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An Agricultural Law Research Article

**Advanced Economic Development,  
International Trade, and Farmers:  
Is the New Global Economy Bad  
News for Agricultural Workers?**

by

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# ADVANCED ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE, AND FARMERS: IS THE NEW GLOBAL ECONOMY BAD NEWS FOR AGRICULTURAL WORKERS?

*Geoffrey Rapp\**

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## I. INTRODUCTION

Thousands of years ago, the gods dropped rice balls into the North Pacific. What had been rice became the Japanese islands. Or so the legend goes.

The importance of rice to Japan has always been great, for many reasons other than simple mythology. Long the staple of the Japanese diet, rice has been the central element of Japan's post-World War II agricultural sector.<sup>1</sup> As Japan's economy increasingly turned toward manufacture and industry, its government raised barriers to protect the domestic rice industry.<sup>2</sup> Rice workers—many of them owners of small farms—enjoyed enhanced job opportunities and high wages because of trade barriers.<sup>3</sup> Throughout the twentieth century, the government increased the degree of protection afforded the rice industry, and after 1967 Japan entirely banned rice imports.<sup>4</sup> Japan's historical trend—increased protection for agricultural workers as industrialization progressed—is consistent with the predictions of the leading

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1. See AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS, JAPANESE AGRICULTURAL POLICIES: A TIME OF CHANGE 98 (1988) [hereinafter ABARE].

2. See *id.* at 51.

3. See *id.* at 100.

4. See Jonathan Lloyd-Owen, *Queue Here for Rice*, 41 JAPAN QUARTERLY 287, 288 (1994).

school of thought on trade politics. This school forecasts that the political efficacy of agricultural workers will rise as agriculture's share of national income falls.<sup>5</sup>

Suddenly, in 1993, Japan agreed to reopen its rice market to foreign competition.<sup>6</sup> Under agreements signed during the Uruguay Round of the General Agreement on Tariffs and Trade ("GATT"), Japan would import a share of its rice from abroad, beginning at four percent in 1995 but increasing to eight percent in 2000.<sup>7</sup> In 2001, Japan would fully eliminate quantitative import restrictions, converting to a system of tariffs (allowing unlimited access to rice markets with imports subject to a government surcharge).<sup>8</sup> The consequences of this change over the long term for the livelihood of rice workers are severe.

This Note explores the dramatic shift in Japan's policies towards rice imports as a way to inquire into the status of agricultural workers in the New Global Economy. Precisely because this shift was so unexpected, violating both Japan's historical experience and the leading canons of trade theory, an examination of its causes may offer lessons about how the New Global Economy affects the livelihood of agricultural workers.

As a group, agricultural workers have been neglected by much of the literature exploring the implications of the New Global Economy for labor. Perhaps this is due to the unattractiveness, from a political perspective, of the American agricultural worker, or to the geographic distance of agricultural workers (in the South, West and Midwest) from the left-leaning scholars writing on such subjects. The exemption of agriculture from many elements of U.S. labor law is another possible reason for scholarly neglect. I aim to use an empirical puzzle to draw theoretical conclusions about the fate of this forgotten class of worker.

In the first section of the Note, I explore the historical relationship between rice workers in Japan and the country's trade laws, culminating in the 1993 policy shift. I place Japanese rice policy in the context of international trade theory, and show how high levels of protection resulted from the political power of agricultural workers. In the second section, I explore possible explanations. I begin by considering whether foreign pressure alone explains the change in import policy. Discounting this argument, I present a theory based on the realignment of domestic actors, operating in a political climate conditioned by international developments in the New Global Economy.<sup>9</sup> In the third section of the Note, I draw conclusions, first

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5. See Yujiro Hayami, *Japan*, in *AGRICULTURAL PROTECTIONISM IN THE INDUSTRIALIZED WORLD* 181, 181 (Fred H. Sanderson ed., 1990).

6. See Charles Smith, *Rice Resolve: Tokyo Makes Last-Minute Concession on Imports*, *FAR E. ECON. REV.*, Dec. 23, 1993, at 14, 14.

7. See Andrew Pollack, *Japan Imports Rice, But Will People Eat It?*, *N.Y. TIMES*, Dec. 21, 1993, at A17; Smith, *supra* note 6, at 14.

8. Smith, *supra* note 6, at 14.

9. I refer to a collection of developments, which have rapidly accelerated in recent years, including increasing interdependence of national economies, higher levels of trade and foreign

about the case of Japanese agricultural workers, and then about the general status of the agricultural laborer in the New Global Economy.<sup>10</sup>

## II. JAPAN'S REGIME FOR PROTECTING RICE WORKERS

In the modern world, countries protect their agricultural workers to a greater extent as the share of the labor force devoted to farming decreases.<sup>11</sup> This empirical observation may seem counterintuitive, in the sense that one usually thinks of larger groups as commanding more political clout. However, it is consistent with leading theories of trade politics, which derive from notions of collective action. Professor Mancur Olson originally proposed the notion that groups are more effective at achieving their goals when they are small.<sup>12</sup> As agricultural workers become a smaller share of the work force, they should possess more power.<sup>13</sup> It is important to note that this explanation for varying levels of protection solely focuses upon domestic forces.<sup>14</sup>

A more modern form of the same theory models trade politics in the form of a "market" for agricultural protection.<sup>15</sup> The equilibrium level of protection in a country is determined by the intersection of the demand for protection (indicated by the collective political action of farmers and farm workers) and the supply of protection (provided by politicians depending on the political cost of protective measures).<sup>16</sup> As a country shifts from an agricultural to an industrial economy, fewer

investment, and fluid international capital markets, as "The New Global Economy." For a discussion of this idea, see, e.g., WILLIAM GREIDER, *ONE WORLD, READY OR NOT: THE MANIC LOGIC OF GLOBAL CAPITALISM* (1997).

10. This Note is not a normative expression of concern for the plight of rice workers facing an uncertain future. To some, Japan's traditional policies toward rice imports smack of naked protectionism. Would there be anything regrettable, then, in ending such protection? This Note ignores this normative question, instead focusing on the positive question of how rice workers lost their protected role.

11. See Hayami, *supra* note 5, at 181. In this Note, I equate policies favoring the agricultural industry with those favoring agricultural laborers. Obviously, there is not perfect equivalence. Some policies might help farm owners at the expense of farm laborers. In the case of favorable trade policies, however, one can fairly convincingly argue that what is good for farmers is good for farm workers (by increasing their employment levels and sustaining wages above globally competitive levels).

12. See generally MANCUR OLSON, *THE RISE AND DECLINE OF NATIONS: ECONOMIC GROWTH, STAGFLATION AND SOCIAL RIGIDITIES* (1982) (arguing that groups are more effective at extracting resources when the costs of organization are lower).

13. See *id.* at 31.

14. See *id.* at 34 (stating that there does not appear to be any source for positive selective incentives that might give individuals in certain categories incentives to cooperate with the many others who share common interests).

15. See generally Hayami, *supra* note 5 (discussing the impact on Japanese trade policy caused by the government's desire to protect farmers).

16. See OLSON, *supra* note 12, at 35.

workers remain in the agricultural sector.<sup>17</sup> This raises the per capita benefit of lobbying and lowers the organizational costs of political action.<sup>18</sup> At the same time, the industrial sectors which bear the costs of protecting agricultural workers grow, making the burdens of protection more diffuse.<sup>19</sup> Moreover, the costs of organization of the industrial sector against agricultural protection rise.<sup>20</sup> Empirical tests of this model confirm that the political clout of farm workers rises as the agricultural share of the work force declines, reaching its peak when agricultural workers represent between five and ten percent of the labor force.<sup>21</sup>

Until 1993, Japan's experience was entirely consistent with this theoretical model.<sup>22</sup> While Japan's government has been involved in the rice industry since the days of the Tokugawa Shogunate,<sup>23</sup> it did not take active steps to protect rice workers from import competition until industrialization was under way, and the size of the agricultural labor force had fallen.<sup>24</sup> In 1904 the government slapped a fifteen percent ad valorem tariff on rice.<sup>25</sup> A few years later, industrial growth spurred by World War I led industry to displace agriculture as the leading sector of the economy.<sup>26</sup> In response to the growing disparity between farm and industry wages, the government adopted the Rice Act of 1921, institutionalizing control of the rice price through government purchases of excess supplies.<sup>27</sup> The government's concern had shifted from "food" to "poverty," and the new policies reflected that shift.<sup>28</sup>

During World War II, the government changed its approach to managing the price of rice, prompted by fear of inadequate supply.<sup>29</sup> After the war, instead of affecting the price indirectly through purchasing, the Occupation Government began to set prices directly.<sup>30</sup> As part of an effort to democratize Japan, the Occupation Government also initiated a massive land reform, creating a class of small farmers who worked the land themselves.<sup>31</sup>

In 1960, 34.4 million agricultural workers toiled in Japan's fields; twelve years later nearly 10 million of those agricultural workers had migrated to cities and

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17. See Hayami, *supra* note 5, at 181, 191 tbl.4.6.

18. See *id.* at 191-93.

19. See *id.* at 182, 191 tbl.4.6.

20. See *id.* at 190.

21. See *id.* at 190-91 tbl.4.6.

22. See Smith, *supra* note 6, at 14.

23. See Junko Goto & Naraomi Imanura, *Japanese Agriculture: Characteristics, Institutions, and Policies*, in *JAPANESE AND AMERICAN AGRICULTURE: TRADITION AND PROGRESS IN CONFLICT* 11, 11 (Luther Tweeton et al. eds., 1993).

24. See Hayami, *supra* note 5, at 181, 191 tbl.4.6.

25. See ABARE, *supra* note 1, at 99.

26. See Goto & Imanura, *supra* note 23, at 14.

27. See *id.* at 23; SEIICHI TOBATA, *CONTROL OF THE PRICE OF RICE* 21 (1933).

28. See TOBATA, *supra* note 27, at 14.

29. See ABARE, *supra* note 1, at 100.

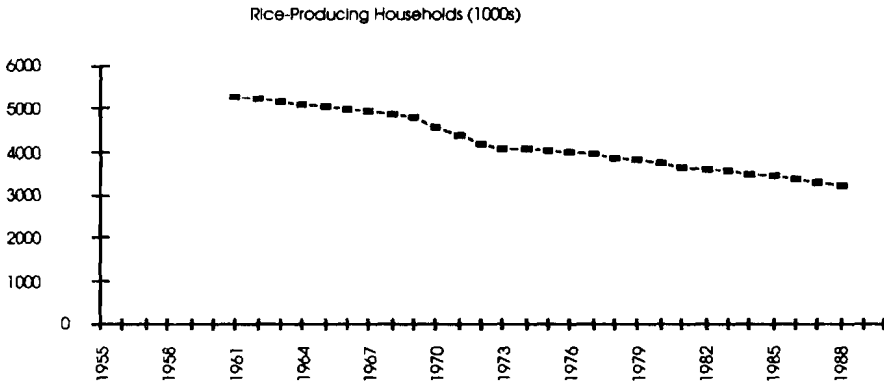
30. See *id.*

31. See *id.* at 10.

the industrial jobs they offered.<sup>32</sup> Consistent with the predictions of trade theory, protection for agricultural workers grew over this period.<sup>33</sup> The 1961 Agricultural Basic Law set the goal of equal relative wages in the agricultural and industrial sectors.<sup>34</sup> Through national agricultural cooperatives, the government purchased rice from producers at a price above that in the international markets and sold it to consumers at a lower price.<sup>35</sup> The difference between the producer price and the international price of rice continued to rise,<sup>36</sup> as agricultural protection in Japan came to exceed that in all other industrialized countries.<sup>37</sup> In 1967 Japan instituted its ban on rice imports, under which it “refus[ed] to import even a single grain.”<sup>38</sup>

Figure One shows the downward trend in the number of rice producing households in post-war Japan.<sup>39</sup> Figure Two shows an inverse trend—rising during the post-war period—in the nominal rate of protection for rice.<sup>40</sup> This measures the percentage difference between the domestic price of rice (as sold in Japan) and the “border” price (price for Japan to purchase rice from abroad). Higher rates of nominal protection are more favorable to workers in the protected industry.

FIGURE ONE



32. See Haruhiro Fukui, *The Japanese Farmer and Politics*, in *THE JAPANESE ECONOMY IN INTERNATIONAL PERSPECTIVE* 134, 137 (Isaiah Frank ed., 1975).

33. See Hayami, *supra* note 5, at 184 tbl.4-1.

34. See Fukui, *supra* note 32, at 143-43.

35. See Hayami, *supra* note 5, at 198.

36. See *id.* at 199.

37. See *id.* at 181.

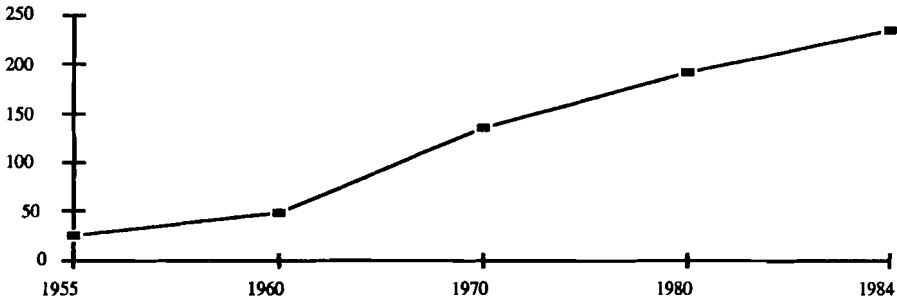
38. Lloyd-Owen, *supra* note 4, at 288.

39. See Susumi Yamaji & Shoichi Ito, *The Political Economy of Rice in Japan*, in *JAPANESE AND AMERICAN AGRICULTURE: TRADITION AND PROGRESS IN CONFLICT* 349, 355-56 tbl.17.1 (Luther Tweeton et al. eds., 1993).

40. Graph based on data presented in Hayami, *supra* note 5, at 184 tbl.4-1.

FIGURE TWO

Nominal Rate of Protection on rice (percent)



While it should now be clear that Japan's increasing protection accords with the predictions of trade theory, it is also necessary to ask whether this trend results from the causal factors offered by trade theorists. Specifically, the individual benefit to collective protection must have been high for workers, thereby leading them to form effective political organizations.<sup>41</sup> Political actors must have responded to agricultural workers' interests because of the low cost to the enlarged industrial sector.<sup>42</sup>

The high levels of protection afforded the rice industry were of great benefit to Japanese rice farmers. During the import ban, the price of domestic rice was up to twelve times the world price.<sup>43</sup> As a result, approximately fifty percent of the income of those working in the rice industry could be thought of as a political transfer from consumers and taxpayers.<sup>44</sup> Most rice farms would have been out of business without the subsidy provided by import restrictions.<sup>45</sup> The British financial firm of S.G. Warburg Securities found that in 1984, a typical rice farm would have suffered an operating loss of 2.25 million yen (tens of thousands of dollars) without favorable treatment by the government.<sup>46</sup>

Because of the intense benefits to rice workers of trade restrictions, organizing for effective political action was not difficult.<sup>47</sup> Conditions were even more favorable for organizers as a result of the system of non-governmental farm

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41. See Fukui, *supra* note 32, at 153-54.

42. See *id.* at 156.

43. See ABARE, *supra* note 1, at 36.

44. See Peter Jegi Gordon, *Rice Policy of Japan's LDP: Domestic Trends Toward Agreement*, XXX ASIAN SURVEY 943, 947 (1990).

45. See *A Survey of Japan: No Small Change*, THE ECONOMIST, Dec. 5, 1987, at 32.

46. See *id.*

47. See Fukui, *supra* note 32, at 153-54.

cooperatives established by law after World War II.<sup>48</sup> Collectively, the cooperatives form a massive Union of Agricultural Cooperatives, known as *Nokyo*.<sup>49</sup> Over 20 million of Japan's citizens are farmers or workers in industries related to agriculture (such as fertilizer manufacturers).<sup>50</sup> Despite the economic diversity of farm workers, *Nokyo* politically unifies them.<sup>51</sup>

The union engages in political action under the code-phrase "agricultural policy activities."<sup>52</sup> Typical activities include petitions and resolutions, though the union can organize mass demonstrations at will on behalf of agriculture.<sup>53</sup> At election time, *Nokyo* offers its network of human relations, which reaches deep into traditional Japanese villages, to sympathetic candidates.<sup>54</sup>

In addition to providing political representation for farm workers, *Nokyo* also provides them with a number of services that enhance their attachment to the union.<sup>55</sup> *Nokyo* purchases the rice grown by farmers, provides financial and banking services, and sells fertilizers, insecticides, packing materials, and even luxuries like television sets and washing machines.<sup>56</sup> Farm workers were eager to take advantage of these services, purchasing from the union seventy percent of fertilizers, machinery, insecticides, and herbicides, and half of the clothes, cars, and appliances they consumed in a given year.<sup>57</sup> The union's bank extended seventy per cent of the loans farmers received in 1975.<sup>58</sup> The volume of deposits held by the union's bank ranks sixth of all the world's banks.<sup>59</sup>

The power of the farm worker lobby was appreciated in Japan's government.<sup>60</sup> This power was enhanced by the peculiar distribution of

48. See generally Charles Smith, *Cracking the Whip Over Hand-Fed Politicians*, FAR E. ECON. REV. (CD-Rom Edition), Nov. 17, 1998 at 31 (discussing the political influence of agricultural cooperatives in Japan). For a discussion of the benefits of government establishment of the union, see ABARE, *supra* note 1, at 11 ("It is open to question whether the cooperatives would have achieved such importance had it not been for their post-war functions, as political lobbying usually involves high set-up costs.").

49. See Aurelia George, *Rice Politics in Japan* 9 (1988) (unpublished paper produced by the Australia-Japan Research Center).

50. See Gordon, *supra* note 44, at 949.

51. See *id.*

52. See George, *supra* note 49, at 14-15.

53. See *id.* at 15, 17.

54. See Honma Masayoshi, *Rice and the Six-Year Grace Period: Opportunity for Realism*, 41 JAPAN QUARTERLY 157, 159 (1994).

55. See *id.*

56. See Fukui, *supra* note 32, at 153.

57. See *id.* at 154-55.

58. See *id.* at 155.

59. See RICHARD H. MOORE, *JAPANESE AGRICULTURE: PATTERNS OF RURAL DEVELOPMENT* 137 (1990).

60. See *id.*

parliamentary seats, which strongly favored rural districts.<sup>61</sup> General MacArthur drew Japan's electoral map shortly after World War II when refugees from decimated cities swamped rural areas.<sup>62</sup> As a result, it now takes as many as five times more voters to elect a member of the legislature in an urban district as it does in a rural district.<sup>63</sup> The relative stability of rural districts created a further dynamic favoring the farm worker lobby.<sup>64</sup> Because there was lower turnover in farm districts, rural representatives achieved the seniority needed to rise to positions of prominence.<sup>65</sup>

Because of these features of the electoral system and the power of the farm worker lobby,<sup>66</sup> up to forty-five percent of legislators had "some connection, whether central or peripheral, to agricultural interests and agricultural policy issues."<sup>67</sup> The Liberal Democratic Party ("LDP"), which dominated Japan's political system in the post-war era, was particularly responsive to the interests of agricultural workers—some eighty percent of its workers came from rural districts.<sup>68</sup>

Agricultural workers also received highly favorable treatment from the bureaucracy, especially the Ministry of Agriculture, Forestry and Fisheries ("MAFF").<sup>69</sup> In Japan, virtually all important legislation is actually initiated and drafted by bureaucrats,<sup>70</sup> who play an even "greater role in policy making than in the American system."<sup>71</sup> For the bureaucrats of MAFF, favoring rice workers was a matter of survival. Bureaucrats feared that their ministry would shrink in size if the post-war system of rice support and distribution were abolished.<sup>72</sup> As a result, MAFF sought to obstruct the GATT negotiations on liberalizing rice at every turn.<sup>73</sup>

During the 1980s, Japan's trend toward increased protection for rice workers continued.<sup>74</sup> As the farm sector reached the point at which trade theory would

61. See ELLIS S. KRAUSS, *JAPAN'S DEMOCRACY: HOW MUCH CHANGE?* 43 (1995).

62. See *id.*

63. See *id.*

64. See MOORE, *supra* note 59, at 163.

65. See Ike Nobutaka, *A Cartel Model of Japanese Politics*, in *RETHINKING JAPAN* 47, 53 (Adriana Boscar et al. eds., 1990).

66. These two facets of Japan's political system were, of course, highly interrelated. The power of farm workers as a lobby helped maintain the outdated electoral system that favored rural interests.

67. Aurelia George, *The Politics of Interest Representation in the Japanese Diet: The Case of Agriculture*, 64 *PAC. AFFAIRS* 506, 507 (1991).

68. See Fukui, *supra* note 32, at 156.

69. See generally Nobutaka, *supra* note 65 (stating that rice farmers are an over-protected group).

70. See CHALMERS JOHNSON, *JAPAN: WHO GOVERNS?* 123 (1995).

71. KRAUSS, *supra* note 61, at 52.

72. See Nobutaka, *supra* note 65, at 55.

73. See Masayoshi, *supra* note 54, at 160.

74. See *id.* at 162.

predict maximum protection,<sup>75</sup> the price of rice in Japan continued to rise, more than doubling over the course of ten years.<sup>76</sup> Starting in the mid-1980s, Japan's trading partners began to push for market access.<sup>77</sup> Japan stubbornly refused to give in.<sup>78</sup> Then, abruptly at "4 a.m. on 14 December [1993], a few hours after the deadline for the Uruguay Round of world trade talks, Prime Minister Morihiro Hosokawa called a press conference to announce that Japan had agreed to end its decades-long ban on rice imports."<sup>79</sup> In 1995, the import ban ended in fact.<sup>80</sup> While rice workers would enjoy a grace period before all quota-based import restrictions ended in 2000, their long-term prospects had surely dimmed.

### III. EXPLAINING THE OPENING OF THE RICE MARKET

#### A. *Gaiatsu*

One straightforward explanation for Japan's decision to lift its import ban on rice is that foreign pressure (*Gaiatsu* to the Japanese) forced the opening. In the classic realist model of international relations the only actors are states, whose decisions are guided by national interest.<sup>81</sup> The winners and losers in this *realpolitik* are determined according to power, defined both in political and economic terms.<sup>82</sup> This classic realist theory would explain the shift in Japan's policy towards open rice markets by asserting that the United States (and other trading partners) forced Japan to open its market.<sup>83</sup>

The United States began to pressure Japan to open its rice market as early as 1986, when the American Rice Millers' Association filed a petition in accordance with Section 301 of the Trade Act of 1974.<sup>84</sup> The U.S. Trade Representative initially rejected the petition,<sup>85</sup> but when the Millers' Association filed a second petition in 1988, the Trade Representative accepted it and submitted a proposal to the GATT on

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75. See Hayami, *supra* note 5, at 190-91.

76. See *id.* at 200 fig.4-1.

77. See James R. Moore, *Unlocking the Japanese Rice Market: How Far Will the Door be Opened?*, 9 *TRANSNAT'L LAW* 273, 274 (1996).

78. See Masayoshi, *supra* note 54, at 157.

79. Smith, *supra* note 6, at 14.

80. Pollack, *supra* note 7, at A17.

81. See MICHAEL W. DOYLE, *WAYS OF WAR AND PEACE: REALISM, LIBERALISM AND SOCIALISM* 18-19, 27 (1997).

82. See, e.g., *id.* at 18, 27; MICHAEL JOSEPH SMITH, *REALIST THOUGHT FROM WEBER TO KISSINGER* 24-26 (1986).

83. See generally DOYLE, *supra* note 81 (explaining realist theory's impact on state policy decisions).

84. See Gordon, *supra* note 44, at 944.

85. See George, *supra* note 49, at 1.

the issue of Japan's closed rice market.<sup>86</sup> Although GATT authorities ruled against Japan, the rice import ban was maintained.<sup>87</sup>

There are several reasons why American pressure increased when it did. Declining Cold War hostilities made Japan's cooperation less essential for geopolitical reasons.<sup>88</sup> In addition, the electoral importance of American rice-producing states (such as California and Arkansas) made rice an important issue.<sup>89</sup> Moreover, the issue of rice came to take on symbolic importance to downsized industrial workers who blamed Japan for America's economic restructuring.<sup>90</sup> Finally, agricultural reformers within the United States (who wanted to lower domestic subsidies to reduce the budget deficit) saw Japan's rice market opening as a chance to appease domestic farm lobbies, such that they would be willing to allow subsidy cuts.<sup>91</sup>

However, there are several problems with explaining Japan's change of direction with respect to rice policy by simply using an argument of "foreign pressure." First, foreign pressure fails to account for Japan's policy shift within the context of traditional trade theory.<sup>92</sup> In the classic model of agricultural trade policy, foreign pressure is irrelevant, as domestic political factors determine the level of protection.<sup>93</sup> Second, there are problems of timing.<sup>94</sup> While the United States had been pushing for rice market liberalization since 1986, it was not until 1993 that Japan caved.<sup>95</sup> Japan had been so reluctant to change that it allowed the GATT round to collapse "in part over the issue of [its] closed rice market" in 1990.<sup>96</sup> Foreign pressure fails to explain why Japan yielded when it did. Finally, while foreign pressure might have forced Japan to accede to *an* agreement, it does not explain why it acceded to such an expansive agreement.<sup>97</sup>

86. See Tim Anderson, *Japanese Rice Market: Feast or Famine for the U.S.*, FORUM FOR APPLIED RESEARCH AND PUB. POL'Y, Winter 1994, at 34, 35.

87. See Moore, *supra* note 77, at 274.

88. See ROBERT L. PAARLBERG, LEADERSHIP ABROAD BEGINS AT HOME: U.S. FOREIGN ECONOMIC POLICY AFTER THE COLD WAR 26 (1995).

89. See MOORE, *supra* note 59, at 248-49.

90. See, e.g., Nobutaka, *supra* note 65, at 54; Anderson, *supra* note 86, at 35.

91. See PAARLBERG, *supra* note 88, at 14; Taku Eto, *The Agricultural Policies of Japan, the United States, and the European Community 8* (Harvard Univ. Program on U.S.-Japan Relations Occasional Paper No. 87-20) ("The Reagan administration is pushing for agricultural reform against a Democratic majority in Congress and a tradition of protectionism in the international markets for agricultural commodities. The Reagan administration must press its demands on other countries to carry out measures to reduce protectionism and promote market liberalization.").

92. See George, *supra* note 49, at 4.

93. See *id.* at 5.

94. See Smith, *supra* note 6, at 14.

95. See *id.*

96. Anderson, *supra* note 86, at 36.

97. See Bob Bullock, *Explaining Rice Liberalization in Japan 9* (1995) (Harvard Univ. Program on U.S.-Japan Relations Occasional Paper No. 95-01).

### B. *The Interaction of International and Domestic Forces*

Neither the strictly domestic approach of traditional trade theory nor an analysis of external pressure can adequately explain the dramatic opening of Japan's rice market to foreign pressure. Only an approach which merges the two levels of analysis can succeed in explaining this empirical puzzle and uncovering the lessons it may offer about the role of agricultural workers in the New Global Economy. In this section, I argue that changing dimensions of the global economy (in the international sphere) altered the incentives and the balance of power between Japanese rice workers and their political opponents (in the domestic sphere).

The New Global Economy changed the incentives of three groups of actors within Japan.<sup>98</sup> As a result of the New Global Economy, the incentives facing businesses in the rice dispute changed.<sup>99</sup> Industry had become utterly dependent on access to foreign markets.<sup>100</sup> When the rice market dispute was brought before GATT, the incentives of businesses with respect to rice workers dramatically changed.<sup>101</sup> While businesses had always borne the costs of subsidizing agricultural workers (in the form of higher taxes and real estate prices), there was now a risk that supporting rice workers would prevent Japanese businesses from achieving their objectives in the multilateral trade talks.<sup>102</sup> As the rice issue came to be tied to the overall success of the Uruguay Round, of vital importance to Japan because of the interconnectedness of developed nations in the Uruguay Round, the costs of supplying protection to rice workers dramatically grew.<sup>103</sup> Conversely, the willingness of businesses to subsidize the welfare of farm workers declined.<sup>104</sup>

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98. See, e.g., George, *supra* note 67, at 507 (analyzing "the nature and strength of agricultural representation" with a focus on farmer, agriculture interest groups, and Diet politician connections).

99. See, e.g., *id.* at 523 (describing interest group influence over policy decisions); Fukui, *supra* note 32, at 141-42 (describing the nature and extent of interests held by politicians, farmers, bureaucrats and businessmen).

100. See generally Smith, *supra* note 6 (explaining that notwithstanding the adverse effects of liberalization of the rice market, it would be even worse for Japanese businesses if the market remained closed and thereby ruined the GATT trade talks).

101. See *id.* at 14.

102. See, e.g., *Away From the Brink: Japan on the Defensive as GATT Talks Look to Restart*, FAR E. ECON. REV., Dec. 3, 1992, at 53, 53 ("[Businesses] have been major beneficiaries of the multilateral trade regime and will not view a Japanese-instigated collapse of the Uruguay Round with equanimity."); Louise di Rosario & Susumu Awanohara, *Round and Round: Japan Fails to Kick-Start GATT Talks*, FAR E. ECON. REV., May 7, 1992, at 70, 70 (discussing Japan's concern with Western trade actions against Japan); SUBCOMM. ON UNFAIR TRADE POLICIES AND MEASURES, URUGUAY ROUND COMM., INDUS. STRUCTURE COUNCIL, *Report on Unfair Trade Policies by Major Trading Partners of Japan*, 2 CURRENT POLITICS AND ECONS. OF JAPAN 167, 174-75 (1992) (describing Japan's desire to secure passage of an international agreement on intellectual property rights).

103. See *Away From the Brink*, *supra* note 102, at 53.

104. See Smith, *supra* note 6, at 14.

In addition to the possible negative effects of continued protection of rice workers on the GATT Round, Japanese businesses also developed more microeconomic reasons to oppose such protection as a result of the New Global Economy. Supporting rice workers also meant higher wages in industrial sectors, because the government sets the price of rice by using a formula that equalizes industrial and agricultural wages.<sup>105</sup> In the New Global Economy of the 1990s, Japan for the first time came under economic pressure from lower-wage competitors in East Asia.<sup>106</sup> In addition, businesses in the processed-food industry suffered because of their dependence upon rice as a raw material.<sup>107</sup> The New Global Economy brought competition in finished product markets (rice wine, rice crackers, and rice cakes in particular) that the government did not protect.<sup>108</sup> As a result, processed food lobbyists began to lead the charge against protecting domestic rice workers.<sup>109</sup>

Consumers also faced a changed incentive set as a result of the New Global Economy. In 1989, Japan followed America and western Europe into what would become its worst recession in the post-war era.<sup>110</sup> Dependent on exports, Japan could not escape economic stagnation as the major markets for its products contracted.<sup>111</sup> As the recession intensified, consumers became sensitive to the higher price they were forced to pay for rice as a result of the country's protection of rice workers.<sup>112</sup> In 1980, seventy-five percent of the Japanese population opposed lifting the ban on imported rice; by 1990, that figure had fallen to just thirty percent and fully sixty-five percent favored lifting the ban.<sup>113</sup> While the costs of organizing consumers for collective action were nearly prohibitive, consumers' opposition to the rice import ban was a useful bargaining chip for other pro-reform forces.<sup>114</sup>

The third actor that came to oppose continued protection of rice workers was the powerful Ministry of International Trade and Industry (MITI), which responded to the lobbying of the industrial constituents it represents.<sup>115</sup>

In addition to intensifying opposition to protecting rice workers, the developments of the New Global Economy reduced the power of the farm worker

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105. See Patrick Smith, *Letter from Tokyo*, THE NEW YORKER, Oct. 14, 1991, at 105, 106.

106. See Gordon, *supra* note 44, at 951.

107. See George, *supra* note 49, at 50.

108. See David P. Rapkin & Aurelia George, *Rice Liberalization and Japan's Role in the Uruguay Round*, in WORLD AGRICULTURE AND THE GATT 55, 69 (William P. Avery ed., 1993).

109. See *id.* at 68-69.

110. See GREIDER, *supra* note 9, at 228.

111. See *id.* at 253.

112. See KRAUSS, *supra* note 61, at 70 ("There is growing recognition among urban, salaried workers, especially those who have been abroad, that the price Japanese pay for many items are far higher than those in other countries because politicians have . . . protected inefficient economic sectors because they were key supporters of the ruling party.")

113. See Gordon, *supra* note 44, at 952.

114. See Smith, *supra* note 6, at 14.

115. See Rapkin & George, *supra* note 108, at 67.

lobby.<sup>116</sup> The availability of farming supplies on global markets at prices below those charged by *Nokyo* led some farm workers to question whether their union was acting in their best interests.<sup>117</sup> In some prefectures, farm workers defected from the union, selling their product directly to wholesalers.<sup>118</sup> This reflects a change in attitude among farmers which may have undermined their willingness to participate in union-sponsored political activities.<sup>119</sup> In the aftermath of the opening of the rice market, *Nokyo* itself began to publicly consider becoming one of the chief importers of foreign rice, "one of the clearest indicators yet of how *Nokyo's* own financial interests can clash with those of its members."<sup>120</sup> It is possible that the union may have had this role in mind prior to the opening of the rice market, and reduced its opposition to that policy.

#### IV. LESSONS LEARNED

The dynamics of the New Global Economy radically altered the political economy of rice worker protection in Japan in the early 1990s. By ignoring these dynamics, traditional trade theory proved unable to explain Japan's troubling departure from its historical pattern of increasing protection. Developments on the international front changed the domestic balance of incentives and clout and enabled anti-rice worker forces to prevail. Besides explaining Japan's historical puzzle, the findings of this Note offer some insights into the position within the New Global Economy of agricultural workers and workers generally.

##### A. *The Global Economy Raises Stakes and Changes Incentives*

Agricultural workers have much to fear in the New Global Economy. In the old world, the costs of keeping their wages high were small when spread across the growing ranks of businesses and urban populations.<sup>121</sup> In the New Global Economy, the fickle political preferences of urban populations and the high-stakes world of international trade politics have considerably dimmed the prospects of farm workers.<sup>122</sup> Businesses have more than simply high taxes to worry about when considering policies, such as import restrictions, that protect the well-being of

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116. See, e.g., Smith, *supra* note 6, at 14 (stating that the Japanese Prime Minister agreed to end Japan's ban on rice imports despite strong opposition from farmers).

117. See George, *supra* note 49, at 53.

118. See Rapkin & George, *supra* note 108, at 71.

119. See Smith, *supra* note 105, at 114-16.

120. Bullock, *supra* note 97, at 19. See also *id.* at 19 n.64 (explaining that *Nokyo* attributed its desire to import foreign rice to benefits for its membership without explaining what those benefits were).

121. See Hayami, *supra* note 5, at 188-90.

122. See Anderson, *supra* note 86, at 36.

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domestic farm workers.<sup>123</sup> They may also fear that the wage inflationary affects of pro-agricultural policies will undermine their competitiveness in the global marketplace or that other countries will retaliate against high levels of agricultural protection.<sup>124</sup> Consumers are now vulnerable to the fallout of international economic events in a way they were not in the past, which has lowered their tolerance for subsidization of farm workers as well.<sup>125</sup>

#### B. *Transnational Alliances are Not Always Good for Workers*

There was certainly no broad, transnational alliance pushing for reform of the Japanese rice market. However, a loose coalition of actors from different sectors and even nations could be said to have formed.<sup>126</sup> Japanese businesses, consumers, and disillusioned rice workers on the one hand, and American rice farmers on the other, worked together to create a climate in both countries that made rice a “make or break” issue in the Uruguay Round.<sup>127</sup> There is even some evidence that the various members of this “alliance” recognized their shared objectives and sought to mobilize one another.<sup>128</sup> For instance, American officials “made it a strategy to appeal to Japanese public opinion” and “repeatedly highlighted the benefits Japanese consumers would gain from opening the rice market.”<sup>129</sup> Trade negotiators from rice-exporting countries, as revealed by GATT minutes, also frequently spoke of how the Japanese domestic consumers bore a heavy burden.<sup>130</sup>

Optimistic commentators have noted the potential of transnational advocacy networks (“TANs”) to improve the well-being of workers in the New Global Economy.<sup>131</sup> A TAN “is made up of actors in . . . social movement organizations, national governments, international organizations, and foundations linked together in

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123. See Bullock, *supra* note 97, at 7; Hayami, *supra* note 5, at 192.

124. See Bullock, *supra* note 97, at 7.

125. See Smith, *supra* note 6, at 14.

126. See Rapkin & George, *supra* note 108, at 67-71.

127. See *Away from the Brink*, *supra* note 102, at 53 (stating that GATT talks were slow due to apprehensiveness of Japan).

128. Gordon, *supra* note 44, at 945-46.

129. *Id.* at 945.

130. See, e.g., II GATT TRADE POLICY REVIEW: JAPAN 141 (1992).

131. See generally MARGARET E. KECK & KATHRYN SIKKINK, *ACTIVISTS BEYOND BORDERS* (1998) (discussing the effectiveness of historical and modern transnational advocacy networks in the areas of human rights, the environment, and women’s rights); David M. Trubek et al., *Transnationalism in the Regulation of Labor Relations: International Regimes and Transnational Advocacy Networks*, 25 L. & SOC. INQUIRY (forthcoming Fall 2000) (examining prospects for transnational advocacy and regimes as a way to buttress national labor laws and institutions in an interlocking mosaic and thus ensure the continuation of strong systems of labor relations under conditions of increasing economic integration).

a voluntary network that operates across national borders on behalf of such principled issues as human rights, women's rights, or environmental protection."<sup>132</sup>

The transnational alliance against protection of the Japanese rice worker certainly does not meet the standards of a TAN. There is no guiding principle at stake, and information exchange is not a key element of the transnational activity. What is similar, however, is that the transnational forum which offers TANs the chance to be so effective as advocates of principle, also allows action in pursuit of base material concerns to succeed where it otherwise might have failed. Japan's rice dispute should remind us that transnational coalitions forged around the "old" interests—money, wealth and protection—are alive and well in the New Global Economy.

### C. *When Workers and Unions Split, Workers Suffer*

Various forces operated to drive a wedge between *Nokyo* and its rice worker constituents.<sup>133</sup> As a result, workers were less willing to support the political activities of the union and the union was less concerned with an outcome that could harm workers.<sup>134</sup> Both factors weakened the union as an advocate for worker interests, and as a result, other actors were able to gain the upper-hand in the dispute on rice.<sup>135</sup> Absent these strains, the Japanese rice union would likely have remained a nearly omnipotent political force.

To some degree, *Nokyo* and the rice workers split because of the New Global Economy. Increased foreign trade led workers to feel cheated by highlighting the disparity between the prices charged for union-provided services and the international price of such services.<sup>136</sup> Moreover, the union may have come to see rice market liberalization, bad for its members, as a chance to make a profit by playing the role of intermediary between domestic consumers and foreign producers.<sup>137</sup>

Of course, *Nokyo* is a rather peculiar union. It combines features of a producer association with those of a traditional union of workers.<sup>138</sup> These special features no doubt made it particularly vulnerable to the pressures of the New Global Economy in a way traditional unions probably will never be. Yet across industries and nations, workers may be vulnerable when their bonds to their unions weaken.

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132. Trubek et al., *supra* note 131.

133. See George, *supra* note 49, at 51-54.

134. See Smith, *supra* note 105, at 105, 110, 114.

135. See ABARE, *supra* note 1, at 93-97.

136. See *infra* Part IIB.

137. See Bullock, *supra* note 97, at 19.

138. See ABARE, *supra* note 1, at 88-91.

## V. CONCLUSION

In less than a year, Japan is scheduled to convert to a system of rice protection based solely on tariffs.<sup>139</sup> No longer will quotas exclude foreign competition.<sup>140</sup> The precise details of tariffication, however, were not discussed during the Uruguay Round.<sup>141</sup> The theoretical insight of this Note—that rice policy changed because of interaction between the domestic and international arenas—may be tested using Japan's behavior towards rice in the years to come. It is likely that some domestic forces will push for continued quota protection, seeking to exploit a lack of clarity in the GATT accords. The model proposed in this Note would predict that a transnational coalition will form—with foreign rice producers lining up with Japanese businesses—to force Japan to live up to its Uruguay Round commitments. Whether *Nokyo* is able to mount a significant challenge to full tariffication will help clarify whether its ineffectiveness was peculiar to the Uruguay Round or is here to stay.

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139. See Bullock, *supra* note 97, at 3.

140. See *id.*

141. See *id.*