

# Shopping at the Village Stall: Japan's new development initiative

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By Hisane MASAKI

Japan's unique "buy Asian and African" drive has shifted into high gear as part of its broader diplomatic effort to help the poorest among the developing countries.

The Ministry of Economy, Trade and Industry (METI) last month kicked off the drive, officially dubbed the One Village, One Product (OVOP) campaign, which is an expansion of a late-1970s domestic program that is being extended to developing countries.



Logo for Japan's "One Village, One Product" Campaign for developing countries

The campaign will see products culturally representative of Asia, Africa and other developing regions sold across the country.

Products include crafts, textiles, processed foods, and cosmetics.

The concept is the brainchild of Hiramatsu Morihiko, former governor of Oita prefecture in western Japan. The former senior METI official translated the idea into action when he took the helm of the Oita government in 1979. The prefecture's domestic OVOP movement encourages local villages to develop at least one specialty product and make it a hit in national - and even global - markets in the spirit of "acting locally, but thinking globally".

The expanded METI-sponsored campaign comes amidst growing signs of the world's second-largest economy emerging from many years of stagnation. Japan is also close to a victory in its battle against tenacious deflation, a continuous decline in prices that has long plagued the economy by squeezing corporate earnings and wages. Amid the improving job environment and wages, Japanese consumers are loosening their purse strings.

METI held an exhibition of 77 products from 23 developing countries in Tokyo from February 27 through March 3, and until next Thursday many products will be showcased at FOODEX Japan 2006, an international fair near Tokyo where food and beverage producers and buyers do business.

Also, booths for exhibiting and selling products from developing countries will be set up at major Japanese airports. Products from African countries will also be exhibited and sold during an event tentatively named the Greater Africa Development Partnership Fair in Tokyo in early

September.

Japan will also provide technical cooperation using development assistance money to promote the OVOP movement in developing countries by improving their ability to develop and export their promising products. To that end, Japan will specifically dispatch experts to help explore and improve the potential of products and will also accept trainees from those nations with the aim of enhancing the development of human resources.

### Successful Japanese model

Hiramatsu initially proposed the OVOP campaign to prevent depopulation and economic stagnation in Oita prefecture and also to reduce its heavy dependence on the central government, thereby promoting local autonomy. Although the charismatic governor stepped down in 2003 after serving six four-year terms, the movement has deeply taken root in the prefecture on the southernmost major Japanese island of Kyushu.

The prefecture's OVOP movement has been fairly successful. Oita's shiitake mushrooms account for by far the highest share, 28%, of the domestic market. Also, Oita is the only place in the country where kabosu limes are produced. Oita's distilled-barley spirits, consumed with kabosu lime juice, is famous for its smooth taste. Oita prefecture also has two of Japan's biggest spa resort towns, Beppu and Yufuin. More than 10 million bathers flock to Beppu, while more than 3.8 million spa lovers visit Yufuin, every year.



Yufuin in Oita Prefecture

In 2002, the latest year for which figures are available, there were 810 OVOP products, including 338 local specialties, 148 facilities, 133 cultural goods, 111 revitalized regions and 80 items related to environment. In local specialties alone, there was a huge increase in the number of products and sales between 1980 and 2001, with the number of OVOP products jumping from 143 to 336 and sales soaring to 141 billion yen (US\$1.2 billion) from 35.9 billion yen.

In 1994 the Asia Kyushu Regional Exchange Summit was held in Oita prefecture, bringing together leaders from Kyushu and Asian countries to exchange ideas on regional development, human resources and environment issues. Many foreign leaders and politicians have visited Oita to learn about OVOP.

### OVOP goes global

OVOP has been introduced around the globe with some modifications. Hiramatsu has spoken on and helped introduce OVOP in other countries. He was awarded the 1995 Ramon Magsaysay Award, often regarded as the Nobel Peace Prize of Asia, for contributions to the economic independence and development of Asian countries.

The OVOP strategy also has won applause around the world. OVOP programs, especially in the initial phase, have had a positive economic and social impact on communities. Local residents were greatly encouraged by a clear and feasible goal, strong leadership and vision. Villagers have found their local products turning into national brands.

In some cases such attempts have not achieved their intended results, however, while in others the initial momentum was not sustained. Some experts also point out that since the OVOP movements are often led by the local government or strong community leaders, the diverse needs of community people could be neglected.

Thailand is one of the most enthusiastic countries about OVOP. Prime Minister Thaksin Shinawatra introduced the Thai version of OVOP, known as the One Tambon, One Product (OTOP) movement, in February 2001 to promote local industry through manufacturing of specialty products based on the native culture, tradition and nature. The *tambon* is the country's local administrative unit equivalent to a village or town.



Products from Thailand's OTOP movement

Thaksin invited Hiramatsu to Bangkok for a seminar on the movement in April that year and in November visited Oita prefecture. In response to a request from Thailand, the government-affiliated Japan External Trade Organization (JETRO) has supported the Thai OVOP movement in the exploration of specialty goods and the promotion of sales in the Japanese market. Products include textiles, hand-made papers, baskets made of bamboo and other plants, ceramics and wood products.

An OVOP program was introduced in China in the early 1990s, and a growing number of local communities have embarked on their own versions of OVOP - such as the One Factory, One Product campaign in Shanghai.

Shaanxi provincial Governor Chen Deming said "The program has helped local farmers develop unique and beneficial products."

For example, paintings by Huxian farmers, clay sculptures in Fengxiang, Shangluo green tea, Zhouzhi kiwi fruit, and Lintong pomegranates have become popular brands in China, the governor said. In Jingzhou, in Hubei province in

central China, local farmers enjoyed annual income increases of 5-8% after the program was implemented eight years ago, city official Zhang Wenzheng said. Experts point out that the program can shift surplus labor from agriculture to such areas as processing and manufacturing, marketing and research.

Other Asian countries with an OVOP-type program include the Philippines, Malaysia, Indonesia, Cambodia, Laos and Mongolia. And the movement has spread to the United States, with Los Angeles and the state of Louisiana launching campaigns.

### Japan's diplomatic aims

Japan's OVOP campaign, mainly for the least developed countries (LDCs), is part of the Development Initiative for Trade, which Prime Minister Koizumi Junichiro unveiled to ambassadors in Tokyo from 40 LDCs in December, shortly before the World Trade Organization (WTO) ministerial conference in Hong Kong. Assistance for developing countries, especially the poorest among them, is high on the agenda for the current WTO-sponsored Doha Round of global trade-liberalization negotiations.

The initiative features, among other things, duty-free and quota-free imports of products from LDCs and provision of \$10 billion in official development assistance over three years.



Hiramatsu Morihiko

"Based on the idea that it is extremely important for developing countries to develop their capacity to export, and thereby obtain their fair share of the benefits of the free trade system, the initiative represents a package of measures that contributes to the development of LDCs through trade," Koizumi wrote in the Financial Times on the eve of the WTO conference.

While demonstrating how it is helping LDCs through the OVOP campaign, Japan apparently hopes to gain support from developing countries for its stance, especially on farm trade, in the Doha Round. Japan is on the offensive in negotiations to liberalize trade in non-farm products such as automobiles and electronics, but is on the defensive when it comes to agriculture.

The Hong Kong meeting, however, made only modest progress. Trade ministers from about

150 WTO member countries failed to strike a deal on a framework for further liberalizing trade in goods and services. Instead, they pledged to work out such a deal by the end of april, in hopes of meeting an end-2006 target deadline. The biggest sticking point in the Doha round of WTO negotiations is agriculture. WTO members remain sharply split over how much barriers to the freer cross-border movement of farm produce, such as national subsidies for domestic farmers, export subsidies and high import tariffs, should be eliminated, especially in richer industrialized countries. This question has also pitted industrialized WTO members, including the U.S., the European Union and Japan, against one another.

As the Doha round ticks toward the deadline, Japan is expected to come under stronger pressure to liberalize its heavily protected agricultural markets. It is vehemently resisting a proposal supported by many TO members to set a ceiling of 75-100% on the import tariffs for farm products. Tokyo wants to keep those tariffs, especially for politically sensitive rice, as high as possible to shield weak and uncompetitive domestic farmers from a flood of cheaper imports. Japan is also seeking to exempt a greater percentage of farm products from sharp tariff reduction.

While demonstrating its support for LDCs through the OVOP campaign, Japan apparently hopes to gain support for its stance on farm

trade. In recent years, Japan has also been eagerly wooing developing countries for its bid to win a permanent seat on the UN Security Council. More than two-thirds of UN members are developing countries.

Aside from the WTO - and UN - diplomacy, there is a good reason for Japan to help the rural development of its Asian neighbors. There is growing talk of creating an East Asian Community (EAC). The idea got a political boost when 16 countries met in Kuala Lumpur for their first East Asian Summit. It remains uncertain, however, when the proposed community will come to fruition and what shape it will take. Asian countries are immensely diverse economically as well as politically and culturally. If the current huge economic gap between rich and poor countries in East Asia remains unresolved, the proposed EAC would end up as a two-tier group, with residents of poorer rural areas feeling marginalized. This is a prospect all potential EAC member nations deem threatening to the goal of creating a harmonious community.

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