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The Historical Path-Dependency of Monsoon Asia: Common Features and Diversities

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Monsoon Asia, extending from Japan, Korea, and China to India through Southeast Asia, has long been characterized by the production of rice as a staple food. Ancient civilization developed in China and India, both of which were the most prosperous regions in the world until the eighteenth century. In East Asia (Japan, Korea, and China), a type of rural society characterized by the dominance of peasants (not landlords using subordinate laborers) was established under high population pressure when the land frontier disappeared (by the end of the seventeenth century for Japan). The 'traditional' rural society that was thus established has remained basically unchanged until very recently. In India, a different type of traditional rural society, including many non-agriculturalists in villages with hereditary rights to obtain a certain share of the regional products (mainly rice), was established by the thirteenth century, and continues today despite the substantial changes that took place after the nineteenth century. Southeast Asia, long characterized by its low population density, was active in long-distance trade, with the exception of some densely populated agricultural regions (e.g., along the Red River Delta and in Java).

After the West emerged and dominated the world economy with the 'Industrial Revolution', the economic development of Monsoon Asia started in Japan in the form of rising rice yield. The yield per hectare increased from 1.6 tons at the end of the seventeenth century to 2 tons by the Meiji Restoration (1868) and to nearly 3 tons by World War I. The state provided strong support in terms of infrastructure. Such developments in the rice (staple food) sector supported industrialization in Japan. In Korea and Taiwan as well, under Japanese colonial rule, rice yield increased from 1.4 tons in the beginning of the 1920s to nearly 2 tons by the mid-1930s. After World War II (and especially after the mid-1960s) the 'Green Revolution' took place in tropical Asia, with high-yielding varieties (HYVs) developed in the International Rice Research Institute (IRRI) and with the support of infrastructure built using international aid. In contrast with other parts of the developing world such as Central and Latin America and sub-Saharan Africa, Monsoon Asia was successful in its industrialization, especially in the export-oriented manufacturing sectors, based on its preceding success with rice production increase. Mainly due to the unequal rural structures in Central and Latin

America, and as a result of the unsuccessful Green Revolution in sub-Saharan Africa, other parts of the developing world were unable to achieve economic development as rapidly as in Monsoon Asia.

Monsoon Asia is currently very diverse, especially in terms of the economic development it has achieved. This is not only because of the time lag in terms of when each country (region) began economic development. There may be various factors at play. One such factor is the different functioning of the financial market, rooted in the different types of rural societies that were historically formed in each region. Japan, based on the 'autonomous villages' established by the end of the seventeenth century, had successfully organized credit cooperatives since the late nineteenth century, a factor that contributed to increased rural incomes. However, the introduction of cooperatives in South and Southeast Asia pre- and post-World War II failed, owing to a lack of village leaders (such as those found in Japan). After the 1980s, with the resurgence of neoclassical economics, the liberalization of financial markets was promoted in Southeast Asia (Indonesia was a typical case). In the more poverty-stricken South Asia, the introduction of micro-credit started and accelerated. As a result, farmers, small- and medium-sized enterprises (SMEs), and other vulnerable sectors of society faced high interest rates (usually 3% per month), thereby hindering the improvement in their living standards. Many Southeast Asian countries now face the risk of finding themselves in the so-called 'middle income trap'—one of the reasons for which may lie in the high interest rates in their respective financial markets.

Monsoon Asia, especially the most advanced countries such as Japan and Korea, has been suffering from agricultural trade friction arising from their far less competitive agricultural sector (especially rice farming) and their extremely strong manufacturing sectors. The former was derived from the small-scale rice farming that was historically formed in Monsoon Asia and the latter was derived from the hard-working and skillful labor forces (created by higher education) supplied from such rural areas. In this sense, they form two sides of the same coin, in line with the historical path-dependency of Monsoon Asia. Another serious social problem that the most advanced countries in Monsoon Asia such as Japan and Korea are facing is the extremely low birth rate; the total fertility rate (TFR) has declined to 1.3 or even less. The two problems identified here seem to be related to the failure of the establishment of a balanced rural–urban relationship in these countries. Developing ways in which to overcome these problems will be the major issue for countries (regions) in Monsoon Asia now and in the future.