growing-appetite-for-japanese-rice-in-singapore> accessed 20 October 2017.

⁴² Japan aims to boost annual rice exports to 100,000 tons <http://newsonjapan.com/html/newsdesk/article/121048.p> hp

Nōkyō has many members and not limited to farmers only. Therefore, *Nōkyō* was able to provide votes and win LDP in general election. Therefore, *Nōkyō* has powerful influence in any agricultural policy. The business field run by *Nōkyō* is very diverse, ranging from fertilizer business, transportation, agricultural products, and trade of products used for agricultural activities, insurance companies and banks. The broader the business field, the more members of *Nōkyō* and the sound of *Nōkyō*'s members to win the election.

Abe's decision to participate in TPP (Trans Pacific Partnership) was against the wish of *Nōkyō* who oppose Japan's participation in the TPP. Reorganization of *Nōkyō* by Abe's administration, which at the time was considered taboo, can be realized. Raising subsidies to farmers offsets Japan's participation in TPP. *Nōkyō* organizational body reorganized *Zennoh*, which was engaged in the economy process. *Zennoh* was allowed to conduct joint-venture cooperation with industrial companies, expand the business line, join the industry and earn greater profits. Abe does not reorganize *Zennoseiren* as part of *Nōkyō* who has the right to campaign in elections. Removal of *gentan* was a mutually beneficial policy for farmers and government. Rice production increase and implicate the decline in rice prices. Abundant rice production encourages Japan to do bigger export.

7. Future Scope

The *Nōkyō* reorganization gave benefits for farmers rather than *Nōkyō* alone. Abe's policy was more appropriate because it has been able to solve problems that have existed since the 1970s among farmers and officials of *Nōkyō* and their effects can be accepted directly by farmers. By returning the authority to the local *Nōkyō*, Abe is actually doing a campaign without an agent and will have a positive impact on the power of the LDP. *Nōkyō* underwent a very significant change under Abe's leadership. The strength of *Nōkyō* as a weakening pressure group is inevitable but it does not mean that the farmer in Japan is weakening and the government's favor to the farmer is weakened. This study was conducted before the election of Donald Trump as President of the United States. The Trump policy to leave TPP may have impact on the policy towards *Nōkyō* and TPP that has been proclaimed by Abe. The fate of *Nōkyō* and TPP development aftermath needs to be researched.

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