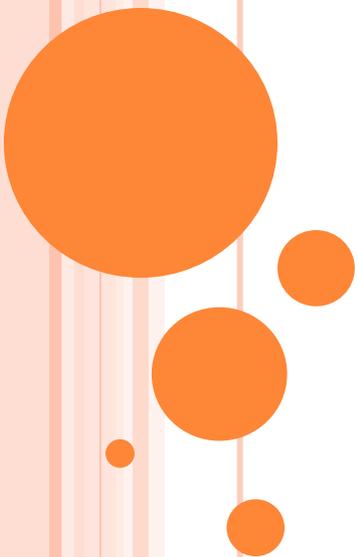


**Workshop on China-Japan-Korea Rural Vitalization Experiences:
Implications for Asian Developing Countries**



STRATEGIES AND POLICIES FOR RURAL VITALIZATION IN KOREA

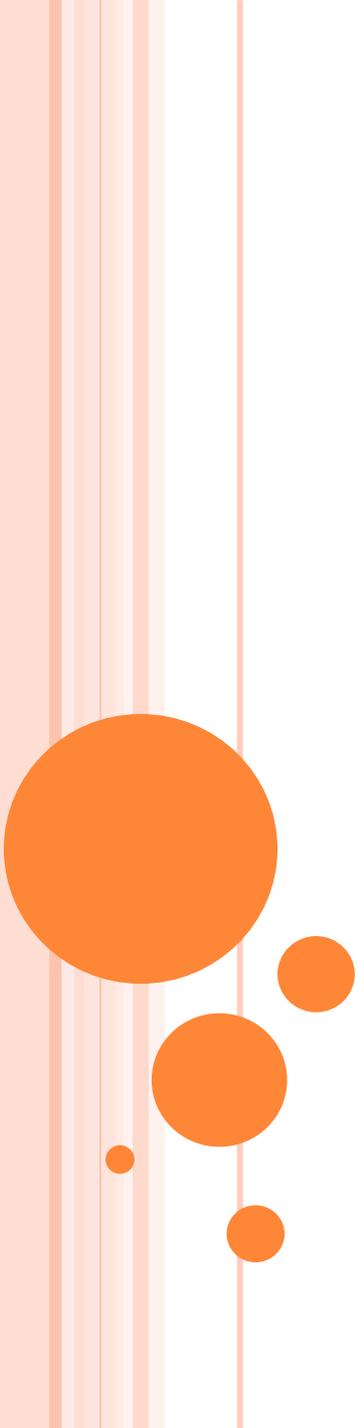
June 25, 2019

Myungsoo LEE

Outline

- 1. Overview of Rural Korea Today**
- 2. Review of Challenges and Strategies**
- 3. Current Policy Agenda and Programs**
- 4. Lessons for Further Efforts**





1. OVERVIEW OF RURAL KOREA TODAY

O. Korea;

- One of countries which experienced very fast **economic transformations** over the last 60 years.

O. Benefits of economic success;

- Concentrated on **industrial sector & rural sector** has been passively involved in **related changes**.

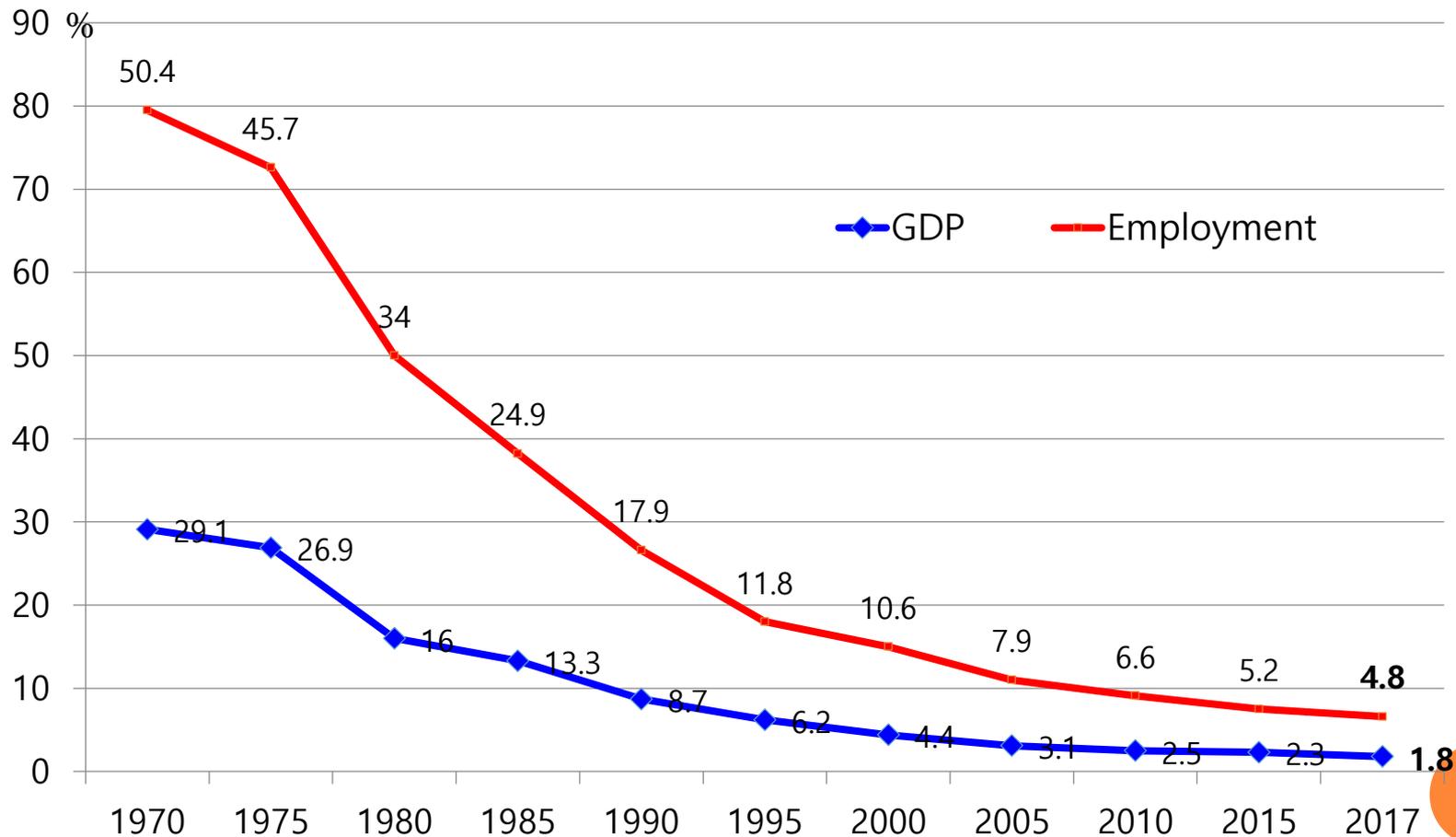
O. Govt.'s rural policy played meaningful roles in this process of transformation,

- but the **fast industrialization & globalization** made lots of **dramatic changes** in a rural sector and resulted in **current status of rural areas**.



1.1 Changing status of agriculture

O. Sharp decline of agr. share in GDP ↘ 1.8% (2017)
- Agr. share in employment ↘ 4.8% (2017)

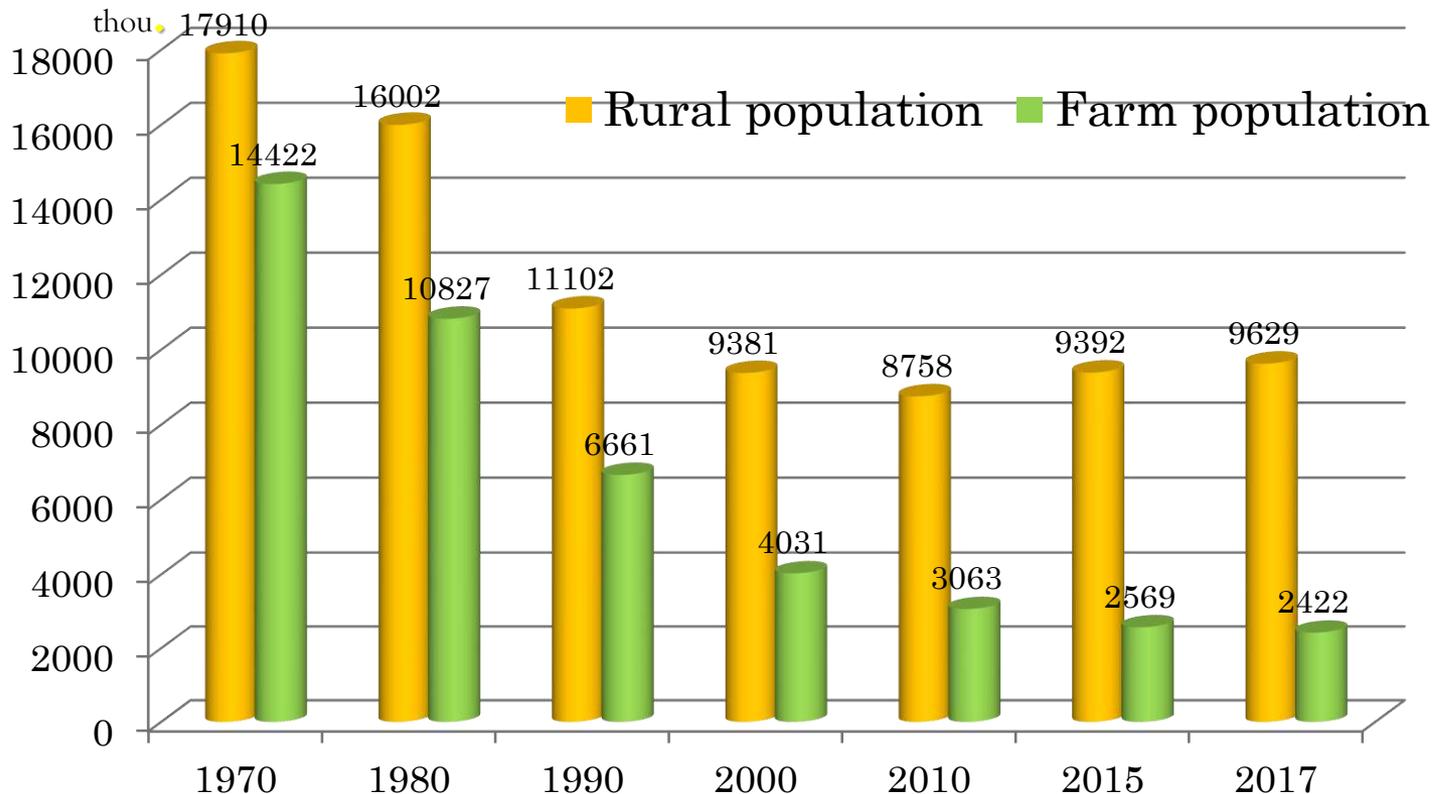


- Source: MAFRA

1.2 Demographic changes (1)

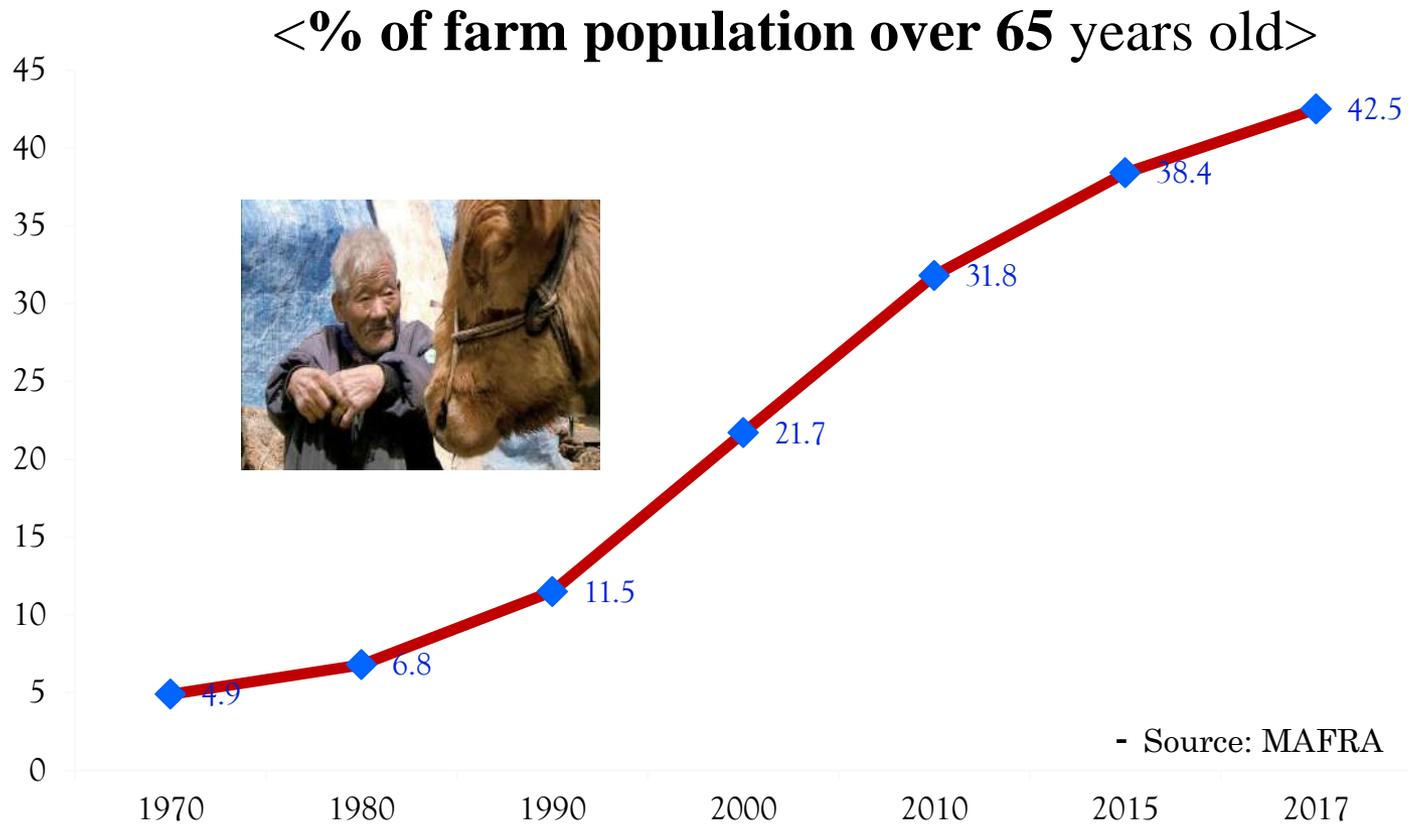
○ Rapid decrease of farm and rural populations

- **Rural population turns upward** in recent years due to returning migration, while **farm population keeps on declining**



— Source: MAFRA, Rural population in 1970 is that in 1975

1.2 Demographic changes (2)



- O. Rapid ageing of farm population: Result of off-farm migration of young age group for new jobs & education opportunities**
 - **Over 65 years old (2017): 42.5% > National average (13.9%)**

1.3 Change of farming structure

O. **Size of individual landholdings: Increased** (0.93 ha/1970⇒1.56/2017)
with the **decreasing** number of **farm household**.

- But it's **too small**

O. Farmers showed a **dramatic change** in the **composition of revenues**
reflecting **recent changes of market demand**.

- Thou. Won(%)

	Crop farming	Livestock farming
2001(A)	17,770	2,423
2017(B)	21,069	8,029
B/A(%)	118.6 %	331.3 %

- Source: MAFRA



1.4 Changing views toward the rural sector

O. Traditional view: Associated with **farming and food supply**
- **Changing view:** Associated with **growing importance of social, environmental and cultural functions** of rural sector

O. This change resulted in a widespread perception;
“Supporting rural areas can bring benefits beyond that areas”

☞ **“Rural areas are for all”**



* Public opinion **survey**(KREI, 2018)

- **53% of urban people** ☞ In favor of paying **additional tax** to support value of rural sector

2. REVIEW OF CHALLENGES AND STRATEGIES



O. Challenges and evolution of rural policies

- have been closely linked to the process of **overall economic development.**

<In other words>

O. Rural policies

- have **not** been implemented in an **isolated** way but interacted with a **wide range of other policy actions at that time.**

2.1 Rural Development Strategies in 1970s

(1) Challenges

O. Extremely poor until 1960s

- **Lack of will to overcome** the hardship.
- **5-year dev. plan** achieved considerable econ. growth.



O. **Urban-oriented** policies

began to create **widening disparities** in income and living condition between **urban and rural areas**.

- Annual growth rate in 1960s: 9.6%(Indust.) vs 3.5%(Agr.)
⇒ **Massive off-farm migration** ⇒ **Decline of rural labor force**
+ **Worsening of urban problems**

O. Strong need to provide rural people with a hope & dream



2.1 Rural Development Strategies in 1970s

(2) Strategies

O. **Govt. turned its attention towards balanced growth from 1970**

- **“Saemaul Undong(SMU)” was initiated to respond the needs**

- **What is SMU?**

“A community development movement ”

to

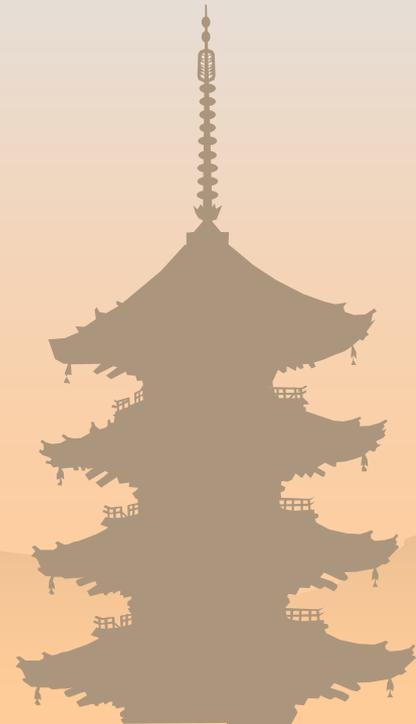
Improve living standards

in the ways of

Diligence, Self-help, Cooperation

with the

Government Supports

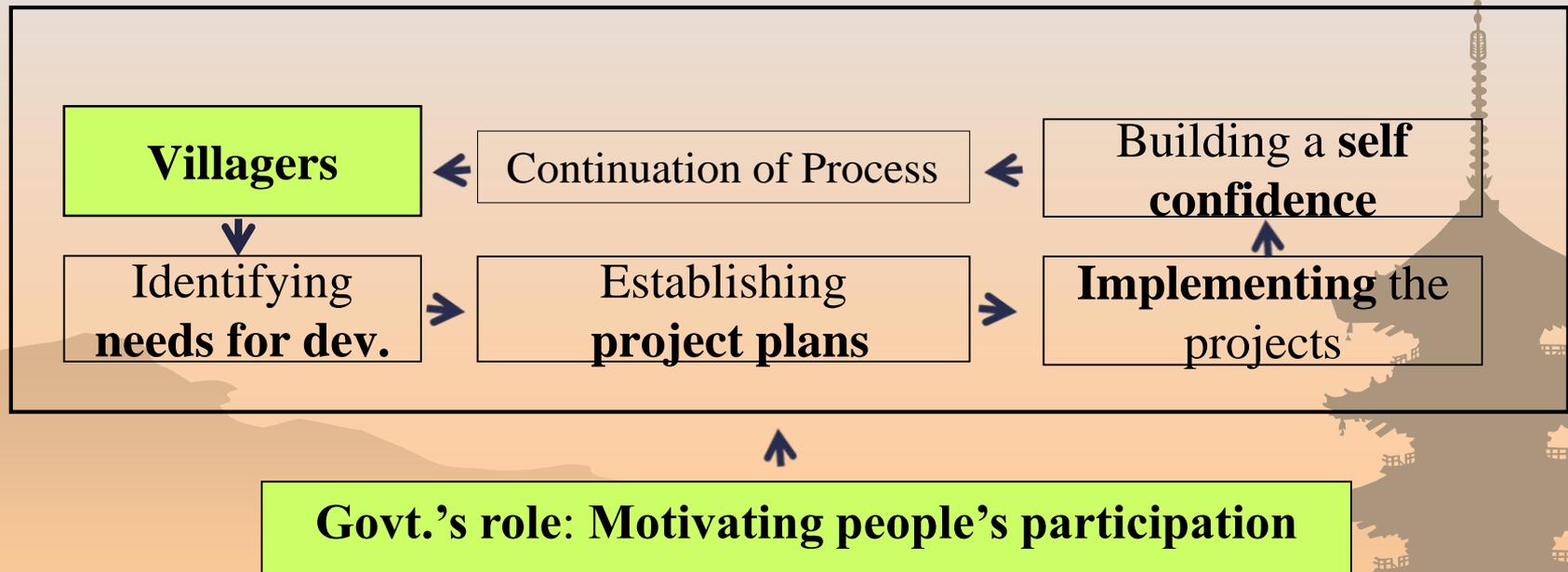


2.1 Rural Development Strategies in 1970s

(2) Strategies

O. Bottom-up approach with government initiation

- Villagers elected **SMU leaders**, established **development plans**.
- With this approach, **half of total investment** was borne by **rural residents** themselves.



2.1 Rural Development Strategies in 1970s

(2) Strategies

O. Integrated approach and nationwide training

- **Coordinating Councils** were formed both at **central & local levels**
- **Two ways of training;**
 - i) **Training Institutes** focused on **case studies** in the field.
→ **Live presentations** of farmer provided **touching moments**.
 - ii) **Interactions** between **SMU leader & local Govt. officials** at the **village level**
- **SMU leaders** were elected from **ordinary villagers** but became **innovative leaders** through these **training processes**.



2.1 Rural Development Strategies in 1970s

(2) Strategies

O. Promotion of competition among villages

- All villages were **open to competition**, and **performances** were **evaluated** → **Effective means** to identify where to invest with **limited resources**



- O. Principle: “More supports for better performances”
→ Govt. **concentrated its support** on the villages showing better performances

2.1 Rural Development Strategies in 1970s

(3) Achievements

O. Development of **rural Economy**

- **Rural** infrastructure at village level: **Strengthened**
- **Living environments: Improved** considerably
- **Income** of rural/urban households: **67.1%**(1970) ➔ **84.7%**(1979)↑

O. Development of **rural society**

- **Community institution:** Established & strengthened
- **Female** villagers: More **active participation & leadership**
- **Democratic citizenship:** Developed through **community activities**

O. Changes of **people's mindsets**

- Experiences of **participation & success:**
The **self-trust** was **built** with
the spirit of ***"We-Can-Do"***



2.2 Strategies in the period of globalization (1980s/1990s)

(1) Challenges

- The **income gap** between rural/urban households:
Improved in 1970s, but started to **fall again in 1980s**.
- **Trade liberalization** associated with **UR** and the launch of **WTO**
created a serious threat to unprepared Korean farmers.
 - Moreover Korea was involved in **Asian Financial Crisis from 1997**.
 - ☞ Farmers faced a **battle to adjust themselves to the difficult situation**
- Farmers exercised strong **pressure on Govt.**
 - **Int'l commitments in WTO** accelerated the **reduction of supports against farmers' claim**.
 - ☞ Govt. was **pressed to prepare a completely new set of policies**.



2.2 Strategies in the period of globalization (1980s/1990s)

(2) Strategies

O. **Strategic unit** of rural policies expanded: **Village⇒ County(Gun)**”
- **Each County** established its **own development plan**

O. **Concept of a comprehensive policy package** was introduced.
- Two times of **investment plans**(UR, 1992~1997 & 1998~2003)
worked as **umbrella policy frameworks** to stabilize rural society.

O. The comprehensive **policy package** included;
- the **structural reform program** to cope with **trade liberalization**,
- **creation of special tax** to support rural development programs,
- additional **investment for agr. R&D and training farmers.**

• However the policies became **more market-oriented** with **less Govt. intervention** as prescribed by **WTO Agreements.**



2.2 Strategies in the period of globalization (1980s/1990s)

(3) Achievements

O. In **worsening environment** such as **rapid industrialization & trade liberalization**, rural policy **slowed down the speed of change**;

- by **strengthening rural infrastructure**,

- by **enhancing farm household income**

(2.7mill.₩/1980 ⇒22.3/1999)

- by providing **new benefits for farmers**.



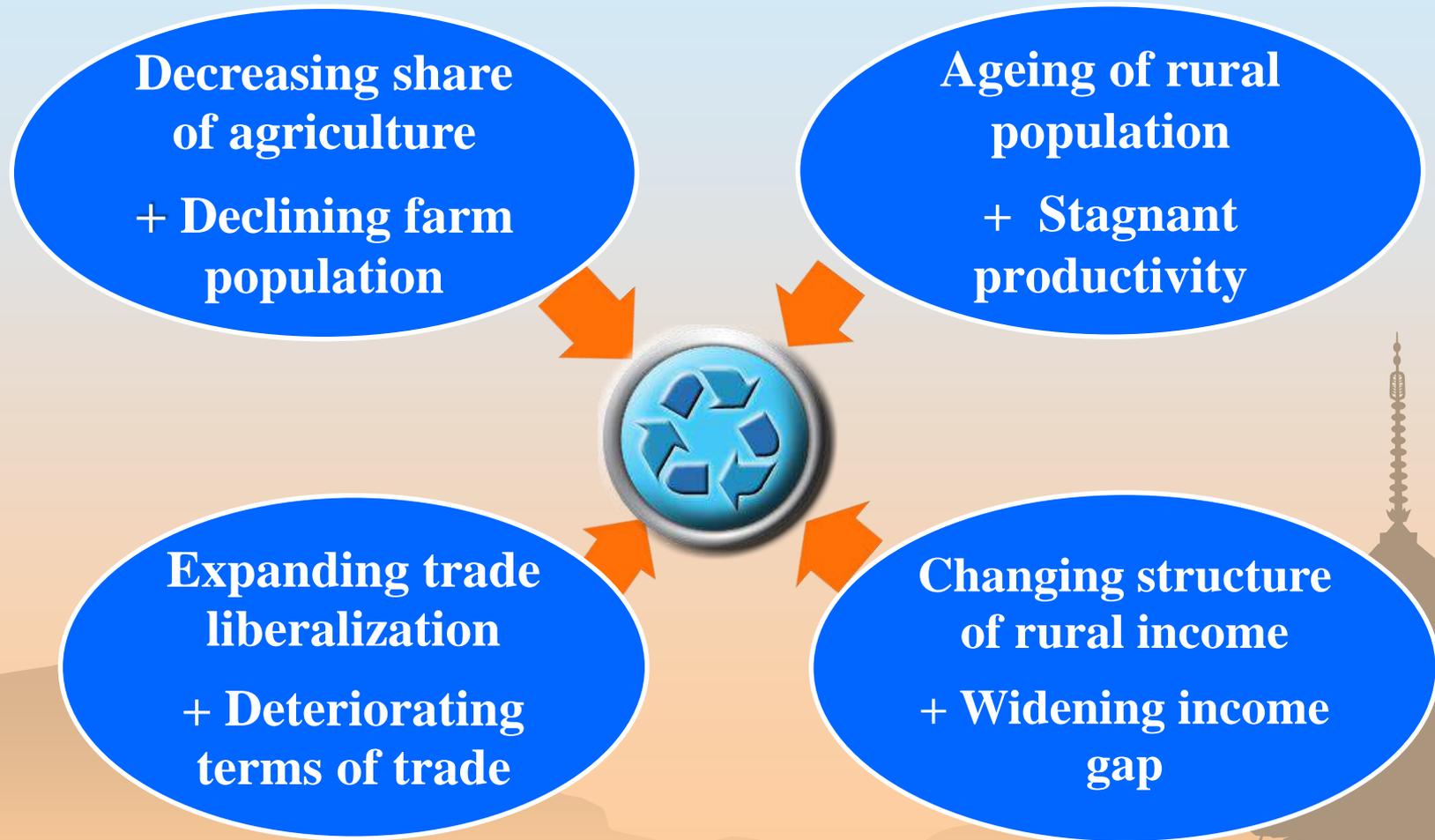
O. In terms of **managing the speed of changes**,

the **achievement of rural policy** in this period **was positive**.

- However it's **not extensive enough** to **reverse the trend of change**.

2.3 Challenges and strategies in the 21st century

(1) Challenges

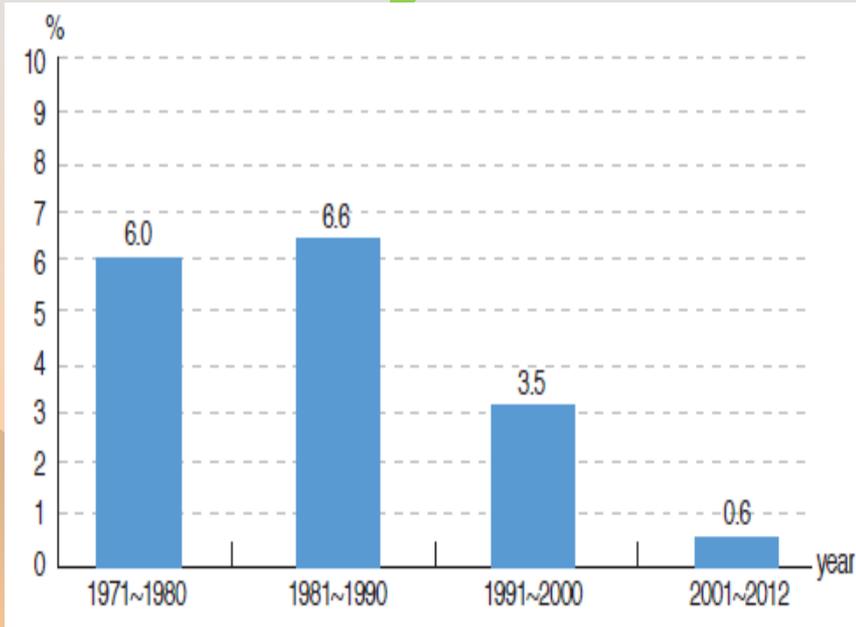


2.3 Challenges and strategies in the 21st century

(1) Challenges

Growth rate of agr. labor productivity

- **Aging** of farm population resulted in **Stagnant labour productivity.**



Source: KREI, 2015

FTAs currently in force

- Korea's **FTA partners:**
52 countries with 15 agreements



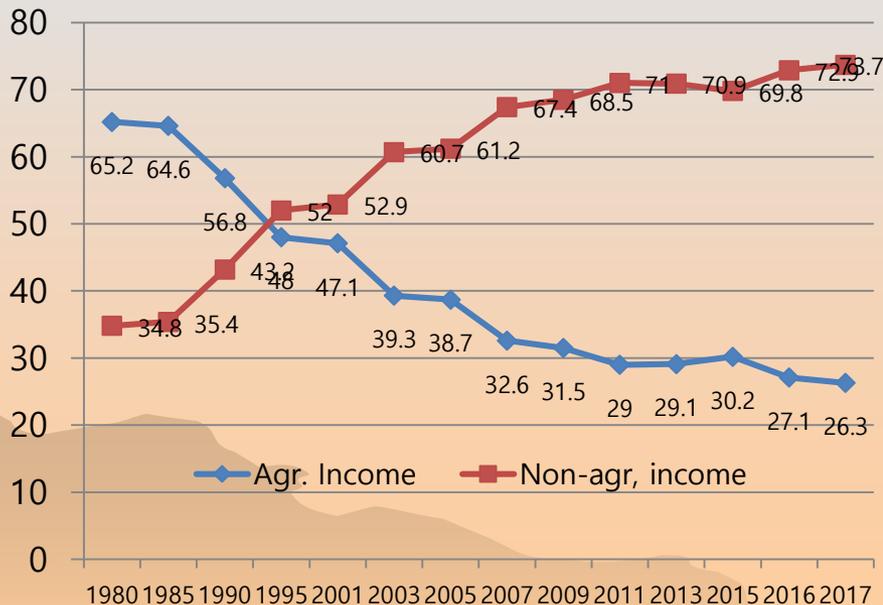
Source: Ministry of industry, trade and resources

2.3 Challenges and strategies in the 21st century

(1) Challenges

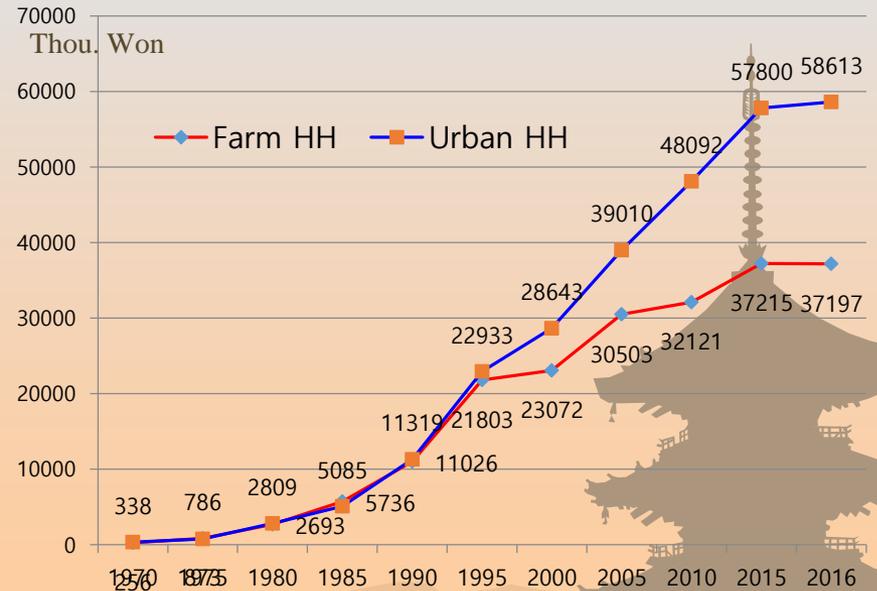
Structure of rural household income

- Share of agr. Income(%) ↓
vs Non-agr. income ↑



Farm & urban household incomes

- **Income disparity** between farm & urban households: **Widening**



Source: MAFRA, 2018

2.3 Challenges and strategies in the 21st century

(2) Strategies

Paradigm shift of views and policies



- o. People's view on rural sector
 - For farming activities
 - ➔ for multi-functions
- o. Increased rural-urban **interactions**
 - **Urban people began to be beneficiaries of Rural policies**

New legislations



- o. **New law 2000**
 - Prescribed **direction of rural policy reform**
- o. **Special act 2004**
 - Provided **framework of investment plan** for rural vitalization

Comprehensive investment plans



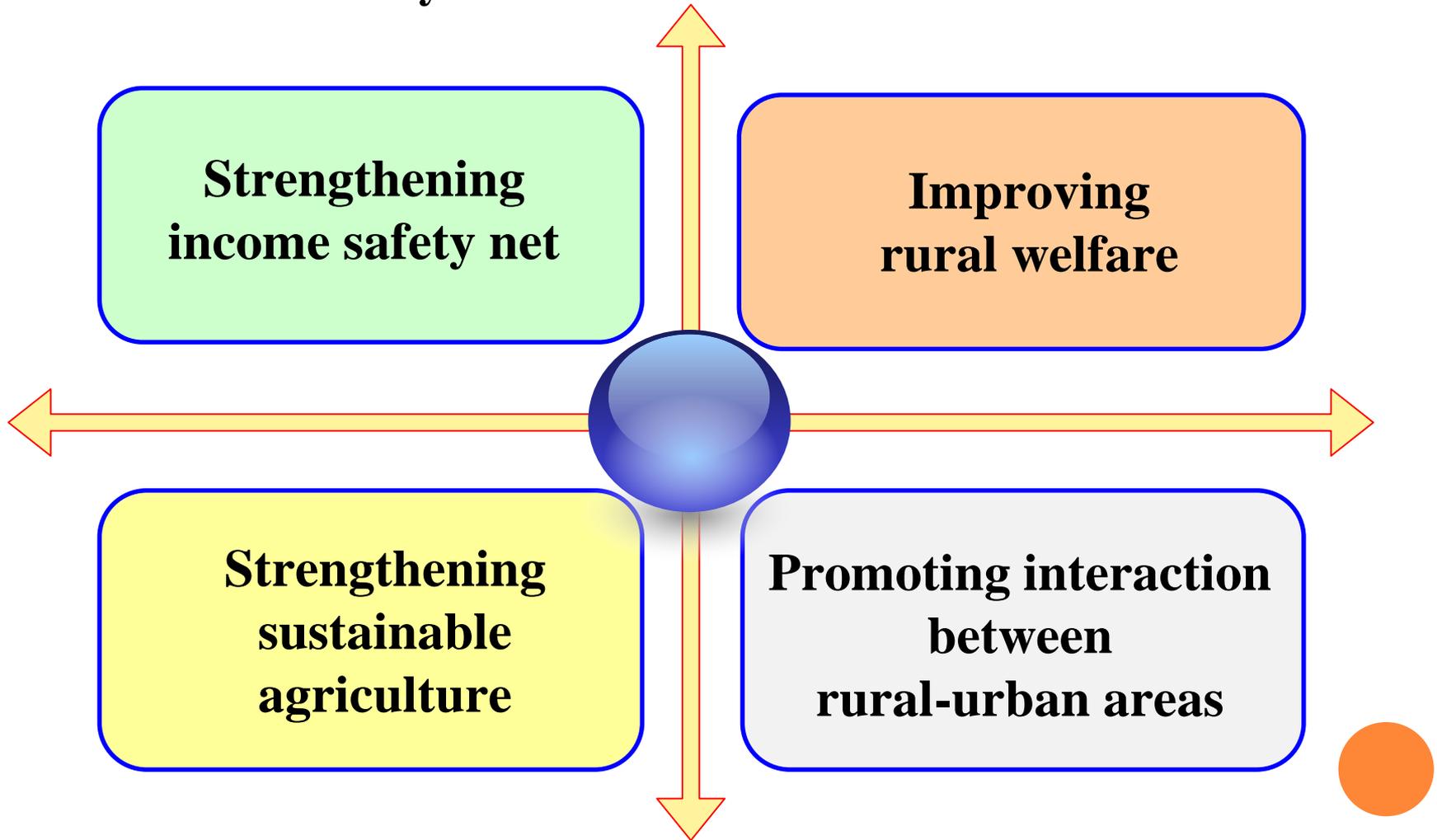
- o. **Priority issues**
 - **Welfare**(medical & pension), **Education, Environment, Urban-rural interactions**
- o. With the plans, **huge amount of investment** was made since then

3. CURRENT POLICY AGENDA AND PROGRAMS



3.1 Policy agenda for rural vitalization

- **Five-year development plan for agriculture, rural community and food industry 2018~2022**



3.2 Programs for rural vitalization (2018~2022)

Income safety net

- **Direct payments: Expanded & reformed** to strengthen **cross compliances**
- **Crop insurance: Expanded**
- **Farming activities: Diversified** for more **income opportunities**

Rural welfare

- **Pension scheme/safety accident insurance: Enhanced**
- **Local transportation for elderly & poor: Improved**
- **Medical outreach services: Improved**

3.2 Programs for rural vitalization (2018~2022)

Sustainable agriculture

- **Young start-up farmers: Comprehensive set of supports**
- **Digital technology: Applied in production, distribution and risk management**
- **Environment-friendly farming: Promoted**

Rural-urban interaction

- **Spread of perception that rural areas are for all**
- **Promoting agro and green tourism**
- **Facilitating the process of urban to rural migration**

4. LESSONS FOR FURTHER EFFORTS



4. Lessons for further efforts

** Some outcomes of OECD study which are applicable to Korean experiences with appropriate adjustments.*

- ① Rural vitalization **strategies need to be tailored** to each country's **specific conditions ant the time**.
 - Korea could **make a success in 1970s**, because it was **designed suitable for the local situation at that time**.
- ② **Concerted governance** is a **key factor** for successful implementation of rural policies,
 - particularly at the **early stage** of rural development.
- ③ **Demographic dynamics** such as **off-farm migration, decreasing & aging of rural population** play very important roles.
 - **Need to be managed** in an appropriate way.



4. Lessons for further efforts

④ **Rural-urban linkages can drive the vitalization of rural society.**
- Rural sector should **not be treated as an isolated entity**

⑤ **Gender equality is fundamental for rural vitalization, because women are key players.**

- **Programs specifically designed for women group have made successful performances in Korea**



⑥ **Rural dev. & environmental sustainability go hand in hand**

- Sustainable management of **natural resources** in rural area requires **sense of balance between short-term & long-term benefits.**





Thank you !