

The Enlightenments to the Strategy of Rural Revitalization in China from the Experiences of Foreign Financial Support for Rural Construction

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Abstract-Rural economy is an important part of China's economy. The strategy of rural revitalization has long been a new height and a new strategy for the problems of agriculture, rural areas and farmers. The strategy of rural revitalization is forward-looking and significant. This paper compares and analyzes the achievements and countermeasures of the rural construction in Korea and Japan, summarizes the common experience of the rural construction of the two countries and draws useful enlightenment for China's rural revitalization strategy.

Keywords-the rural revitalization, financial support, fiscal policies

I. FINANCIAL SUPPORTS THE RURAL REVITALIZATION IN SOME FOREIGN COUNTRIES

A. *The Fiscal Policies of the "New Village Movement" in South Korea*

1) *Increasing financial inputs*

Since the beginning of the "new village movement" in South Korea, the annual fiscal input of the government was about 1.4 trillion KRW. In the fiscal budget from 1971 to 1978, the cost of rural development projects increased by 7.8 times, and the central and local financial investment increased by 82 times. With the increase of national fiscal revenue and the continuous improvement of fiscal situation, the government's annual fiscal input to rural areas has reached 8 trillion KRW.

2) *Implementing Price Support Policies*

The government subsidized agricultural production, protected the production of domestic agricultural products, and implemented the "guaranteed minimum price" for some agricultural products. When the market price was lower than the bottom line set by the government, the government gave price subsidies. In the mid 1970s, the government bought rice from farmers at high price and sold to citizen at low price. The government subsidized the difference of the high price and the low price. This approach stabilized farmers' income and ensured the supply of urban food

3) *Increasing Financial Subsidies*

In order to mobilize the enthusiasm of farmers to build

their homes, the South Korean government implemented different financial subsidy standards for different villages to stimulate the enthusiasm and creativity of farmers. The criteria for standards are not fixed. Villages can be promoted to higher levels through efforts to obtain corresponding financial support from the government. South Korea's income-subsidy system also included direct payments for new environmental agriculture, direct payments for early retirement farmers and direct payments for rice paddies.

4) *Preferential Fiscal and Credit Policies*

In order to support the "new village movement", the South Korean government gradually increased the government's financial input, and provided farmers with discount or low-interest loans for up to 30 years to the maximum extent loans. The government also actively strived for credits from the international organizations, raised social funds in many aspects. The farmers' organization played an important role in the rural finance. The central farmers' organization set up an agricultural bank, specializing in rural financial services, to provide low-interest loans to farmers and maximize the safeguard farmers' demand for funds. The difference of interests is subsidized by government subsidy or tax reduction and exemption.

B. *The Fiscal Policies for the Construction of New Villages in Japan*

1) *High input policies in the field of agriculture*

It was the highest support and protection of the Japanese government for agriculture and rural areas among the developed countries. The central government's financial allocation and loans are mainly used for rural infrastructure construction. In addition to fiscal allocation and issuance of local bonds for rural public infrastructure construction, local governments also invested in rural areas in various ways, ensuring the financial needs of agriculture and rural development. In 2002, Japan's fiscal investment in rural living infrastructure projects reached 30%, and the investment in agriculture through various channels reached 15 times of the total agricultural output value.

2) *Implementing a price support system*

Japan has introduced a variety of price support system.

In order to resist the risk of agricultural products market price volatility, the government and farmers established the agricultural price risk funds together, government investing 70% and farmers investing 30%. The purpose of this fund is following: when agricultural products supply exceeded demand resulting in a decline in market prices, the fund would absorb the excess portion to prompt agricultural prices rebound and protect the interests of the farmers; When demand exceeded supply and prices rose resulting in an increase in market prices, the fund would sell the reserves to push the prices back down.

3) *Establishing an income subsidy system*

In 2000, in order to subsidize the difference of production cost in mountain area, mid-level area and plain area, the Japanese government paid subsidies to the farmers in these areas through direct income subsidy. In order to prevent rice produces from the price drop of free-circulation, the government and farmers jointly invested in a stable operation fund for rice cultivation, of which the government contributed 6% and farmers contributed 2%. This fund was mainly used to subsidize the income loss caused by the price drop of free-circulation rice. In addition to the above two subsidies, Japan also provided farmers with disaster subsidies, production subsidies and agricultural insurance subsidies.

4) *Establishing a low interest loan system*

Financing is the key to rural construction. In addition to tilting the financial input to the rural areas, the Japanese government also provided many financial incentives. Japan provided a large number of low-interest preferential loans to the rural areas every year, which provided a good fund guarantee for the development of rural areas and agriculture. According to statistics, in the 1990s, the annual low interest loan amount paid by the Japanese government just for subsidies was about 1.5 to 2 trillion yen.

II. FISCAL POLICY IMPLICATIONS

A. *Increasing Input in Agriculture*

The strong support of government funds is the main means of financial support for rural construction. Rural construction in China has a common feature, which is the government's financial support for agriculture is stronger than ever before. Many products in the field of agriculture have the nature of public goods. These products cost a lot of money, but they are also an important condition for the sustainable and stable growth of agriculture and the benign development of rural economy. Due to non-exclusivity, non-competitiveness and the phenomenon of "free riding", no private subject can meet the demand of public products. Meeting the demand of rural public products is the precondition and important foundation of rural construction, so this part of capital investment is borne by the government finance. Whether rural construction in South Korean, Japanese or other countries, what the government does first is to increase capital investment. In the field of agriculture to improve agricultural production conditions, improve the living conditions of farmers and improve the

human environment in the countryside. The countryside has the vigorous vitality and wide appeal.

In recent years, Chinese government has taken many measures to increase financial input in the field of agriculture, but our country's fiscal efforts to support agriculture is still very low compared with developed countries. The government should continue to increase financial input to agriculture, adjust the structure of the financial investment, and strengthen the supervision and management of the invested capital. Increasing financial support to new countryside construction is a very important work.

B. *Fiscal Subsidies and Price Support Policies*

Fiscal subsidies and price support policies are frequently used in rural construction in western countries. They are also the policies which can best protect and take care of agricultural products and farmers. The demand of agricultural products is relatively stable, while the supply is unstable due to the influence of climate, so the market prices of agricultural products are usually fluctuating. The price of agricultural products rises and the producers gain profits, but they cannot guarantee the basic life of urban residents. The price of agricultural products falls and the producers lose money. As a result, farmers lose the enthusiasm for production and start to engage in other profitable activities, which will lead to the contraction of agricultural production and the lag of rural development. Therefore, the government usually sets a minimum price for agricultural products. When the market price falls, the government is responsible for purchasing agricultural products from farmers at the lowest price announced in advance, so as to avoid losses caused by price changes and ensure the production interests of farmers. When market prices rise, the government sells some agricultural products to stabilize prices and ensure the stable development of agricultural markets. In addition to providing support for products, the government also provides subsidies for producers in production, sales and export. Financial subsidies for the construction of large-scale water conservancy facilities in rural areas, the transfer of paddy fields, education, technology popularization and rural environment are also the most important channels of capital investment for rural construction. The government's financial subsidy is a strong capital injection to rural construction, which ensures the smooth progress of rural construction.

Compared with developed countries, China's agricultural subsidies are obviously not high. Learning from the experience of developed countries, we should make full use of the policy tools of fiscal agricultural subsidies, reform and improve China's fiscal subsidy system, give play to the role of fiscal subsidies in supporting and protecting a country's agriculture, and play an important role in the construction of new rural areas.

C. *Preferential Tax Policies*

Tax is an important source of fiscal revenue. It is also a

major lever for the government to regulate the economy. When formulating the tax system, the government can encourage and restrict specific economic activities by adjusting the scope of taxation, the level of tax rate and preferential tax conditions. In the process of rural revitalization, the formulation of tax policies reflects the state's preference for agriculture and agricultural products. In terms of the formulation of commodity tax system, many countries regard agricultural products as general commodities and levy commodity tax just like other non-agricultural commodities. The so-called preferential policy is to reduce or exempt agricultural products as a special tax item in the collection or reduction the tax rate. In the formulation of income tax, the income related to agriculture is generally included in individual income tax and corporate income tax. The income is calculated according to the basic characteristics of agricultural production and the characteristics of farmers' income sources, and the tax rate is also relatively preferential. In terms of the formulation of property tax, almost no countries have specifically set up the tax on agricultural land, but it does not mean that these countries will give up this part of the tax source.

Some countries directly include agricultural land in the scope of land tax, and some countries directly include it in the property tax. In the formulation of China's tax system, the first is to reflect the principle of fairness. The tax burden of the agricultural sector should be roughly the same as that of non-agricultural sectors, rural residents and urban residents, so as to reduce the unreasonable tax burden of farmers and not increase the tax burden of agricultural-related fields. The second is to reflect the country's new rural revitalization policy trend. More tax reduction policies and preferential tax rate policies should be formulated to encourage enterprises and investors to invest capital and technology in rural areas, encourage farmers to engage in agricultural production, reflect the state's tendency to support agriculture and rural development, and guide the flow of social funds to rural areas. The third is to reflect the principle of simplicity. Tax collector and taxpayers are facilitated to the tax calculation, as far as possible to reduce the cost of tax and tax. Fourth, the principle of tax neutrality should be reflected. We should minimize the impact of tax activities on rural revitalization and development, give full play to the enthusiasm of farmers in production and life, and fully mobilize resources into the rural sector, so that tax revenue can play a real regulating role in economic development.

D. Fiscal and Credit Policies

Capital shortage is the biggest constraint in rural revitalization. Many countries having made great achievements in rural revitalization have very sound fiscal and financial systems. Diversified financing systems can meet various capital needs in rural revitalization. Some financial institutions only provide loans for large-scale infrastructure, while others can provide loans for trivial projects such as living facilities for scattered farmers. Different lending institutions can meet different needs. Lots

of rural financial institutions absorb the villagers of idle funds at higher deposit rates, and lend to farmers at a lower rates. The government issues low-interest or interest-free loans to farmers or major construction projects related to agriculture through agricultural financial institutions. The terms of the loan are usually looser and the application criteria are lower. The interest loss would be subsidized by government, which not only ensures the interests of financial institutions, but also greatly resolves the problem of the shortage of funds. The use of loans is not limited to agricultural production. Farmers can also use loans to improve living facilities and living conditions and improve the living environment. Providing preferential loans to rural areas is one of the successful experiences of rural reform and construction, but at the same time it needs sufficient government financial resources as a strong backing.

China's current financial system is difficult to meet the demand for funds and loans related to agriculture. Although the loan interest rate of official Banks is relatively favorable, the loan conditions are strict and the loan amount is often limited. Many farmers can only choose to borrow from the private sector, but the interest rate of private financing is high. It is imperative to launch financial means and improve the existing financial credit system.

III. OTHER IMPLICATIONS

A. Playing the Leading Role of the Government

It can be seen from the successful experience of rural construction in various countries that rural revitalization cannot do without the strong support of the government. The leading role of governments in rural construction is generally reflected in the following aspects: first, the government acts as the initiator and advocate of rural revitalization. Second, the government should make overall and long-term plans for rural construction and provide institutional guarantee. Third, the government provides financial and material support for rural revitalization. One thing needs to be clear is that the leading role of the government is mainly reflected in the early stage of rural construction. At this time, the government should organize and mobilize farmers to carry out the construction of rural facilities, invest funds, and formulate the construction plan. In the middle and late stage of rural construction, since the construction work has been gradually on the right track under the promotion of the government in the early stage, the role of the government should be changed from leading to supporting. The role of the government is mainly focused on improving and revising the relevant laws and regulations of rural construction, actively exploring international agricultural cooperation and other macro-control aspects. Although governments in different countries have different scope of regulation and participation in the process of rural revitalization, and play a strong or weak role in different stages of rural construction, the leading role of governments in rural construction is a strong guarantee for the success of rural construction in various countries.

B. Fully Mobilizing the Main Force of Farmers and Giving Play to the Role Rural Economic Cooperation Organizations

The main force of rural construction is the farmer, mobilizing the enthusiasm of farmers to participate in the construction of their homes is the key to the success of rural construction. In national rural revitalization, rural economic cooperation organizations which can organize and mobilize peasants played a major role in the process of construction of the rural. After the government withdrew from the dominance of the construction, a lot of construction was done by The rural economic cooperation organizations played an very important role in the maintenance of the interests of farmers, increasing farmers' income, promoting agricultural development, speeding up agricultural modernization and science and technology, and improving farmers' living environment. Therefore, drawing lessons from international experience, it is very necessary for the successful promotion of new rural construction to guide farmers to establish a new type of farmer cooperative economic organization on a voluntary basis with the support and protection of the government.

C. Attaching Importance to the Construction of Relevant Laws, Regulations and Various Systems

Establishing and improving relevant laws, regulations and systems and creating a good legal and institutional environment are the preconditions for rural construction. All over the world, countries that have achieved great success in rural development attach great importance to the development of laws, regulations and systems. In our country's new rural revitalization, we should also strengthen the establishment of laws and regulations, put the rural revitalization on the track of legal system, and make it legal and immobilized. First of all, we need to repeal and revise outdated laws and regulations, at the same time we need to refine and improve existing laws and regulations, adapt to the new situation to formulate and introduce new laws and regulations. The pace of institutionalization and legalization of rural construction should be accelerated gradually, so as to act in accordance with the law.

D. Strengthening Rural Infrastructure Construction and Increase the Supply of Rural Public Goods

Rural infrastructure construction is the foundation of sustainable development of rural economy. The wide gap between urban and rural areas is mainly reflected in the large gap between rural production and living conditions and urban production and living conditions. Under the long-term implementation of the dual economic structure in China, the public goods in urban and rural areas have not been equalized. National finance firstly ensures the supply of urban public goods, and then the supply of rural public product, which cause the overall insufficient supply of China's rural public products. It become a common phenomenon that irrigation and water conservancy disrepair, land waste in many rural areas, rural public health career decline. That phenomenon will seriously affect the

pace of the new rural revitalization in our country. China must attach great importance to and solve the supply problem of rural public goods. We can determine the intensity of financial input according to the characteristics of public goods and mobilize the forces from all sectors of society to ensure the supply of rural public goods. Pure public goods should be fully funded by the government, and quasi-public goods can be jointly borne by the government and farmers. The establishment of a standardized transfer payment system and financial financing system will provide favorable guarantee for the capital input of public goods, ensure the effective supply of rural public goods, and provide a solid driving force for the construction of new rural areas in China.

E. Attaching Importance to the Education and Training of Farmers and the Promotion of Science and Technology

Human resource is the most important resource in new rural revitalization. Agricultural development is the foundation for rural revitalization to achieve long-term development. Agricultural development requires extensive promotion and application of science and technology in agriculture, and advanced technology should be applied to agricultural production and rural revitalization by people with knowledge. Agricultural scientific research, agricultural education and agricultural technology are public goods, which need to rely on the financial support of the government in the process of promotion. At present, the overall quality of rural labor force in China is not high, which affects the construction of agriculture and rural modernization. The huge population of farmers makes the education of farmers a difficult task all the time. In rural education, it is very important to fully implement the rural compulsory education, increase the investment of rural compulsory education funds, carry out multi-level and give priority to agricultural technical training and vocational education. Universities and research institutions should play the very important role in the farmer training. They can develop distance education and online communication, making farmers self training, promoting cultural exchanges between urban and rural areas, changing the backward rural cultural atmosphere, and strengthening the construction of rural culture.

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