

**SPECIAL ISSUE**

**The Prospect of Korean Agriculture in the 21st Century (1)**

**PROSPECT OF KOREAN AGRICULTURAL POLICY**

KIM JEONG-HO\*

**ABSTRACT**

The purposes of this paper are to review the agricultural policy reform in the 1990s, to examine the changes of agricultural situations and the future prospect, and further to suggest policy directions toward the 21st century for the Korean agriculture.

In Korea, agriculture is required to become a key industry creating added values and jobs, to preserve nation's land environment as an environment-sensitive industry, and to produce food needed by the people as a food industry. Korean agriculture will be able to contribute to enabling Korea to become an advanced country in the 21st century by fulfilling these roles faithfully.

One of the important changes in the 21st century is the spread of an awareness that agriculture has multiple functions. Korea has advocated multi-functionality of agriculture in the WTO negotiations, and some policies are newly being attempted as part of the policies for sustainable agriculture.

**1. Introduction**

Korean agriculture has made a remarkable advancement over the last half century. Korea had an absolute shortage of food until the 1960s but achieved rice self-sufficiency at the end of the 1970s. Korean agriculture has also marked an outstanding

---

\* Senior Fellow, Korea Rural Economic Institute, Seoul, Korea.

improvement in terms of productivity by the improvement of agricultural infrastructure and technological innovation. In addition, Korea's rural regions contributed greatly to the development of land resources and the protection of environment, as well as to the economic growth in general, by providing land, labor and capital to the second and third industries.

The role and functions of agriculture have been expanded in Korea, but its average farm size still remains very small. Korea has been focusing its agricultural policies on domestic issues, so the country has not been able to prepare itself fully for the rapidly changing international environment. The orientation of market liberalization that started to pressure Korea from the late 1980s has been a big shock to its agriculture and farmers. This new direction spurred the reform of agricultural policies and agricultural structure in the 1990s. The financial crisis resulting from the shortage of foreign currency holdings pushed Korean agriculture into further hardship. One of its major tasks is to create the advancement of agriculture and rural villages that befit the 21st century, while preserving the growth potential that has been accumulated.

Agricultural environment is expected to be changed fast in the future. Consumers will increasingly look for high quality food, and the consumer-oriented society will be emerged. International competition will intensify, and local autonomy will be set up. The reunification of the two Koreas will also become more feasible. All these new environmental changes will require new directions or measures in agricultural policies. With the 21st century around the corner, seeking a new paradigm and new development strategies for agriculture and rural regions is also very important for the continuance of agricultural policy reform.

The purposes of this paper are to review the agricultural policy reform in the 1990s, to examine the changes of agricultural situations and the future prospect, and further to suggest policy directions for the Korean agriculture toward the 21st century.

## **II. Review of Agricultural Policy Reform in 1990s**

### **1. Characteristics of Korean Agricultural Policy**

Until the 1980s, Korean agricultural policies had concentrated on domestic issues focused on self-sufficiency of food and increased farmers' income, neglecting to prepare changes for the international environment. Although agricultural negotiations progressed rapidly through the Uruguay Round from 1986, the major task of Korean agricultural policy was seeking ways to resolve the unbalanced development between urban and rural areas and between manufacturing industry and agriculture, which had broadened by its export-oriented economic policies.

In 1989, Korea began to feel real pressure for the opening of its agricultural market from bilateral negotiations with major countries including the United States. Korea finally began to pursue full-scale agricultural policies suitable for the age of liberation in line with the world trend of liberation and globalization of agricultural and fishery products. Korea announced the Comprehensive Rural Development Measures under these circumstances for the purpose of improving the structure of agriculture and fishery. To legalize these measures, the Special Rural Development Law was established in 1990.

Especially, the Agricultural and Rural Structure Improvement Measures, announced in 1991, provided specific ways to implement the comprehensive rural development measures, including the 10-year financial plan (1992-2001) which greatly enhanced the practicality of the measures.

In 1993, The 5-Year New Agricultural Policy Plan was established to pursue this scheme. And the government made up detailed plans for the implementation of the Agriculture and Rural Development Scheme with Policy Reform, in June 1994. The government especially stressed parallel push of system

TABLE 1. Details of Rural Development Measures in 1990s

Measures	Details
Comprehensive Rural Development Measures (Apr. 1989)	<ul style="list-style-type: none"> <li>• Presentation of mid- and long-term strategies and visions aimed at improved agricultural and rural structure</li> <li>• Establishment of agriculture promotion areas and introduction of trust farming companies and corporate farm associations</li> <li>• Stabilization of prices by adopting price stabilization zones and self-funding system</li> <li>• Development of permanent rural residency zones: establishment of the 10-year myon development plan</li> </ul>
Agricultural and Rural Structure Improvement Measures (July 1991)	<ul style="list-style-type: none"> <li>• Establishment of 4.2 trillion won investment plan for improvement of agricultural and rural structure</li> <li>• Establishment of a special account for the improvement of agricultural and rural structure</li> <li>• New establishment of funds dedicated to farmland and forest uses</li> </ul>
5-year New Agricultural Administration Plan (July 1993)	<ul style="list-style-type: none"> <li>• Investment of 42 trillion won in structural improvement 3 years earlier and adjustment of investment priority</li> <li>• Shifting of agricultural administration to bottom-up type</li> <li>• Reform of grains administration, farmland system, etc.</li> </ul>
Rural Development Measures and Agricultural Administration Reform Plan (June 1994)	<ul style="list-style-type: none"> <li>• Preparation of the framework for agricultural administration responsive to the WTO system</li> <li>• Pursuing of reform tasks for rural development</li> <li>• Early execution of the 42 trillion won investment and loan plan for agricultural and rural structure</li> <li>• New establishment of 15 trillion won special rural development tax and strengthening of agricultural and fishery competitiveness</li> </ul>
Agricultural and Rural Development Plan (July 1998)	<ul style="list-style-type: none"> <li>• Continued push of agricultural administration reform (administrative organization, cooperative associations, farm product marketing, and investments and loans)</li> <li>• Establishment of General Agriculture and Rural Act for the 21st century</li> </ul>

Source: KREI, *Agriculture in Korea*, 1999.

improvement and government investments and loans to maximize the effects of the restructuring of rural areas, expecting multiplication of the effects from their interaction. The focus was also placed on establishing the efficient farming system as soon as possible by rearranging the backward production infrastructure and marketing facilities.

Especially, the government also expanded its investment and loan plans to support these measures and projects. The government had originally been carrying out the rural restructuring project as a 10-year plan from 1992 to 2001 by investing 42 trillion won. However, it decided to complete this plan by 1998, 3 years ahead of schedule. The government also established the special rural development tax in the nature of national donation and planned to invest a total of 15 trillion won from 1994 to 2004.<sup>1</sup>

A series of agricultural policies implemented in the 1990s represent the transition of Korean agricultural policies toward an open system. A remarkable innovation has achieved in the agricultural policy system and customs. Besides, investments and loans have been expanded in rural areas by rural restructuring projects. Korean agriculture has finally stepped on the right track for rapid modernization.

However, the Korean economy came to face an unprecedented difficulty with the financial crisis beginning at the end of 1997 and the IMF bailout program. The President Kim Dae-Jung took office in 1998, under the economic crisis. Making it its priority task to overcome the economic crisis, President Kim's administration has been strongly pushing the restructure of all economic and social sectors to improve their competitiveness and efficiency.

And the government has renewed its view on agriculture and set a new ideology for agricultural policies while pursuing its

---

<sup>1</sup> The 42 trillion won plan was based on the total project budget including government investments and loans and self-raised funds. And the 15 trillion won was based on government investments and loans.

agricultural reform for the 21st century. Agriculture should be regarded as a life industry. The multiple values of agriculture from its functions of food supply, environmental protection, etc., should be boosted, and family-based agriculture should be pursued. In addition, the agricultural policy implementation system appropriate for the age of localization and globalization should be established.

## **2. Results and Problems of the Agricultural Policy Reform**

The agricultural policy reform and the government investments and loans changed rural areas in many ways. The most remarkable result was farmers' self-confidence that they could adapt themselves to the age of market liberalization. When the Uruguay Round agreement was reached, farmers were engulfed in a strong anxiety, but soon found themselves to be able to cope with the new age as the rural economy continued to revitalize.

First, the growth rate of agricultural and forestry did not change until the late 1980s, but began to recover its past level as the 1990s set in. The discrepancy between agriculture and forestry and other industries was being reduced until 1997. However, In 1998 the growth rate of agricultural sector has been decreased to a negative growth.<sup>2</sup>

Second, the farming system is rapidly being transformed into the market-oriented one, displaying a vivid progress in restructuring. According to the agricultural census, the portion of farm households depending on rice or upland farming decreased after 1990. Many have switched items from rice or other grains to vegetables, livestock, fruits and flowers. This proves that the commercial farming system is being established. In the mean time, the farm size has rapidly grown, displaying increasingly

---

<sup>2</sup> Due to the decrease of budget under the IMF bailout program, cutbacks had to be made in investments and loans for rural areas. The demand for agricultural products greatly was shrunk, while prices of farming materials jumped due to the rocket high exchange rates and the high interest rates. As agricultural trade conditions were deteriorated, agricultural sector had to mark a negative growth.

specialized management practice.

Third, the market and the distribution system were improved and the marketing facilities were expanded in both consumption and production sites. A stable trade order was established for agricultural products, and their pricing became transparent. Especially, a production and marketing system was established for products whose quality was verified. As a result, customer satisfaction with agricultural products increased, and the added value of farm products grew thanks to advanced storage and processing technologies.

Fourth, living conditions and quality of life in the rural areas keep improving. Especially, the medical insurance system was extended to cover rural areas from 1988, enabling farmers to receive the benefits of medical insurance. As to the farmers' pension which began in 1995, the greater part of farmers joined the program. The pension is helping aged farmers to spend their later years more comfortably. And rural residents came to have as many home appliances as urban residents.

However, it is not long since the agricultural policy reform started in the 1990s. The agricultural growth has been accelerated by the improvement of various systems and expansion of investments and loans. The shift to market economy has also been achieved to some degree. However, following problems and complementary tasks remain to be dealt with:

First, policies were developed to strengthen agricultural competitiveness, and the government expanded investments and loans to keep its promise. However, all these efforts were directed to the establishment of infrastructure, and the fundamental problems in agriculture and rural regions were not solved successfully. The production infrastructure and living conditions in Korea's rural areas did not reach the average level of OECD countries that already had completed their agricultural restructuring in the 1970s and 1980s.

Second, it is urgent to reform the agricultural structure so that quality farm products can be produced and sold at reasonable prices in order to make Korean agriculture progress in the era of

infinite competition. However, the restructuring of rice farming or Korean native cattle raising, the two major sectors in Korean farming, have progressed at a very slow rate.

Third, large-scaled farm business companies are emerging, but there is not a system ready to help them reduce production cost and innovate technologies and management skills. Especially, there is a lack of systems supporting comprehensive management consulting activities to help farmers find and solve problems by themselves, other than the past systems focused on education and extension services.

Fourth, past agricultural policies neglected medium- and small-size farm households. Government functions have been focused on supporting individual projects aimed at improving competitiveness, and measures for groups or areas that failed in competition have not been pursued in the mutually complementary way. Especially, agricultural policies have not fully functioned to complement market failure, slowing down the speed of restructuring in general.

Finally, the agricultural policy implementation system has not been changed fast enough to accommodate the rapidly changing farming conditions and sharply increasing investments and loans. As a result, many projects ended up being not so successful as expected, and some projects even faltered with heavy debts. Most rural investments and loans are made by local governments, but excessive or overlapping investments are seen in some regions because local governments lack in their efficient administrative functions.

### **III. Prospect of Korean Agriculture**

#### **1. Changes of the Agricultural Situation**

Korean agriculture is expected to face the following changes in the early 21st century:

First, worldwide free trade will be expanded further, and market liberalization will be accelerated by rapid restructuring of



the current economic system under the IMF program. Korea has to negotiate again for the opening of beef market in 2001 and rice market in 2004 according to the implementation plan of the Uruguay Round agreement. The WTO follow-up negotiations beginning from 2000 will be focused on mitigating protection barriers, such as protection by high tariffs and state-run trades, etc. Non-tariff barriers, including sanitation-related ones, are becoming standardized to the international level. And Korea will hardly be able to keep its status as a developing country for a long time. Besides, foreign distributors will be able to import and sell foreign farm products easily, once the distribution market is opened. The credit operations of agricultural cooperatives must compete with foreign rivals after the banking market is opened.

The improved economic power of Asian nations, made by the growth of China and ASEAN countries following Japan, Korea, Taiwan, Hong Kong, will act as an important factor in the new agricultural trade order. Advanced countries will ask them to open their markets without any consideration. The agricultural market will become the chief target of those countries. The Korean market will also become an important export target for Asian countries, which ask Korea to open its market to the level corresponding to its economic strength.

Second, the need for food security will be highlighted due to the instability of world grain market, as experienced by the recent unusual weather conditions. The desire for food security at a national level will further increase. Especially, developing nations, including China, are expected to start importing grains, instead of exporting them as they used to, due to their industry-centered growth strategies and increased consumption. The removal of protection for agriculture under the WTO system may lead to worldwide decline of food supply. In reality, EU's food export is declining due or owing to the reform of its agriculture, and the traditional exporters—the U.S., Australia and Canada—are faced with difficulties in increasing their production capacities.<sup>3</sup> Therefore, the view on food security will turn from

---

<sup>3</sup> These problems were also raised at the international symposium of Korea Rural Economic Institute (KREI) in 1999.

the past ideological one to an economically practical one as food supply becomes unstable and food in stock is decreased.

The following domestic changes are expected. First, the center of the agricultural market will be shifted from the producer to the consumer. The diversification of consumers needs in the wake of income increase will speed up the differentiation of products, and restaurant business will sharply grow as people eat out more frequently.<sup>4</sup> As the food market becomes larger, the role of storage and processing sectors will continue to grow, and complex industrialization will progress through vertical integration of related sectors. The marketing channels will also be specialized and diversified, and large-scale retail units, such as discount stores and distributors, will keep increasing their market share. Rapid changes are also expected in the marketing activities in production and wholesale areas following the changes in retail areas.

Second, the domestic agricultural market will become more competitive. Almost all items will face competition from foreign products as the market is opened. Unless a product has high quality and high reputation, it is bound to lose the competition when the market is opened. Therefore, domestic products must improve their advantages in quality over imported products, while cutting expenses and improving productivity. Otherwise, foreign products will keep encroaching on the domestic market. Ultimately, only those companies that can produce good quality products acceptable for export can stay in business, and those products that present a competitive quality can continue to be produced. Competitiveness of primary products, such as rice and beef, must be secured before opening their markets.

Third, the public function of agriculture will be more emphasized as Korea joins the group of advanced nations.

<sup>4</sup> For instance, the portions of fresh food expenses and eat-out expenses in the total food expenses were 43.6% and 31.9% in 1995, respectively, but they are expected to reach 34.9% and 41.7% in 2004.

TABLE 2. Trends of World Agriculture and Agricultural Policies

Period and Features	Major Policies and Results
<p>1960~1970</p> <p>Shift in policy focus from production and price support to restructuring</p>	<ul style="list-style-type: none"> <li>○ Efforts were made to increase production based on the green revolution and price supports, however: <ul style="list-style-type: none"> <li>- There was a limitation in increasing farmers' income by boosting production.</li> <li>- Problems, e.g., overproduction and heavy financial burden, occurred.</li> </ul> </li> <li>○ Around the 1960s, efforts were made to boost productivity and balance incomes between agriculture and manufacturing industry through improved agricultural structure. <ul style="list-style-type: none"> <li>- Establishment of basic laws: Germany (1955), France (1960), Japan (1961)</li> </ul> </li> </ul>
<p>1980s</p> <p>Limitation in development of efficiency-based agriculture and emergence of region-based policy</p>	<ul style="list-style-type: none"> <li>○ The production and restructuring policy contributed to the improved productivity of independent farm households, however: <ul style="list-style-type: none"> <li>- Draining of residents from mountainous areas and worsened poverty among small-scale farmers occurred.</li> <li>- Overproduction spurred the Uruguay Round negotiations.</li> <li>- Ecological cycle was disturbed, and environmental pollution became serious.</li> </ul> </li> <li>○ A variety of policy measures were sought to maintain regional agriculture from the early 1980s. <ul style="list-style-type: none"> <li>- Importance of preservation of land resources and environment was recognized.</li> </ul> </li> </ul>
<p>1990s</p> <p>Policies for continued development of agriculture</p>	<ul style="list-style-type: none"> <li>○ Adoption of farming methods that help resolve overproduction of farm products and protect environment. <ul style="list-style-type: none"> <li>- Sustainable agriculture emerged.</li> </ul> </li> <li>○ Spread of direct payment system to promote the multiple functions of agriculture. <ul style="list-style-type: none"> <li>- Budget for direct payment system in 1996: EU 33 percent, United States 20 percent.</li> </ul> </li> <li>○ Reduction of government functions and stress of private sector's role. <ul style="list-style-type: none"> <li>- Reduction of agricultural supports, and pursuing of market-oriented agricultural policies.</li> </ul> </li> </ul>

Source: KREI, Vision and Policy Issues of Agriculture and Rural Regions in the 21st Century, 1999.

Establishing environment-friendly agriculture, which protects the environment and supplies safe farm products while maintaining optimum productivity, is a trend in the world. Other roles of agriculture, such as preservation of food security, protection of land and environment, and preservation of land for the nation, will continue to be important. By maintaining rural communities, preventing population concentration in urban areas, providing jobs, and keeping aged people, agriculture will also expand its social functions. Improved welfare and living conditions are important to revitalize rural regions and succeed in agricultural restructuring.

## **2. Functions and Roles of Agriculture and Rural Regions**

In Korea, agriculture is required to become a key industry creating added values and jobs, to preserve nation's land environment as an environment-sensitive industry, and to produce food needed by the people as a food industry. Korean agriculture will be able to enable Korea to become an advanced country in the 21st century only by fulfilling these roles faithfully.

First, agriculture should be developed as a life industry stably supplying quality food at reasonable prices. Food is the basic source of life. If Korea is not able to supply enough food to the people, it will hardly be maintained as a nation. If Korea fails in agriculture, a lot of time and expenses will be required to recover it.

Second, agriculture should play the role of sustaining nation's land in beautiful and safe conditions. In line with the world trend, people's awareness of the importance of agriculture in flood control, water resource improvement, soil protection, and air purification is growing. The value of agriculture as an environment-friendly industry will be heightened with the spread of efforts to protect the global environment. Therefore, in the 21st century, it will be very important to let agriculture produce maximum public benefits and minimize its negative impact on environment.

Third, agriculture must contribute to the growth and

stability of nation's economy. Agriculture is a national industry creating added values of natural resources and jobs. It is also important to understand that agriculture is the basis for traditional and regional culture, and political and social stability. The rapid exodus of rural people will substantially raise social expenses because it causes housing shortages, and traffic and poverty problems. In addition, the rural regions are the roots of tradition and cultural legacies.<sup>5</sup> It must be kept in mind that, without the advancement of its agriculture, no country has ever become an advanced nation.

### **3. Vision for Agriculture and Rural Regions of Korea**

With the new paradigm and continued reform of agricultural policies, Korea will accomplish followings for its agriculture and rural regions in the 21st century:

First, systems and regulations will be changed so as to accomodate principles of market economy in and out of the agricultural sector, and a system will be established in which various forms of management entities are selected by consumers and grow in a fair market environment. The agricultural restructuring, once completed, will expand the management scale by focusing production resources on competitive players. Specialization and differentiation, which tend to concentrate production in regions having competitiveness, will continue to progress, leading to continued improvement in efficiency and competitiveness of agriculture.

With the well-established production and logistics infrastructure and the banking system, farmers with willingness and abilities can receive funds in the amount they need when they need them through fair credit rating. With the funds, they can produce farm products under the well-equipped production infrastructure and sell them in the market where fair competition

---

<sup>5</sup> Recently, the OECD Group of the Council on Rural Development has given a high priority to the study of how rural amenities can contribute to rural development.

is guaranteed.

The role of agriculture as public assets, the reward for its positive effects on external economy, and insurance and compensation measures for stable management will be expanded. All systems will be rearranged so as to minimize the negative effects of agriculture on the environment, leading to its optimum production for the society. Besides, supports for the regions and classes that fail in competition will be expanded, allowing heightened flexibility in the use of labor and land, and providing proper social protection to the failing regions and classes.

Ultimately, agriculture will develop into a profitable industry for producers (satisfying producers' conditions to choose agriculture as their job) and an efficient industry for consumers (satisfying conditions of consumers') providing quality products at reasonable prices. In addition, rural areas will develop into a place where farmers can permanently stay with pride, and be enjoyed by urban residents as the place for recreation, rest, and education.

Furthermore, Korean agriculture will perform its economic functions for the country in harmony with the world's agricultural development. Especially, an efficient food supply system will be established in which safe products are stably provided, while domestic farm products and imported ones fulfill separate but mutually complementary roles.

#### **IV. Tasks of Agricultural Policies for the 21st Century**

Agricultural policies of Korea must be reformed toward market-oriented ones in order for its agriculture to have competitive structure. Agricultural productivity should be enhanced through voluntary competition among farmers, and agricultural policies should also be changed to support competition in the market. Especially, the government should complete construction of agricultural infrastructure as early as possible to help farmers lead efficient production and marketing activities on their own. To have best results from the policies,

establishment and implementation should be pursued by taking into account the characteristics of rural regions.

### **1. Expansion of Agricultural Infrastructure for Production, Technology and Information**

Now that basic agricultural infrastructure has been established, the production infrastructure needs to be improved, focusing on the efficiency of investments. Especially, for the efficient implementation of public investment projects, private companies should be given the opportunities to provide survey, design and supervision services to encourage competition among them.

The government must carry out comprehensive research and development to meet technological needs in rural areas. An integrated research system needs to be established for each item, and an objective management system should be introduced to enhance efficient development of agricultural technologies. An integrated agricultural, forestry, and fisheries information network needs to be established in preparation for the information era of the 21st century, and an information dissemination system must also be established for farmers.

### **2. Establishment of Competitive Management System**

A comprehensive farmland use system needs to be built in consideration of food security and the supply of land to non-farming sectors. The direct payment system should also be reviewed positively to enhance flexibility of farmland through trade and lease.

To back up continued growth of full-time farming operations, a management consulting system should be established to support management renovation by establishing a goal of the management system. Opportunities to learn advanced technologies, management skills and information techniques should also be expanded. In addition, the restriction on non-farmers' capital investment in farm business companies needs to be mitigated, and ways to boost female farmers' social status should be sought.

### **3. Stable Acquisition and Supply of Food**

As many people think that food issue is the first priority in human being's concern the 21st century, stable acquisition of food is a permanent task that Korean agriculture confronts. Measures must be established to support food production for accomplishing food security in mind, and long-term, security measures should be pursued to boost competitiveness of rice for its self-sufficiency. Especially, to reinforce competitiveness in terms of quality or marketing, varieties need to be developed to satisfy different tastes of consumers.

With respect to food policies, the government should support public storage, fair trade and efficient marketing based on active private sector marketing. In addition, the government needs to seek ways to ensure comprehensive and stable food supply, including overseas agricultural development under the condition of maintaining domestic production base, diversification of import sources, and public storage of food.

### **4. Establishment of Consumer-Oriented Agriculture System**

Agricultural policies should shift their direction to consumers. An integrated distribution system must be established to reduce distribution cost, and competition among distributors should be promoted by fostering a variety of marketing channels for farm products. A new distribution model should be developed in preparation for the change in the production system toward full-time farming operations at one center. To pursue agricultural policies responsive to the changing trends in food consumption, the quality authentication system and farm product safety standards must be reinforced. Protection of consumer rights is also an important task the 21C agricultural policies should deal with to improve consumer welfare.

Since the scope of consumers is not limited to domestic users, farm products unacceptable for export will not survive from the competition in the domestic market either. To prepare for this change in circumstances, a secure production



infrastructure should be established for export items centering on technology- and capital-intensive agriculture. Especially, an integrated production-marketing-export system needs to be established, by building, for instance, advanced glass houses and marketing facilities.

## **5. Growth of Environment-friendly Agriculture**

Consumers worry about the safety of imported farm products, but domestic products also tend to use excessive chemicals. With the increasing awareness of the importance of environment, an integrated environment protection system that allows improved productivity should be established. The environment-friendly farm product labelling system should be actively used pursuant to the Sustainable Agriculture Promotion Act, which went into force at the end of 1998. Consumer trust must be enhanced, and fair competition must be promoted by assigning environmental agricultural groups the right to grant quality authentication.

An integrated pest management system (IPM) and an integrated nutrition management system (INM) must be established as early as possible to reduce the use of agricultural chemicals substantially. This will require the expansion of accurate soil tests, training of pest management skills together with the establishment of model farms, and designation of model environment-friendly farm villages (IPNM).

## **6. Agricultural Policies for Accelerated Restructuring**

To achieve restructuring of agriculture smoothly, an environment that people can live in rural areas even though not being engaged in agriculture must be present. To provide this environment, investment in rural industrial infrastructure, e.g., roads, pipe water and sewage and information and communication facilities, should be expanded. Development of agricultural water and improvement of living conditions should also be continued.

To encourage part-time farming or staying in rural areas while not being engaged in agriculture, the government should support agriculture-related industries that can be invited into rural

areas to expand income sources for farmers. The direct payment system for medium- and small-scale farm households should be expanded in time with the restructuring speed. Cooperation among all government offices must also be secured for efficient implementation of agricultural policies.

## **7. Continued Reform of Agricultural Policy Implementation System**

To boost efficiency in investments and loans, the government supports must be, in principle, limited to the construction of infrastructure for farmers to lead efficient production and marketing activities on their own. To minimize negative effects of supports, autonomous projects directly related with the interests of individual performers should be funded by loans. To simplify the provision of funds, projects with similar functions and purposes should be integrated, and the integrated fund support system should be expanded to boost autonomy of farmers.

To revitalize regional agricultural policies, rural development plans by individual cities and counties should be realistically designed and utilization of policies must be expanded. Rural development plans must be established with a mid-to long-term view by collecting local opinions. When a local government selects a project, it should be required to check if the project is compatible with the rural development plan.

## **8. Agricultural Trade and Strengthening of International Cooperation**

World agriculture follows the agriculture reform programs of the OECD and the WTO. Regional economic organizations, each made up of a block of nations, are being actively formed, and international trade cooperation is emerging as a very important issue. Korea has been pursuing multinational cooperation through international organizations, such as WTO, OECD, FAO, IFAD and WFP, and regional economic cooperative organizations, like APEC. Korea's bilateral cooperation with individual countries has been focused on current trade issues.

However, many countries now adopt various programs, e.g., the FTA, aimed at promoting international cooperation and exchanges. Therefore, Korea needs to actively pursue international cooperative relations based on the principle of reciprocity. In addition, to strengthen cooperation with developing countries for agricultural development, beyond agricultural cooperation through international organizations, Korea should develop and pursue related policies and strategies.

## **V. Concluding Remarks**

One of the important facts in the 21st century is that Korean agriculture should keep pace with the trends of world agriculture. To keep up with the trends of internationalization and globalization, Korea needs to find a new direction for the development of its agriculture and rural regions. Some of the world trends can be summarized as follows:

The first is the changes in agricultural technologies. Unlike in the past, agriculture is becoming more dependent on technologies than natural resources. This trend is changing the world agriculture.

The second is the world acceptance of the free trade system. The world had been reinforcing protectionism in agricultural trade over the past century. The Uruguay Round negotiations and the establishment of the WTO could be seen as an ambitious attempt to remove protectionism from the world at one sweep.

The third is an increasing awareness that agriculture has multiple functions. It has been long since advanced countries started focusing their agricultural policies on pricing and restructuring to protect their agriculture and boost its productivity. The agriculture's resource preserving function came to be regarded as important as its food producing function. This understanding is specifically expressed in the Policies for Sustainable Agriculture.

The fourth is the expansion of the direct payment system.

From the late 1980s, advanced countries began widely adopting the direct payment system as a measure to counter market liberalization. And with the increasing understanding that the direct payment system is not only a means to support the income of farmers but also a means to boost agriculture's function of producing non-market goods to its optimum level, countries that adopt the direct payment system are rapidly increasing in number.

Accordingly, the reform of agricultural policy should be made so that government functions can be transferred to the market and policy measures can be applied in areas where the market fails to function properly. The government should shift the paradigm of agriculture in this direction, focussing on the following measures:

First, a banking system should be established to provide funds to farming companies who have willingness and ability in the right amount at the proper time, and a competitive environment should be created by establishing, for instance, a market structure guaranteeing fair trade.

Second, investment and loan method should be changed and public investment should be made in areas which would benefit many, unspecified people. These may include the development of production/consumption information generation/dissemination system, improvement of production and distribution infrastructure, development of demand groups, exploration of markets, and development of technologies.

Third, positive effects on external economy should be rewarded properly for the multiple functions of agriculture and rural regions to be thoroughly fulfilled. The direct payment system should also be expanded to help regions and classes dropping out of competition to maintain their normal income.

Fourth, the food management system run by the government as one of its basic roles, should be established to supply food safely to the people. Measures to protect rural environment and to promote rural culture should also be taken to accomplish balanced development of nation's land and to establish affluent rural community.

## REFERENCES

- Kang, Jung-Il. 1997. "An Evaluation of Agricultural Policy Reform and Policy Issues (in Korean)." *Korea Rural Economic Review* 20(4). Korea Rural Economic Institute.
- Kim, Jeong-Ho et al. 1999. *Vision and Policy Issues of Agriculture and Rural Regions in the 21st Century* (in Korean). Korea Rural Economic Institute.
- KREI. 1999. *International Symposium Proceedings on Prospect and Issues of the WTO Negotiation on Agriculture*.
- Lee, Jae-Ok et al. 1999. *Agriculture in Korea*. Korea Rural Economic Institute.
- Lee, Jung-Hwan. 1999. *Strucural Transformation of Agriculture: Its Evalution and Accomplishment* (in Korean). Korea Rural Economic Institute.
- Lee, Sang-Moo. 1993. "Korean Agricultural Policy: Past, Present and Future." *Journal of Rural Development* 16. Korea Rural Economic Institute.
- OECD. 1999. *Cultivating Rural Amenities: An Economic Development Perspective*.
- Sul, Kwang-Eon. 1998. *Agricultural Reform in Korea*. Korea Development Institute.

빈 면