Agri-Environmental Policies in Japan: Its Overview and Issues from a Normative Perspective

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Defining agri-environmental policies as well as agri-environmental payments is more difficult than it looks, especially when the relevant measures try to preserve current farming practices. We need to distinguish between policies to preserve agricultural production with the reasoning of preserving multifunctionality, and policies to improve agri-environmental conditions by changing agricultural practices. These conceptual arguments could contribute to discussing what would be efficient and effective agri-environmental policies. Furthermore, the conceptual problem associated with categorizing the Multi-functionality Payment into the agri-environmental policy could help us to share the importance of distinguishing policies to preserve current production and policies to preserve current agricultural practices that would change without the policy intervention in question.

Following the conceptual discussion, I will show the overall picture of the agri-environmental policy in Japan. The agri-environmental policy in Japan has a wide variety of measures. However, the Japanese policy in this field can also be characterized by the figures showing that two important measures widely taken in most OECD countries, agri-environmental payments and cross compliance don’t constitute the major part of the agri-environmental policy.

The minor roles given to these measures are also accompanied with serious issues both in fundamental as well as technical aspects. The former refers to the lack of clearly defined reference level as well as the lack of overall policy consistency. The latter includes those associated with the centralized design processes, the provision of inappropriate incentives, and the lack of thorough cost benefit analysis.

Lastly, although the policy innovation at the national level has rarely been observed in this policy field, some innovations have been observed at regional level, which implies the importance of regional and decentralized approaches in developing innovative policies.

Practical Side and its Evolution of the Agri-Environmental Policies in the EU

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Since the 1992 CAP (Common Agricultural Policy) reform, Member States have been obliged to implement agri-environmental payments, which “aim to preserve and promote the necessary changes to agricultural practices that make a positive contribution to the environment and climate.”

In the background there is not only the environ-
mental considerations for conservation of water quality, landscape, soil and biodiversity, but also politico-economical concerns about the reduction of production and price support cut for solving the overproduction as well as the EU-US agricultural trade friction. And then the intensive agricultural production needed to be more extensive. On the other hand, the support to extensive farming in less favored areas was promoted, aiming at reducing income gaps between intensive and extensive farming.

The agri-environmental payments implemented in the Camargue (France) spreading in the delta of the Rhône river mouth aims at the maintenance and encouragement of extensive livestock and rice production. Rice production was significantly reduced due to the cut of coupled payment by recent CAP reform. In the Camargue region where the groundwater level is high, containing seawater, crop rotation with irrigated rice production is inevitable to wash the salt away to continue field crop production and maintain agroecosystem. Agri-environmental payments for rice production have been implemented to mitigate impact of policy reform on local agroecosystem.

Through the above, we can emphasize the policy background to examine the EU agri-environmental payments. The implementation of agri-environmental payments aiming for compatibility between production and environmental conservation now requires a more integrated approach to adapt to diversified crop systems to get out of monoculture system.

Are Designing Innovative Agri-Environmental Payments Possible? Lessons Learned from Experience in Japan and EU

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This presentation examines the possible future direction of Japanese agri-environmental policies.

Firstly, as an introduction, differences between Japan and EU in volume/mechanism of budget allocation, a variety of agri-environmental support menu, and the concept of semi-natural habitat are touched upon briefly. Also, the mechanism of PES (the Pigouvian solution, i.e., governmental incentive program, and Coasean approaches) are compared with respect to agri-environmental policies.

Secondly, a recent discussion at G7 on reducing the environmental harmful subsidy, which could affect the future direction of agricultural support policy reforms, are introduced. OECD proposed to institutionalize a process for monitoring and evaluating them (OECD, 2017) which was reflected in the G7 2017 Environment Ministers’ Communiqué as well.

Thirdly, the possibility to design innovative agri-environmental payments are argued. The WTO discipline (Annex2 section 12: payments to farmers for environmental services need be limited to compensation of the additional costs experienced) has important consequences for the design of direct payment policies. However, there is a claim that the WTO constraint would not be a major obstacle to innovative payments by European agricultural economist (Bureau, 2017; Berkhout et al., 2018) because targeted agri-environmental payments can hardly be considered trade or production distorting, and most of these programmes tend to reduce production. Therefore, the nationwide discussion whether the WTO rules really constrain the designing of agri-environmental payments would be necessary. If those claims are recognized as consistent with WTO rules, the innovative approaches other than simple flat late payments should be challenged in Japan as well.

Finally, some research topics which could contribute for designing the above innovative agri-environmental policies are argued such as farm level ex-ante policy simulation and lab/field experiments.